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**GOVERNMENT AGRICULTURAL
STRATEGIES IN TAIWAN
AND SOUTH KOREA
A MACROSOCIOLOGICAL ASSESSMENT**

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Nankang, Taipei, Taiwan
Republic of China

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SOUTH KOREA: A MACROSOCIOLOGICAL
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FOREWORD

Development strategies for Third World countries, and indeed growth prospects for the world as a whole have increasingly occupied the attention of government leaders and politicians, business and trade interests, economists, sociologists and others concerned with studying or implementing social change in the period since World War II. This is not to say that economic development and improvement of social conditions were not dominant concerns of human activity before then. What is new in the post-war period is the number of new countries actively participating in the world system, most of them former colonial territories. As Third World countries began to develop, the means at their disposal became the subject of intense study, and the design and implementation of alternate strategies for development was the focus of concern of many new governments. At the same time, more established world powers were being forced to redefine their positions in the world system. Somewhat later in the postwar era, some analysts began recasting the question of development and social improvement in terms of prospects for the world system as a whole, not only for individual countries as analytic units.

In all of these contexts, the questions of what sorts of human activity should be undertaken, and how they should be organized were of central importance. It was recognized that richer countries in the world system had followed a course of industri-

alization, which was accompanied by a wide range of other societal changes, some desirable, some less so, but including the evident wealth and higher aggregate standards of living which became identified as visible signs "development." The question, then, was what strategies can best achieve and/or maintain material well-being for whole societies. Each country's answer, translated into development policies, was somewhat unique. However, most included a stress on industrial development and related trade, plus government sponsorship, coordination and/or support of development activities. Only later was it realized that in many cases agriculture had been ignored, neglected, or worse yet exploited by political and economic interests to foster growth in other sectors, overlooking the fact that an adequate food supply is the most crucial of all components of a satisfactory standard of living.

Today, the question of food supply is central to any study of world development, and the elimination of hunger and poverty is the first goal in any model for long-range planning, whether national or international in scope. An international agency has been created to monitor world food supply. Agricultural assistance is a primary component of bilateral foreign aid programs, and many developing nations which were formerly self-sufficient in food production have become net importers of food. In some cases, successful expansion of industry and diversification of economic structure have been accompanied not only by a relative decline in agricultural production (industry growing quickly, food supply expanding slowly or not at all), but actually by an absolute decline in food production. Also, this is usually accompanied by population growth, which means further reduction in food per

capita. How did such situations come about? Why were development policies (and advice) so apparently short-sighted? Why have international development priorities returned to such "basics" as food? These questions are explored in this study, which focuses on two countries in Northeast Asia which have been relatively successful in post-war development, and which share many similarities in history, geo-politics, socio-cultural background, and position in the world economy: Taiwan and South Korea.

The author, Dr. Hsin-Huang Michael Hsiao is a Taiwanese sociologist. Both of these attributes are important to realize, for they help to place this study in perspective. There is a natural curiosity to study one's own country among social scientists. Indeed much of what is couched in general terms by sociologists is actually the study of one society. To compare one's own country with another, and to give each equal time and consideration requires a great deal of objectivity and a worldly outlook. Furthermore, when a sociologist addresses a subject usually reserved for economists or politically-motivated policy makers, the use of sociological theories introduces new analytic scope. In this case, the use of exchange theory, and a class-interest framework which has both national and international dimension provide fine insights.

This study examines government policies toward agriculture in a period when it was not an overwhelming concern of development planners in either country. This does not mean that the agricultural sector was ignored, but rather that it was exploited to further other development interests and goals, with consequences already suggested above. At the beginning of the period of analysis, the majority of inhabitants of both countries

were peasants, and thirty years later, it could still be said that the majority in both countries were of agrarian background. Therefore, government policies toward agriculture take on an important socio-political dimension in national development. If they do harm to the peasantry, this can have far-reaching impacts in terms of popular support of the government, as well as affecting food supply. Food in turn is both a basic component of material well-being, and a key input supporting industrialization (food supply to workers, surplus for foreign exchange, etc.). Just as peasants are an important part of social structure, so is agriculture crucial to the national economy. Both aspects are encompassed in the exchange theory approach of this study.

International, or world system influences are important in both countries. Korea and Taiwan are former Japanese colonies, exploited for food supply. Both experienced strong American influence in the post-war period in military, industrial, and most important for this study, agricultural sectors of society. The food provided under United States P.L. 480 contributed to subsequent food supply problems in a manner which is sobering to realize.

When Dr. Hsiao began this study, he was not sure how it would be received in his home country, for it can be construed as criticism. However, as he developed the systematic comparison with Korea, it became apparent that the situation was not unique. Indeed, it is widespread among developing nations throughout the world and in various periods of history. As many countries share similar experiences, recognition of the consequences of neglecting or exploiting the agricultural sector can lead to improved policies for development, and through them to more

adequate levels of material well-being. Furthermore, fostering agricultural development directs resources toward the poorest sectors of society, contributing to social justice by reducing poverty as well as hunger. Such goals are universally recognized as honorable and valid.

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CHAPTER I

TOWARD A MACROSOCIOLOGICAL MODEL OF AGRICULTURAL STRATEGY IN THE THIRD WORLD

Introduction: Government and Development in the Third World

When W.A. Lewis wrote *The Theory of Economic Growth* in 1955, he devoted the final chapter to a discussion of the role government can play in stimulating or discouraging economic growth. The distinction between an intelligent and a mischievous government was identified, and the importance of government intervention in the process of economic growth was also recognized (Lewis, 1955). In the Third World today, the central role of government in initiating national development has been particularly emphasized. The Third World states, capitalist and socialist alike, have all embarked on a series of development efforts by means of government programs and national economic plans. The various functions a Third World government can serve in relation to national economic development are well established in the current literature on international development (Green, 1974; Higgins, 1959; Hirschman, 1958, 1968, 1971; Myrdal, 1968, 1970; Ranis, 1973). However, the delineation of an optimal degree of government intervention for development is yet to be seen.

