

Book Reviews

The Role of Land Reform in Economic Development: A Case Study of Taiwan by Anthony Y. C. Koo. Frederick A. Praeger, New York, 1968.

Land reform is a standard policy proposal for countries with stagnant agricultural sectors. Knowledge of the ways and the extent to which land reform affects economic development is limited. Conditions which guarantee some success in the effective implementation of the reforms are also not known. Koo's case study of Taiwanese land reforms is an important step in narrowing the area of ignorance in both directions.

Taiwanese land reforms, initiated in 1949 and completed in 1953, were affected after fifty years of active government involvement in providing for substantial overhead investments in the agricultural sector. The colonial government invested massively in land survey, transportation system, irrigation, flood control and agricultural extension. The ready availability of a reliable cadastral system was a help in the quick and effective implementation of the reforms. The adequacy of the economic infrastructure in the agricultural sector and the extension services made tenants and new owners of land willing and able to benefit from the proper incentives provided by the land reforms.

There were three main components of land reforms in Taiwan. First, land rents were limited to a maximum of 37.5 per cent of the principal crop. Practice of advance rent payment and security deposits was abolished. The standard yield for different categories of land was ascertained and fixed by the government for purposes of rent computation. Land rent was to be reduced in cases of crop failure in proportion to the estimated damage to the crop. Second, public land acquired after Second World War from Japanese nationals was sold to cultivators. The purchase price was to be paid to the government in twenty instalments in ten years. The yearly instalment plus land tax was less than the rent that the owners of lands would have paid to the government had they not bought the lands and were cultivating lands as tenants. Third, absentee landlords were forced to sell their land in excess of about seven acres. Land acquired by government was sold back to farmers. The yearly instalment plus land tax was fixed not to exceed 37.5 per cent of the yield of the main crops. Farmers paid for the land in ten years. Landlords were compensated with a reasonable price for the land they surrendered to the government.

The reform measures were not just laws on books. There was effective implementation of the different proposed measures. Lease contracts revised under the new tenancy law totalled 377,000. About 140,000 families bought public land. The number of landlords who sold land to government was 106,000. Land surrendered by landlords was sold to 195,000 families. It is clear that reforms in Taiwan affected a major change in the organization of the agricultural population. There was a significant swing away from landlord-tenant system towards ownership farming. Tenants also got better rewards for their efforts and capital as rents were reduced significantly. Incentives provided to tenants and owners were a significant factor in increasing productivity in the agricultural sector.

The extent of increased income to the tenants attributable to land reforms was substantial. Rent was fixed at 37.5 per cent of the yield of a base year. It replaced the old custom of rent being 50 per cent of the yield in the current year. Any increases in income due to the increase in land productivity accrued to tenants as rents were made a fixed charge.

There was a considerable increase in income of the farmer-purchasers of land. Land tax was a much smaller liability compared with the rents that they used to pay to landlords. Land tax plus land repayment cost was also less than the rent that was paid previously by the new owners of land. There was, therefore, no reduction in the financial ability of the farmers to spend money on the modern inputs.

Concomitant with land reform was wider distribution and reduction in size of holdings. The relationship between farm size and land productivity in Taiwan in the post-reform years indicated that holdings of sizes below 1.5 acres enjoyed the highest productivity per unit of land. The productivity declined as the size of holdings increased. The fear that reforms in Taiwan may depress land productivity via reduction in size of holdings and consequent elimination of economies of large-scale production was unfounded.

The argument that tenants and new owners of land may take advantage of increased income to enjoy more leisure was also refuted in Taiwan. On the contrary, farmers and tenants have used more capital and labour per unit of land and agricultural production rose to historical heights in the post-reform years.

Land reforms in Taiwan contributed to the industrial development in various ways. Landlords were compensated with a reasonable price for their land. Many were given stocks in the industrial firms. The particular method chosen for compensation to the ex-landlords induced them to turn to the industrial pursuits for their living. The supply of capital for investment in the industrial sector increased after land reforms.

Tenants and farmers who got the immediate benefits from land reforms were probably convinced that there is a relationship between reward and performance. They used their incremental income to educate their sons in the hope that they would have an equal chance for vertical mobility after being equipped with modern education. The potential created for the migration of these children to the industrial sector would be beneficial for industrial and agricultural development in Taiwan in the near future.

There is no mention of the socio-political changes brought about by the land reforms in Taiwan. There must have been quite a substantial improvement in the socio-political status of farmers and tenants. It must have had significant effect on the process of development.

Too hasty a generalization of the experience in Taiwan to other developing countries should be avoided. Taiwan had created a substantial infrastructure in the agricultural sector under landlord-tenant system. The proper incentives to tenants and farmers had an immediate and pronounced effect on agricultural productivity. Land-reform measures introduced in Taiwan by themselves may not be enough in countries that are short of the overhead investments in the agricultural sector.

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