

LAND REFORM: THE EXAMPLE OF TAIWAN

**Libertarian
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To be interested in land reform is to risk being labelled out of date. Redistributing the land from the few landlords to the numerous peasants or landless labourers is the sort of thing that liberals used to be worked up about in the last century. “Four acres and a cow for every son of nature” sounds vaguely comic to us in the West today. Yet with two thirds of the world’s population in agriculture the arguments for it are still most compelling. For one thing wide distribution of landed property gives many people a stake in the country so that they are less likely to be lured into supporting revolution. Not a new idea: Aristotle believed that the state with a large number of farmer proprietors was the stablest of all. If the brothers Gracchi had been successful in redistributing the land to the workers (the old soldier farmer class having been destroyed by war inflation and the competition of slave labour) the Roman republic might have been saved and history might have taken quite a different course. Land reform on the European continent in the wake of the abolition of serfdom in the nineteenth century created a vast vested interest in the existing social order. The peasant was the pillar of a hierarchical society, voted for the monarchy, or anyway for the party of authority, and his sons served in the national army. Hitler believed that the foundations of German society were blood and soil and that the peasant farmer was the backbone of the Wehrmacht. Stalin

set about deliberately destroying peasant proprietors, the so-called Kulaks, because, with reason, he thought that they were attached to Tsarism. So the political bonus of land reform was enormous from the point of view of supporters of the establishment — it conjured up a huge lobby in favour of the *status quo*. To Communists land reform was an embarrassingly popular slogan to be redefined as collectivism.

There is also the economic argument that the regime of small proprietors is more efficient. Nobody put this case better than Adam Smith. “To improve land with profit, like all other commercial projects requires an exact attention to small savings and small gains, of which a man born to a great fortune, even though naturally frugal, is very seldom capable. The situation of such a person naturally disposes him to attend to ornament which pleases his fancy than to profit for which he has so little occasion.”

His second point was that if the farmer was a slave or subjected to servile tenures, share-cropping, produce rents, tithes etc., he had little incentive to produce or make improvements which would lead to greater production later on, because he lacked security. Those who owned their land or had the security that tenant farmers enjoyed in England, some of them “rich and great farmers”, were the principal improvers.

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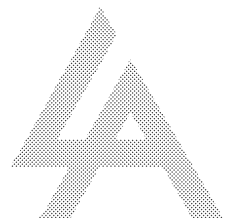
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FOR LIFE, LIBERTY AND PROPERTY



But do these arguments have any contemporary relevance? Ours is a world where most of the wealth comes from industry and services. Besides the neo-Malthusian problem of producing enough food for a world with an exploding population no longer looks so urgent as it did in the immediate post-war years. Of course there is hunger and starvation in Ethiopia and elsewhere but that is not due to lack of technical ability to produce food but to monumental mismanagement. Do we have to worry about creating a bond between the tiller and the soil when science is taking over and large impersonal organisations run by technologists are probably the wave of the future?

Well I think land reform *is* relevant to today's world, especially the so-called third world. For most of that still has a large part of its population on the land. But if most of that rural population consists of landless labourers and if because they have no incentives to produce more food they become poorer as their numbers grow, they will flood into the cities to provide the rootless proletariat which provides ideal material for revolution, while also dragging down the living standards of the urban workers and making them more restive too.

So land reform deserves our attention as far as the third world is concerned, and by analogy the same principles apply to industrial societies. Widespread ownership yields both political cohesion and economic dynamism and independence, the lifeblood of liberty, into the bargain.

“LAND TO THE TILLER”

That is why it is well worth our while to study the example of Taiwan, which has experienced the most successful land reform in history. Land reform was the basis of Taiwan's astonishing record of economic growth which beats that of any other country (apart from the numerically small state of Singapore) for it has been over 9 per cent average for the last thirty years. What is more that growth has coincided with a more even distribution of wealth and probably related to that greater contentment among the people along with an enhancement of personal freedom, even if that is not as great as we have in the West.