Moreover, government strategy for development, despite its nomenclature, is thoroughly and unavoidably political. Some

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sectors or groups benefit more than others from particular policies, and others indeed suffer loss. The government, therefore, cannot be considered a neutral by-stander. Development policy must take political factors into account. As experienced in most Third World countries, under various circumstances, political factors may press the regime into making changes in the structure of economic activities. Purely economic analyses which assume the rationality of cost and benefit analysis in economic decision-making by a government, in most cases, do not fully account for the real world.

For most existing economic theories, public decision-making, reflected in strategy formation, is either relegated to the shadowy world of "preconditions" to economic growth, or is viewed as an automatic byproduct of economic progress. Hirschman (1968) once criticized that "when economists build a model of growth, they typically do not give explicit independent roles to the ability or motivation to solve problems of public policy". This neglect of government strategy accounts for the failure of economists to provide development theories for the Third World.

It is important to recognize that "development" requires change in the structure of the economy. Developmental change, as it redirects resource flow, cannot help but be "political" because of its implications for the relative position of different sectors and groups. Also, the distribution of development benefit is a matter of legitimate "political" concern.

The correctness of economic development policy is not as objective a matter as it is often thought to be. A political-economic framework is to be preferred in appraising the relationship between government and various other sectors in the

process of national development. As Coleman convincingly points out:

Economic policies are highly determinative of the achievement or prevention of particular economic, political, or social consequences. But economic policies themselves reflect conscious political decisions, thus, once one accepts the importance of political decisions for economic growth, the way in which economic policies are determined is obviously of crucial significance. The comparative study of this process should provide insight into the kinds of decisions and policies that are politically and economically feasible (1972: 38).

What Coleman advocates is the resurrection of political economy in studying Third World development. The broader socio-political-economic setting in which a government development strategy takes place has thus become a focus of study. As Myrdal (1968) puts it, "to account for more than economic factors when studying the processes of economic underdevelopment, development, and planning for development... (should) not be a radical methodological innovation".

This broadening of the spectrum of the conventional economist's view has been reflected in the works of Lewis (1955), Rostow (1960), Hoselitz (1960), Hagen (1962), Kuznets (1966), Adelman and Morris (1967), Hirschman (1968), Myrdal (1968) and many others. They have all turned at some point or other in their analyses to sociologists, anthropologists, and psychologists for a stipulation of the context of national development (Coleman, 1972: 34). Before the sociology of development was recognized as a legitimate subdiscipline in sociology, economic sociologists and political sociologists were called upon to make contribution to development economics.

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Sociologists of economic life and politics called economists' attention to the complexity of the development issue. However, their contributions are rather limited in terms of establishing a macro theory for Third World development. For example, from the writings of Moore (1965), Hoselitz (1960), and Smelser (1959, 1963) on economic growth, all we can gather, at best, is the notion that some sociological implications of economic development need to be recognized. The overwhelming evolutionary assumption in their theories has rendered them of little use for assessing development policies in the Third World today. Also, in such works the role of government in relation to national development only receives marginal attention (Smelser, 1963: 115-6).

On the other hand, the state has long been the focal subject of study in political sociology. However, attention is mainly paid to power relations and legitimacy of the state, rule-making processes, citizen participation, and, particularly, the social conditions of democracy (Lipset, 1959a; Lipset and Bendix, 1966). The issue of economic development is somewhat dealt with in relation to political change, specifically in the form of "democratization" (Lipset, 1959b; Smith, 1969).

Though political sociology provides some insight into the dynamics of policy making in general, it fails to offer a useful analytical tool to account for economic development strategy. Questions of government action concerning resource allocation, the distribution of benefits and costs, control mechanisms for growth, etc, are beyond the capability of conventional political sociology (Mitchell, 1967). It does little deliberate normative theorizing, and fails to achieve policy relevance for development policy-makers.

In response to the frustration of development economists and the failure of conventional economic sociology and political sociology, the professional respectability and practical essentiality of "political economy" has been rediscovered. Political economy, equipped with economic analytical tools and macrosociological insight, recognizes the significance of such noneconomic influences as social structure, the political system, and cultural values in decisions on the production and distribution of economic goods. Political economy, in sociological terms, explores social acts (e.g. public policy-making) which have macroscopic political and economic consequences, and the relation of these consequences to each other (Etzioni, 1970: 108-9).

Following this direction, the sociology of development, as a relatively new discipline, has tended to take a rather macroscopic perspective in its approach to Third World Development issues. A.G. Frank, for example, in criticizing the relevance of the current evolutionary, functionalist, psychological, and diffusionist theories to the reality of the Third World, has suggested a need for structural holism, and calls for historical analysis of the world's social system as a whole within the sociology of development (Frank, 1970: 321-397). Thus political economy requires a macrosociological model of domestic national development, and the sociology of development focuses on the world context in which a Third World country experiences its developmental change. As will be elaborated later, the two approaches should not be separated if a realistic understanding of today's Third World development is to be obtained.

The role of Third World government has once again been recognized as important for national development. The government, ruling elites, competing sectors, economic planners, the

development ideology itself, and foreign powers are all crucial component parts of the total situation, and the interactions among them are all objects of analysis for sociologists (Goldthorpe, 1975; Oxaal, *et al*, 1975; Illchman and Uphoff, 1969, 1972; Portes, 1976).

Therefore, to understand Third World development, it is important to focus on government's behavior in the development sphere, as manifested in economic development policy making and plan formulation, and its relations with the sociopolitical setting in which it takes place. To some students of international development, economic development refers to a deliberate act of economic policy implemented by the government to accelerate economic growth and sociocultural change in a country. In other words, development is viewed as a conscious and planned societal change rather than a purely unplanned gradual evolution. Government, in most cases, performs the role of "change agent" during the whole process.

This book will concentrate on only one aspect of government development strategy: agricultural strategy; and in only two Third World countries: Taiwan and South Korea, in the post-WW II era. Before presenting our macrosociological model for assessing Third World agricultural strategy, a brief discussion of the role of agriculture in national development seems essential.

Agriculture and Development in the Third World

There is little doubt about the crucial role agriculture can play in various phases of economic development in Third World countries. Particularly, much attention is paid to the "con-

tributions" of agriculture as a sector to overall development in the initial stage of Third World development⁽¹⁾. Though the importance of the agricultural sector in national development will vary from country to country, six potential functions agriculture can perform in any country are particularly stressed (Mellor, 1966; Nicholls, 1964; Thornton, 1973):

- (1) Supplying food to consumers in both the agricultural and non-agricultural sectors.
- (2) Supplying raw material to the non-agricultural sector, such as food for processing, fibers, leather, timber, charcoal, etc.
- (3) Transferring surplus manpower to the non-agricultural sector.
- (4) Supplying capital funds, through taxes and savings, to the non-agricultural sector.
- (5) Expanding production for export (both food and raw materials), direct or through processing in the non-agricultural sector, to the world market to earn foreign exchange.
- (6) Acting as a market for non-agricultural products, both

(1) The term "agricultural sector" is seldom precisely defined by writers who use it. Distinctions such as agricultural/non-agricultural or Clark's initial differentiation of primary/secondary/tertiary sectors also have to be handled carefully. For purposes of this dissertation "the agricultural sector" is defined in the traditional way to include land-using activities designed to produce consumable goods derived from natural growth processes (that is, including forestry and fisheries). Statistics on agricultural growth indicated in the text should be understood in this term. However, a narrower definition of agriculture to include only "the farm sector" will also be used in the text.

for direct consumption and for investment.

Reviewing a dozen or so early models of development, Reynolds admits that existing models regard industry as the focal point of economic development, with agriculture playing the role of a "resource reservoir" (Reynolds, 1975:1). Nevertheless, it is also believed that economic development cannot be sustained without the crucial support of the agricultural sector. The extent of agriculture's contribution to overall development, in fact, can largely be determined by government action in the Third World. The success or failure to put agriculture to work for overall growth can be critical to a Third World government's development performance. This particular government intervention is often referred to as the "developmental squeeze on agriculture"⁽²⁾. Boulding and Singh (1962:31) state that a "squeeze on agriculture seems to be a feature of all developing societies, whether socialist or capitalist". Owen (1966) further distinguishes two aspects of what he terms "the double developmental squeeze on agriculture". On the one hand, the production squeeze requisitions increments of farm production. On the other, the expenditure squeeze requisitions residual farm income for essentially non-farm uses. The six functions of agriculture mentioned above can be easily translated into either one of the developmental squeezes. Viewed from this perspective, a government strategy for agriculture is mainly designated to squeeze agricultural growth and transfer it to the non-agricultural sector. The difference between an effective and an

(2) Reference to "squeeze on agriculture" also can be traced in much of the classical literature of political economic analysis by Adam Smith as well as Karl Marx.

ineffective agricultural policy lies in the way in which the squeeze has been applied and in the relative efficiency with which the process has operated in each case (Owen, 1966:44). The whole question of how much the agricultural sector and its attached population actually gain from national development remains unanswered in the current literature on the economics of agricultural development.

However, it also has been argued that a successful squeeze on agriculture ought to be accompanied by an effective development program for the agricultural sector itself (Reynold, 1975). Without it, the squeezing strategy would be detrimental to long-term development. This ambivalent view about agricultural development, however, has not yet been fully appreciated by the elites and planners in the Third World today. As a result, Third World Agriculture is squeezed in one way or another, but without having been "developed" simultaneously. The existence of slow growth and general underdevelopment in agriculture throughout much of the Third World can be largely attributed to either "ignorance" or "over-squeeze" of agriculture through government strategy⁽³⁾.

The pressing global food crisis and rural poverty have forced Third World leaders to reconsider their governments' agricultural strategies. However, to the distress of many observers, the implementation of agricultural development is hesitant and partial in most Third World countries, despite bold policy pronouncements and the lessons of recent history. As a USAID officer correctly pointed out, this is not because the Third World leaders are

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cowardly or selfish, although some are. Instead, the limited strategic change reflects primarily the fact that the immediate political risks of agricultural/rural development are high and many of the needed implementation tools are not in hand (Butterfield, 1977: 8-9). The basic political problem for Third World govern-

- (3) For the period 1934-38 to 1968-72, it appears that the annual rate of growth in agricultural production in the developing world is around 2 percent. The rate reaches or exceeds 2 percent for Africa, Latin America and the Middle East, while it is about 1.9 percent for Asian countries. The high rate of population growth, however, results in a lowering of per capita production for the same period (see the table below).

Annual rate of growth of total and per capita agricultural production

	1934/38--1968/72	(in percentage)
	Total	Per Capita
Africa	2.4	0.1
Far East	1.9	-0.1
Latin America	2.2	-0.3
Middle East	2.5	0.5
Total Less-developed countries	2.1	Less than 0.05

Source: F.A.O. *Production Yearbook* 1972; Cited from Bairock, *The Economic Development of the Third World since 1900* (U. of California, 1975) p. 17

It has also been estimated that the 1975 record grain harvest of 1.15 billion metric tons will have to be increased to 1.88 billion metric tons by the end of the century, just to keep up with population expansion. A projection of the current situation would find 1.5 billion persons suffering from starvation and chronic malnutrition in 1995. An additional 1.5 to 2.0 billion persons suffering from deficiencies of proteins, vitamins, and mineralism and from part-time hunger. See Pytlik, *et al.*, *Technology, Change and Society*, (Davis Publications, Inc., 1978), pp. 158-59.

ments working on agricultural development is that the process inevitably involves changes in the position of vested interests. Tampering with vested interests is a political risk for any regime, and some fear they may not survive the attempt. In other words, the broader sociopolitical setting can greatly determine what options a government may have and how politically feasible it is for a regime to carry out a progressive and non-squeezing agricultural policy. In short, it is important to explore the conditions under which various agricultural strategies are likely or unlikely to be undertaken by certain types of Third World governments. Careful comparative case studies of individual Third World countries are needed. This dissertation is such a research endeavor.