It began in an unpromising situation. Taiwan had been a Japanese colony for fifty years when it was handed back to China in 1945 and was in a state of ruin and disorganisation. It had been a relatively backward rural economy producing mainly rice and sugar for export to Japan. But in 1945 agricultural production was down to less than half the pre-war peak. There was rampant inflation, and the six million people were soon joined by a million of Chiang Kai Shek's soldiers who had fled from the mainland who were accompanied by another million civilians. Added to its other problems there was a heavy defence burden because of the threat from Communist China.

The Chiang Kai Shek government was in a suitably chastened mood after its debacle on the mainland, which had been partly due to the fact that they had allowed the Communists to make the running in agrarian reform, and the strength of the Communists had rested on its support among the peasants. Yet the founder of the Kuomintang, Dr Sun Yat Sen, had years before made the policy of “land to the tiller” one of the main objectives of his party in government. In mainland China the landlords had been able to resist land reform. In Taiwan however, the local landlords had little influence on mainlanders in government, especially as many of them had been collaborating with the Japanese. Besides, land reform was an easy means of obtaining the support of the majority of the population who were still dependent on farming.

The land reform programme was carried out during the period 1949 to 1957. The first stage was a reduction of the maximum rent payable from an average of 50 per cent to 37.5 per cent. In the second stage public land was sold to peasant families. In the third stage the landlords were compelled to sell to the government all land exceeding three hectares of rice paddy or six hectares of dry land, and in turn the land was sold to the tenants who paid for it in instalments. The effect was to reduce the share of tenant farmers from 39 per cent in 1949 to 17 per cent in 1957 to 9 per cent by 1974. The results were sensational. The average rate of growth in farm output from 1953 to 1970 was 5.6 per cent per annum. There can be no doubt that land reform was the major factor in this success. The farmers who were working for themselves worked harder and for longer hours and were readier to resort to multiple cropping (as many as four crops were feasible in the south of this sub-tropical island). Also, since they were no longer under an obligation to deliver a proportion of their rice crop to the landlord, they were readier to experiment with other more productive and higher value crops, especially those which produced a high yield as a result of intensive cultivation — very important while the farm population grew, up to 1965. As an indication of the labour intensity of vegetable growing, one hectare of asparagus requires 2,900 times the labour input per hectare compared with rice. There was also a heavy investment in new machinery and chemicals, though this became more pronounced in recent years as labour drifted away from the farms to better paid jobs in industry and services. Thus the number of power-tillers and power-sprayers rose tenfold between 1965 and 1981. In the early stages a very useful role in encouraging the switch to new methods was played by American experts of the Joint Commission on Rural Reconstruction, which by-passed the government bureaucracy. However land reform made the farmers more ready to receive new ideas for increasing productivity. The farmers' associations and credit cooperatives, which had been dominated when the Japanese were in control by landlords and non-farmers, were now enthusiastically run by working farmers.

In Taiwan the authorities avoided the mistake commonly made by land reformers of failing to provide some substitute for the leadership, guidance and provision of credit which were previously available from the landlords or their associates, the moneylenders. The combination they found of outside experts and keen co-operatives is ideal.

There can be little dispute that agricultural growth was the launching pad for Taiwan's explosive economic growth over the last generation. For a start in 1952 56 per cent of those in employment were on the land, and they were responsible for 95.5 per cent of the island's exports. If Taiwan hadn't sorted out her farm problems her economy would never have made first base. Needless to say this was not the usual approach to development, especially in the early years after the war. The orthodoxy, which did so much harm to India for instance, was that industrial development should come first, if necessary financed by compulsory saving enforced on the rural population. In Taiwan's case the rural economy did finance industrial development, in the first place by offering it an attractive expanding market for its goods. This was the Adam Smith pattern that wealth was generated by the trade between the country and the town. A novel feature of the land reform was that the landlords were partly compensated (and in contrast with many other places they *were* compensated) in industrial bonds. This enabled the government at one stroke to denationalise the industrial plants which in 1952 supplied 57 per cent of total industrial production, and thus cleared the decks for free enterprise. The farms also financed capital for industry and half the total imports during the early period of industrialisation from 1953 to 1962. Another point to note is that food processing was one of the most dynamic parts of the manufacturing sector at the beginning of Taiwan's post war recovery. Obviously a thriving agriculture was the platform for this growth.