Before taking up this inquiry, its relation to the conventional concern of agricultural development should be made clear. So far agricultural economists are still the major contributors to the issue of agricultural development (Hayami and Ruttan, 1971; Johnston and Kilby, 1975; Mellor, 1966; Southworth and Johnston, 1967; Wharton, 1969). With a few exceptions, they usually view agriculture in merely economic terms and, agricultural development is defined as the change and growth of agricultural production. As indicated above, the relation between agriculture and economic development has been one of the major concerns in the literature of agricultural development. Efforts are also made to identify specific ecological, economic, and technological variables that will put constraints on performance of the agricultural sector. The relationships of the agricultural sector to its insti-

tutional setting are largely omitted⁽⁴⁾. On the other hand, rural sociologists are more concerned about the implementation aspects of agricultural programs. They believe that agricultural development should be examined within its social and institutional context. In other words, emphasis now is shifted to the "agrarian" context of agriculture. In Wittfogel's definition, by "agrarian" is meant an agricultural core, which may have a complex ecological and institutional setting (Wittfogel, 1971:3). Any development of the agricultural sector cannot be merely a commodity issue. On the contrary, it should be an agrarian issue. Moreover, it is commonly recognized that the term *agricultural* is less inclusive than the term *rural*, though they are often used synonymously (Smith, 1972:4).

Three sets of social or human factors are delineated by rural sociologists in relating the agrarian setting to the implementation of agricultural/rural development.

1. Social structure: such as kinship, religion, rural stratification, land tenure, entrepreneurship, leadership, technological innovation, etc. (Epstein, 1972; Smith, 1972;

(4) Agricultural economics emerged as an academic discipline at about the turn of this century, after U.S. agriculture was far along the road to modernization. It "grew up" after the basic economic, social, and political institutions of agricultural production and distribution were established. As a result, agricultural economics rarely provide analytical insight into a system where institutions are just emerging, or are different. Policy issues which concern researchers were essentially those dealing with imperfections of the established system--obstacles and barriers--inhibiting the most efficient use and combination of given resources. See Peter Dorner, "Needed Redirection in Economic Analysis for Agricultural Development Policy" in *American Journal of Agricultural Economics*, (Vol 53, Feb. 1971). pp. 8-16.

Hunter, 1969).

2. Organization of local government and other rural institutions, and their effectiveness (Uphoff and Esman, 1975).
3. Communication between farmers and change agents (i.e. extension workers), and the degree of individual modernization among farmers in relation to the diffusion of agricultural innovations (Rogers, 1969, 1972).

Among these sociological factors, more and more attention has been paid to the importance of rural stratification and class structure to success or failure in the execution of rural development (Stavenhagen, 1975; Hale, 1976; Felder, 1975). The essence of rural development is not limited to results measured by quantitative growth, but rather it is the very nature of social transformation reflected by the changing social factors. However, the scope never goes beyond the immediate agrarian setting.

Summing up the above discussion, one can gather that on the one hand, agricultural economists are interested in the economic end-products of the agricultural policy to be adopted. On the other hand, rural sociologists are more concerned with the implementation of agricultural policy and programs based on that policy.

Undoubtedly, economists and sociologists have presented, in various degrees, a variety of important variables that are considered to be influential in agricultural/rural development. But both of them have left "government strategy" aside in their theorizing, let alone analyse the determinants that influence agricultural strategy.

The present study, in reaction to the lack of concern for the macroscopic impact of government strategy on agriculture, intends

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to focus on government strategy. The main thrust of the study is to explore the relationship between government agricultural strategies and the broader political economic setting in which they are formulated and undertaken in Taiwan and South Korea.

Agricultural Strategy and Its Politico-economic Setting:

Some Definitions

According to Webster's dictionary, a strategy is "the science and art of employing the political, economic, psychological and military forces of a nation or groups of nations to afford the maximum support to adopted policies in peace or war". Another definition is that a strategy is "the art of devising or employing plans toward a goal". Applying it to agriculture, a government agricultural strategy is thus defined as a mix of policies and programs involving political, social and economic forces, used by the government to influence the pattern and rate of agricultural and rural improvement.

A fundamental analytical approach to an agricultural strategy is to consider simultaneously its objectives, means, and constraints. In general, an agricultural strategy has three major objectives:

- (1) to increase the output of the agricultural sector so that overall economic growth and structural transformation will be promoted. Full advantage of positive interaction between agriculture and other sectors is taken. It encompasses what has often been referred to as agriculture's "contributions" to development. It is suggested in the previous section that this objective aims at the developmental squeeze on agriculture.

- (2) to achieve broadly based improvement of the well being of the rural population. That includes the improvement of income opportunities, health services, and other public services.
- (3) to induce changes in attitudes, behavior, and institutions that have a favorable impact on the process of social development in rural communities (Johnston and Kilby, 1975; 133-139).

However, there exists potential conflict and contradiction among the above three objectives. The most difficult of these lies between the first and second. To achieve a net flow of resources from agriculture required in the first objective can constitute a dilemma for the second objective, to improve the welfare of the rural-agricultural sector (Johnston and Kilby, 1975; Lipton, 1977). As to the third objective, there are doubts as to its validity, given the conflict between the first two objectives. In the Third World today, most efforts are primarily devoted to realizing the first objective and the importance of the second objective has been neglected. The third objective has been tested in the world wide campaign of community development advocated by the U.N., but the result is questionable due to the lack of a strong policy for realizing the second objective (Myrdal, 1972: 105-108).

In order to realize the squeezing objective, several policies and means have been popular in the Third World. Low price for agricultural products is a major policy tactic for keeping the labor wage low in the industrial sector. Higher agricultural input price is another way to absorb rural cash income to stimulate domestic industrial growth. Other policies such as taxation on land, water,

irrigation facilities, etc. are usually, in fact, unfavorable to the agricultural sector.

The broader setting in which a government agricultural strategy is undertaken can constitute the "constraints" on government's intervention in agriculture. It will be examined in terms of its three subsettings: 1) the agrarian setting; 2) the wider domestic politico-economic scene; and 3) foreign influences. The following are some conceptual clarifications.

The Agrarian Setting

As indicated, the term "agrarian" suggests that agriculture exists in a complex institutional context. Therefore when we speak of the agrarian context of a given agricultural situation we are thinking of its institutional setting. Wittfogel maintains that the investigation of the agrarian system is crucial to the understanding of agricultural development and related issues. He criticizes the shortcoming of what he terms "microanalytical" studies of agricultural problems.

Microanalytical studies often deal with seemingly significant details without considering their place in the larger context. Macroanalytical studies, which stress this context, help us to separate essential from nonessential details. National or religious tradition may considerably color a given agrarian system without being necessary for its persistence. For the investigation of certain ecological, agronomic, and agro-economic details, clarity concerning the agrarian system in which they occur is irrelevant. For the investigation of others it is useful. For still others, it is vital (Wittfogel, 1971:4).

In this study of government agricultural strategy, three institutional variables are considered particularly vital. They are:

(1) Types of agricultural organizations (enterprises). Among the different organizations, the variant extent to which the ownership, control and management of the farm land are concentrated are apparent. There are five major types of agricultural enterprise existing in the Third World: sharecropping, settler estate, commercial hacienda, plantation, and family-sized farm (Paige, 1975: 76-86; Stinchcombe, 1961-62: 169-76). The organizational difference seems to largely determine the social system that prevails, and therefore, the character and personality of those who till the soil and the nature of the groups involved (e.g. family, neighborhoods, communities, and societies) (Smith, 1972). It also sets some constraints on the goal-setting capability of government. A particular strategy (e.g. land reform) has to be able to deal with different needs and problems of the particular prevailing organizations (e.g. sharecropping).

(2) The land tenure system and rural class structure. These are also connected with the prevailing agricultural enterprise and its organizations. Land tenure denotes the legal or juridical relationship between the land and those who hold or use the land for agricultural or other economic purposes, including those who are employed by others to work on agricultural and pastoral establishments. Raup has demonstrated that land tenure arrangements can, in various ways, influence agricultural output, capital formation, and technical change (Raup, 1966). Rural class structure usually reflects the dominant agricultural organization. Stavenhagen (1975) and Feder (1971) have portrayed the crucial linkage between the existence of class structure and agricultural underdevelopment in the Third World. Certainly any government action in agricultural development has to deal with the vested

interests manifested in class structure in the countryside. (1)

(3) The power and ability of the agricultural sector to initiate change and the existence or absence of rural social movements and unrest. The degree of power of the rural/agricultural sector can be reflected by its political representation in the various levels of politico-economic decision making. This determines whether or not the agricultural sector is able to bring its demands and problems forcefully to the attention of policy makers in the central government. It can be peaceful, through influence on legislation, or violent by means of strikes, revolt or revolution (Shanin, 1971; Stavenhagen, 1970; Wolf, 1966). The point to be emphasized here is that the choice of government strategy in agriculture is usually made under the pressure of rural movement and its potential threat to the existing regime. Government can be confronted with different degrees of rural pressure and therefore will take various counter-strategies. (2)

The above three agrarian subsystemic factors are considered to either impose constraints on or provide the "structural conduciveness" (Smelser, 1962:15) for the emergence, choice, and change of government agricultural strategies.

The Wider Politico-economic Scene

The second component of the broader setting is the national political and economic scene, especially its political culture of ruling elites, dominant groups, and decision makers. Two factors are considered.

(1) The ideology of modernization held by the ruling elites, who are the decision-makers for government development policies. An ideology is usually incorporated into policies and legislation.

of government. An ideology of modernization is defined as a rationalization or an interpretation of the complex process by which a nation is becoming "modern". In other words, it is related to a perceived image of a nation called "modernized". The importance of an ideology lies in its support of the elites and justification of the existence of official policy for modernization efforts. For the purposes of this study, special attention will be given to how ruling elites view the agricultural and industrial sectors in the process of national modernization. In this connection, it is argued that the sectoral origins and the sectoral support of a regime can influence the emergence of the particular ideology of modernization advocated by the elites.

(2) The overall economic development strategy of which the agricultural strategy is a part. In fact, this too is influenced by the elites' ideology of modernization. An ideology can shape the direction and priority of a nation's development strategy and that, in turn, affects the pattern of agricultural change and growth. Emphasis will be given to the choice between "balanced" and "unbalanced" growth orientation in relation to agriculture and industry in overall economic strategy formulation.

Exploration of the above two domestic variables will also shed some light on the relations between the agrarian setting and the wider political setting, vis-a-vis the government's strategy in agriculture.

The International Setting

The third setting to be explored in relation to agricultural strategy goes beyond a nation's boundary. As indicated earlier, Frank maintains that an alternative sociological theory of Third

World development has to take into account the relations of the Third World to the developed world, and the world structure as a whole (Frank, 1972: 396-7). Wallerstein even advances a "school" in world system studies. He maintains that the modern world comprises a single capitalist world economy, which has emerged historically since the 16th century and which still prevails today. All national states in this world system are not societies that have separate, independent, parallel histories, but parts of a whole reflecting that whole. To world system theorists, any societal development in a Third World country cannot be seen as a function of the behavior of that government only. It has to be situated in the world political economy, specifically, the world capitalist system. In the peripheral or semiperipheral states (which include almost all Third World countries), development strategy formation is determined by the capitalist core states (which compass the developed, industrialized world) (Wallerstein, 1974a, 1974b, 1976; Chirot, 1977). Olson further demonstrates a crucial relationship between the U.S.—as a capitalist core state—and the nature and consequences of land reform policies in some "target" countries in Asia and Latin America (Olson, 1974). U.S. influences, in various forms, particularly in aid, have directly or indirectly been felt in many Third World countries' agricultural sectors. U.S. aid policy, in the forms of capital, technology, and agricultural surplus sales, all serve as instruments to pursue U.S. foreign agrarian policy and objectives. Therefore, this international dimension certainly cannot be ignored in any serious study of Third World agricultural development.

The above discussion is summarized in Diagram 1, in which the government strategy is treated as a dependent variable while

the three settings are the independent variables.