Growth had also been healthier in Taiwan than in most other go-go economies, because its benefits have been widely distributed among the population. The ratio between the top 20 per cent of income recipients compared with the 20 per cent at the bottom fell from fifteen to one in the early 1950s to five to one by the late 1960s. For at the very same time the disparity was increasing to sixteen to one in Mexico and twenty five to one in Brazil. Land reform obviously contributed to Taiwan's growth of equality in incomes just as a very different kind of land regime influenced a move to greater inequality in Mexico. For there in 1960 1 per cent of the land units occupied 50 per cent of the land and these, the large commercial farms, were favoured by government policy and produced most of the increase in food output.

It is interesting to note that Japan also had a land reform rather on the same lines as Taiwan pushed through in 1946, despite objections by landowners who had a lot of political pull, because it was favoured by

all-powerful General MacArthur, whose father, curiously, enough had been connected with land reform in the Philippines early this century. This also had good results. MacArthur's aim was to help democratise Japan, reduce the political power of the landlord class, diminish the number of landless labourers. This would allay rural discontent and stem the supply of cheap soldiery to the army and thus weaken the power base of the militarists in Japanese society. But it also had the economic aim of expanding the Japanese home market and there is no doubt of its success in doing that.

AGRICULTURE WORLDWIDE

It might be argued that provided there is growth in agriculture it doesn't matter much about redistributing land because there will in any case be a spillover effect of prosperity, a filtering down of higher living standards from the rich to the poor and that this is what really counts in the end. The best refutation of this proposition is the experience of El Salvador.

That largely agricultural country supported two million people thirty years ago and five million today. In one generation it has been transformed from a backward into a modern agricultural economy based on coffee. Much of what had been common land was in the process taken away and concentrated in the hands of a few so that 2 per cent of the owners of land were left in possession of 60 per cent of the total. So the position of the landless rural labourers became more wretched as the economy grew and in their despair they turned to violence or supported the takeover of the state by army generals offering land reform, though any attempt at implementing such reforms was countered — and until recently effectively countered — by death squads in the landlords' pay. In neighbouring Costa Rica, which is also a coffee producer, the small farm is typical and the government has at least tried to do something for the squatters. As a result the history of the last three decades has been a great deal happier.

There may be some argument about the size of holding which is economic, but what brooks no argument is the proposition that private ownership is the best arrangement for economic production of food. The most productive agricultures in the world are those like New Zealand, the USA, Denmark and Holland where the typical producer is the farmer proprietor. And the reverse is true: the most dismally unproductive agricultures are the collectivist systems under Communism. Soviet collectivisation led to a disastrous fall in production and, as much of the grain that was produced was exported to pay for the crash industrialisation, the peasants starved — three million in the Ukraine alone. In China the Communists came to power posing as agrarian reformers distributing the land to the poor, but in 1958 the whole agricultural population was absorbed into communes in six weeks. Worse still, Mao announced his great leap forward, in which grain yields were to double. It was the most horrible flop. Instead

of a miraculous harvest there was a calamitous drought. In the three years 1959 to 1962 twenty million people died of starvation and related diseases and some were reduced to cannibalism.