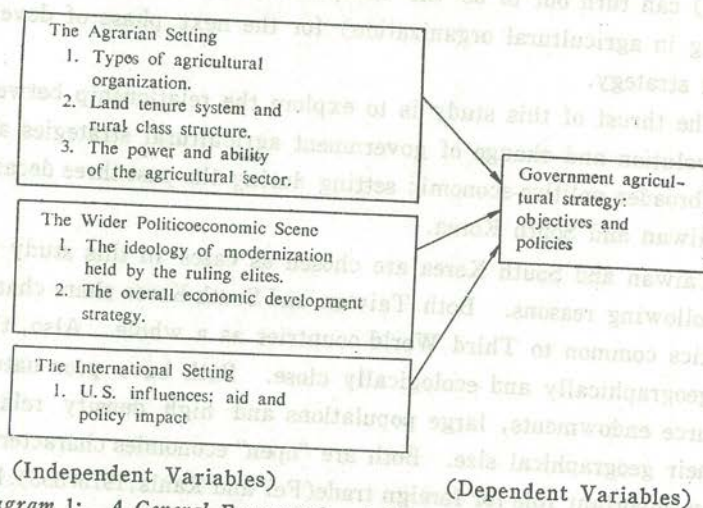


Diagram 1: A General Framework of Government Agricultural Strategy

This diagram is useful to assess a given agricultural strategy at a given time. It can serve as a conceptual guide to sensitize the researcher to the necessity of looking for "explanatory factors" in the broader socio-political-economic framework. It can also sensitize the researcher to identify or explore the "preconditions" to a change in agricultural strategy. Those "preconditions" or explanatory variables must have taken place in the time period preceding the change itself. When we are using so, in fact, we are analyzing government agricultural strategies from a long-term historical perspective.

However, it is also important to note that the device to separate the independent variables and dependent variable is only analytical and heuristic. From a long-term perspective, it is not uncommon

to realize that some of the dependent variables (e.g. land reform policy) can turn out to be the independent variables (e.g. small holding in agricultural organization) for the next phase of development strategy.

The thrust of this study is to explore the relationship between the evolution and change of government agricultural strategies and their broader politico-economic setting during the past three decades in Taiwan and South Korea.

Taiwan and South Korea are chosen as cases in this study for the following reasons. Both Taiwan and South Korea share characteristics common to Third World countries as a whole. Also, they are geographically and ecologically close. Both have poor natural resource endowments, large populations and high density relative to their geographical size. Both are "open" economies characterized by an important role for foreign trade (Fei and Ranis, 1975: 355). Both have experienced labor surplus in their agricultural sectors, and both share similar colonial influences on their agriculture. Both Taiwan and South Korea have experienced two distinct phases of post-war growth: import substitution and export substitution. Finally, both have an important and obvious U.S. presence and a large amount of aid after World War II.

The thirty-year post-war period (1945-1975) is the time scope of this study. From a societal change point of view, both Taiwan and Korea experienced a tremendous change from the past in those thirty years. They have undergone a unique growth process, which can be referred to as "transition growth". This historical experience of transition represents a new epoch of economic growth which is distinct from the preceding colonial epoch and is leading toward the emergence of an epoch of modern growth. The colonial economy

was dominated by primary product exports, and income was mainly generated by the utilization of land-based resources in the agricultural sector. In modern economic growth, the economy's output is primarily created by human and capital resources, predominantly employed in the industrial sector. The transition process in the two economies thus involves a gradual modification of the land-based export economy through an industrialization process which involves relations with the foreign sector. In other words, the thirty-year transition growth period is characterized by a change in the role of agriculture in the national economic development process. This change, to a large extent, is again the product of government development strategies.

In the following pages, a macro social exchange model will be suggested in order to analyze the government agricultural strategies in Taiwan and South Korea.

An Application of Exchange Theory

From diagram 1, which illustrates the relationship between government agricultural strategy and its broader setting, we can also identify the following actual social actors whose behavior constitutes the network of that relationship. On the one hand, it is government, where the ruling elites exercise their influence, which makes agricultural strategy. On the other hand, there are 1) the landlord class and 2) the small farmers in the agrarian setting; 3) the urban-industrial groups in the non-agrarian setting; and finally, 4) the U.S., as a core state in the world capitalist system, in the international domain. All of these demand a share in determining the government's agricultural strategy. As will be seen later, the government, in making agricultural policy, cannot

help but engage in some sort of negotiation and bargaining processes with the above mentioned four actors. The result of exchange transactions among them largely determine the maintenance or change of a particular agricultural policy.

In reaction to his dissatisfaction with functionalism to explain social order as well as change, Homans formulated the theoretical orientation of exchange theory. He utilizes the concepts of behavioral psychology and economic utilitarianism to argue against functionalist assumptions about social behavior. To Homans, what constitutes our social life is not the socialized norms and roles or consensus, but the basic behavioral principle which can be understood in terms of rewards and punishments (Homans, 1961). Homans is mainly concerned with the elementary social behavior that is reflected in one actor's engagement in exchange with another. Human behavior is regarded as a function of its payoff, reward or punishment. The amount and kind of social behavior depends on the amount and kind of reward and punishment it fetches. Therefore, social interaction and formation is seen as an exchange of "goods" and services in which each engaged actor strives to reduce costs and maximize profits (Homans, 1961:13; Zeitlin, 1974:66).

It is important to note that the goods exchanged involve more than money, including other commodities such as approval, esteem, compliance, legitimacy, authority, power, information, love, affection, etc. In his revised edition of *Social Behavior*, Homans adds one more proposition to his original 5 exchange principles and labels each in terms of the key variables that each highlights. The six propositions are 1) success proposition, 2) stimulus proposition, 3) value proposition, 4) deprivation-satiation proposition, 5) aggression proposition, and 6) rationality proposition

(Homans, 1974: 11-68). In fact, propositions 1 through 4 are restatements of Skinnerian behaviorism. The more valuable an action (3) the more frequently or often such action is rewarded (1), and the more a situation approximates one in which action has been rewarded in the past (2), then the more likely a particular action will be performed. But the more often in the recent past an action is rewarded, the less valuable any further unit of that reward becomes to that actor (4) (Turner, 1978:228; Waldman, 1972:23n). However, Homans stresses that reward or punishment of an activity has to come from another human actor. In other words, it is through "human interaction" and not just in a general environment that the dynamics of exchange takes place.