In Cuba, Castro also came to power promising the peasants that they would receive land as a result of breaking up the haciendas, and there was some distribution of this kind at the start. But soon the policy became one of merely turning large private sugar plantations into large state sugar plantations. In recent years there have been reports of rust afflicting the sugar cane, mould permeating the tobacco crop and Angolan swine fever affecting Cuba's pigs. Naturally the Cuban government blamed the CIA. But the fact is that all the collectivists have grey fingers — everything they touch turns to ashes.

In the Soviet Union the official attitude towards the private plots of the farmworkers has now become benign, because they make a huge contribution to the country's food supply. The most startling change, though, is in China, where communal farms have been restored to family management and voluntary cooperatives encouraged to sell their produce in the local market. This plus a rise in guaranteed prices of between 20 and 30 per cent led, for instance, to a doubling of grain output in seven years and to China overtaking the Soviet Union as the world's biggest grain producer. The Taiwan lesson is quite clear and even Communist regimes have now come to appreciate it. This is that people tend to work better for themselves than for somebody else, especially if that someone else is the state. It also makes them better and more responsible citizens and upholders of the established order. From the start Soviet regimes studied the sociology of revolution. As their leaders grew older they became more interested in preserving their own social order and their privileges within it. So like ourselves they were, even before Gorbachev, in need of a sociology of stability. If this principle is applied to industry and services as well then, despite the Tiananmen massacre, there is still a possibility that China may become a kind of super Hong Kong, very super because it contains about two hundred times as many people.

In recent times there has been intense interest in Ethiopia because of the famine there, though this is largely the result of the Ethiopian government's blinkered Marxism. The Ethiopian farmers are perfectly capable of producing enough food to feed themselves and enough seed and savings to tide them over periods of drought. Unfortunately Mr Mengistu's Marxist government confiscated such stores of money or grain as capitalist hoards and treated those that had them as Kulaks. This is what brought about the civil war in the north of the country which is still going on. The Ethiopian famine is largely the result of governmental folly. Although some of Africa's troubles of recent years have owed something to bad weather it is nevertheless striking that the countries which have

shown the best performance have been those which have encouraged private ownership of land or given peasants security of tenure such as the Ivory Coast and Malawi. The least productive have been those which have encouraged state or collective farms, like Tanzania, Ethiopia and Mozambique. Not so long ago the accepted wisdom among British experts was that Zimbabwe would destroy its agriculture gradually by handing over the big farms owned by Europeans to blacks to be farmed in small plots but in fact despite years of severe drought that country has achieved something near self-sufficiency in maize, mostly due to the black farmers' smallholdings. The reason why the small farmers are able to increase productivity, especially when they are working for themselves, is that the one surplus resource they have — labour — they are more inclined to apply intensively to increase productivity, and if there are new techniques available like multiple-cropping the results can be dramatic.

These are necessarily fragmentary observations on what is after all a huge subject, for to repeat, two thirds of the world's population are farmers. Given that elementary fact it is hard to exaggerate the importance of land reform.

CONCLUSIONS

Let us now sum up the lessons we can learn about land reform which stand out so clearly from the success story of Taiwan. They are:

1. The worker-proprietor is not only the most productive institution for providing food yet invented, he is the foundation stone of a stable, free and just society. He is the antithesis of the serf.
2. Redistribution of land to those working it should, however, not be through an act of confiscation but with fair compensation to the original landowner, if only because this disposes of most of the political opposition to the change. It is also better for the farmer to buy his land, even if at a knock-down price, than merely to have it handed over for free.
3. Where the landowner formerly had a real economic role, for example providing credit, superintending the planting of crops or introducing new techniques, it is essential after land reform to provide a substitute either in the form of a government body or, preferably, cooperatives which will work the more readily if the farmers really run them themselves.
4. Ownership alone will not make for high productivity unless it goes hand in hand with realistic and preferably free market pricing.
5. The best and most natural way for a country to develop is for its growth to be led by agriculture. That will happen of its own accord if taxation is kept low. Then rising farm incomes will provide the market in which manufactures and services can thrive.