Proposition 5 introduces another exchange condition to qualify propositions 1 through 4. This proposition states that when an actor's action does not receive the reward he expects or receives punishment he does not expect, he is more likely to be angry and, in anger, the results of aggressive behavior are rewarding. Last, but not the least, proposition 6 summarizes the stimulus, success, and value propositions. It states that an actor makes calculations about various alternative lines of action. He "perceives" or "calculates" the value of the rewards various actions might yield. He also tempers this calculation in terms of his perceptions of the probability of receiving rewards. He will be rational to choose the alternative of action for which the multiplication of the *perceived* value and the *perceived* probability is greatest.

It should be noted that the exchanges between two or more actors at a given time can affect their exchanges and the possibilities thereof at a later time. Therefore, the importance of time in exchange and the dynamic possibilities of the theory are implied,

if not explicitly stated by Homans. This dynamic aspect is particularly relevant if exchange theory is to be applied to the explanation of certain macrostructural phenomena such as group cooperation, conflict, and coalition, public policy making, etc.

Homans deserves credit for formulating exchange theory in sociology, but he restricts the applicability of his theoretical propositions to situations characterized by face-to-face interactions.

Peter Blau's contribution, in this connection, is his explicit application and extension of Homans' exchange paradigm to macrostructural (socio-politico-economic) phenomena. He aims to build some links between the micro- and the macrosocial world. By studying elementary interpersonal exchange processes, Blau argues, a better understanding of the processes that govern the complex structures of communities and societies can be possible. (Blau, 1964: 19-31). In common with Homans' rationality proposition, Blau conceptualizes as exchange actions those behaviors that are oriented to specific goals, or rewards, and that involve actors selecting from various potential alternatives, or costs. In pursuing rewards and selecting alternative lines of actions, actors are conceptualized as seeking a profit (rewards less costs) from their relations with others. He employs the basic concepts of all exchange theories—reward, cost, and profit—but he limits their applications to relations between actors and others from whom rewards are expected and received.

In a sense, Blau's definition of exchange is more limited than Homans' definition, which encompasses all actions as exchange, regardless of whether rewards are expected or received (Turner,

1978:248). Moreover, he identifies a series of basic exchange process in human groups: attraction, competition, differentiation, integration, and opposities (Blau, 1964:7-11).

In contrast to Homans, Blau emphasizes the dimension of power in social exchange at the very outset. Power relations as well as transactions should thus be studied to understand social associations and social structures. Power depends on the ability to provide desired reward resources that are valuable because they are scarce. When one actor (individual or group) provides another with such resources and the latter has no similarly scarce and valuable reward with which to recompense, the former will have power over the latter. Thus we can say that the ultimate basis of power is the unilateral provision of scarce and valuable rewards. When one actor exercises power over another, deprivation and cost are inevitably entailed to the latter who is subject to the former's power.

This does not mean that social relations always involve zero-sum games. Blau, in line with Homans, argues that all actors profit from their association with one another. In other words, the actors would have gained less, had the exchange not taken place (Blau, 1964:15). But an "imbalance of power" does exist in social relations. In Blau's own words:

they do not necessarily all profit equally, nor do they share the cost of providing benefits equally, and even if there are no direct costs to participants, there are often indirect costs born by those excluded from association... (Blau, 1964:15)

Of particular significance is Blau's identification of exchange

processes among the macro-social units of social system⁽⁵⁾. However, he emphasizes that since there exist some fundamental differences between the micro and the macrostructures, their exchange dynamics should also be distinct in several ways. Blau stresses three fundamental characteristics of complex exchange systems (Blau, 1964: 253-282).

1. In complex exchanges among macro structures, most of which are indirect, some mechanism is required to mediate the structure of social relations among them. Shared values provide the mediating mechanism, through which a common set of standards for conducting the complex chains of indirect exchange is thus possible. In short, shared values (common interests) of groups and organizations provide standards for the involved members to calculate the expected rewards and costs.

2. Exchange networks among macro structures are typically institutionalized. While values facilitate processes of indirect exchange among diverse types of social units, institutionalization denotes those processes that regulate and stabilize complex exchange processes. Institutions are historical products, and perpetuated for

(5) According to Blau (1964:24-31), microstructures are defined as networks of interacting individuals (i.e., interpersonal association) while macrostructures are complexes composed of interrelated groups (i.e., institutions). Blau argues that exchange theory should proceed from basic processes that govern social interaction between individuals at the micro level, to increasingly complex processes at the macro level of societal analysis. In an extensive review of current developments in social exchange theory, Emerson also maintains that the step-by-step extension of exchange theory to more macroscopic levels is most important for continued elaboration of the theory. See Richard Emerson, "Social Exchange Theory", in Inkeles *et al.* (eds.), *Annual Review of Sociology*, Vol. 2 (1976), pp. 335-362.

generations, and sometimes for centuries. Also, the dominant groups in the society are strongly identified with legitimized values and lend their power to preserve the institutions that express them. Therefore, social institutions have "roots in the power structure and double roots in the past..." (Blau, 1964:281). However, opposition to existing institutions or "counterinstitutional components" are always revealed in all institutionalized exchange systems. It is similar to Dahrendorf's concern for inherent conflict in social systems.

3. Since macro structures are the product of relations among more elementary exchange processes, the analysis of macro exchange process requires the analysis of several levels of social organizations. Blau indicates four genetic types of substructures: categories, communities, organized collectivities and social systems. Macro exchanges can take place within and between each substructure. Since most substructures must engage in more than one exchange relation, the balance and stabilization of one exchange relation is likely to create imbalance and strain in other necessary exchange processes.

Discerning the complex relationships between the mediating values and interests of the four substructures usually generate conflict among them. The exchange transaction among substructures involves the same basic exchange process of attraction, competition, and opposition in terms of the services and rewards they can provide for each other. Certainly, power relations are also involved.

It thus becomes evident that analysis of the exchange network of macro structures necessitates an examination of the exchange process of their substructures. Blau further simplifies the complex

analytical task of examining the dynamics of substructures by positing that organized collectives are the most important substructure of macro structures. He defines collectives as associations of people with a distinctive social organization, which may range from a small informal friendship clique to a large bureaucratized formal organization (Blau, 1964:285).

The five actors (government, landlord class, small farmers, urban-industrial groups, and the U.S.) involved in government agricultural strategy can be identified as qualified substructures at the level of organized collectives. From the above discussion, the theoretical applicability of exchange theory to our study of government agricultural strategy in terms of the exchange dynamics between government substructure and four other competitive substructures should be clear.

This macro exchange paradigm has previously been adopted by Mitchell (1967), Curry and Wade (1969, 1970) and Ilchman and Uphoff (1969) in their efforts to establish a "new political economy" in relation to political and economic policies. All claim that public policy making is essentially an exchange process between the state and the different actors involved. Ilchman and Uphoff, in particular, advance Blau's exchange model and have the following comments:

We find Blau's discussion of exchange and power in social life especially suggestive, though his model applies primarily to social interaction. Blau examines many of the relationships and problems analyzed in our model of political economy. His conceptions of resources, exchanges, marginal utility elasticity, supply and demand, and investment are also very similar to ours. Blau's analysis is quite relevant for considering the behavior of sectors

in our model, though it is less applicable to the behavior of the policy as a whole (Ilchman and Uphoff, 1969:21-22).

It is Ilchman and Uphoff's intention to analyze the regime's political environment in terms of sectors. To them, regime must deal with different groups and interests in order to achieve its objectives for the policy. A sector, according to them, is a group of persons who respond to political and economic issues in a similar fashion (Ilchman and Uphoff, 1969:39). It is assumed that the members of a sector seek to maintain or improve their own status and well-being and will act accordingly. This is quite similar to Blau's definition of a substructure at the level of the collectivities, though in much more concrete terms. Moreover, Ilchman and Uphoff maintain that their sectoral model should not be a closed one. In other words, a foreign government or interest group can be a sector too.

Sectors may be formally organized with an acknowledged leadership (e.g. the U.S., the industrial urban interests in the National Assembly). Otherwise they can be *ad hoc* in character, participating in political claim-making when rewards or losses from the political process warrant their action (e.g. the small farmers). The interests which sectors promote are many and varied. Sectors may be formed to promote religious, geographic, economic, cultural, social or purely political interests. A sector may also be concerned with a single issue or interest such as land rent reduction, or it may be concerned with multiple and perhaps related interests such as urban-industrial growth, national security and international image, etc.

A regime must make choices in response to the demands of

different sectors and its own felt needs. In dealing with sectors, a regime must often choose in the face of incompatible or mutually exclusive demands. Choices will usually favor one sector and not another. Two main factors are at work. First, in most cases resources available to a regime are too scarce to satisfy all demands. Second, a dominant felt need of the ruling elites can make the choices among alternatives different, that is to say that the calculation of perceived rewards and costs for an action can be shaped by the elite's ideology on certain social economic issues. Consequently, it cannot meet at the same time, for example, the demands of landless laborer and large landlords, small farmers and industrialists.

According to this macro exchange model, the formulation and undertaking of a government agricultural strategy can be examined in terms of the exchange dynamics between the regime and the four sectors involved. Parsons and Smelser, in discussing the complex network of exchange between subsystems of a society, have identified four media of exchange: money, power, influence, and commitments (Parsons and Smelser 1956; Rocher, 1975). Ilchman and Uphoff elaborate on them and specify those resources held by the regime and those controlled by the sectors. According to them, the regime holds economic goods, and services, authority status, information and coercion. On the other hand, resources produced by the sectors are economic goods and services, status, legitimacy, information, and violence.

The common resources both the regime and sectors hold are economic goods and services, information, and status, though in different forms. The resources owned by the sectors and needed by the regime are the granting of legitimacy, and avoidance of

violence, while sectors also desire some combination of the regime's resources: the practice of authority, and limitation of coercion.

The basis of those resources being exchanged, again, is power. Each of the resources produces a form of power, the degree depending upon relative supply and demand, and perceived values. Goods and services produce economic power, status yields social power, and authority and legitimacy are the basis of political power. Information links knowledge with decision-making power; and of course, coercion and violence are physical power. In an aggregate sense, power is thus measured by the incidence of degree or compliance with public policy or group demands.

The theory of sectoral clashes and coalitions, advanced by Mamalakis, further hypothesizes that the sectoral element plays a unique role in affecting, on the one hand, the interrelationships between the economic processes of income creation, distribution, and allocation and, on the other hand, the interrelationships between economic, social, political and institutional processes that make for change and progress (Mamalakis, 1969, 1972). Clashes and coalitions between sectors emerge because of the initial existence of, and desire to perpetuate or increase sectoral resources and interests. Sectors can create, support, and depend upon agents to represent them in negotiations and contracts need to promote the collective and individual interests of those participating in their production and (exchange) processes. To Mamalakis, government is an agent that derives its resources from sectors, has economic foundations based on and links to sectors, and can function on a trans-sectoral basis.

Moreover, it is maintained that inter-sectoral and sector-government coalition and clashes are probable and predictable, and depend

on the sectoral constellation of the country, the characteristics of the key sectors, and the sectoral preference system (ideology) of the government (Mamalakis, 1972: 90-91).

Finally, it is significant to note that this macro exchange model can also be applied to account for the structural relationship between core and periphery states in the world system. What Wallerstein and other world system theorists have argued in fact, is that there exists unequal exchange in the division of labor of the world political economy. According to Wallerstein, the differentiated strength of the multiple states (core, semiperiphery and periphery) within the world capitalist economy is crucial for maintaining the system as a whole, for the strong states reinforce and increase the differential flow of surplus to the core states. This happens because strong states can provide military as well as economic aid to allow exchange in their interests (Skocpol, 1977: 1076-77).

However, there are two qualifications to be mentioned in applying the exchange model to deal with world system phenomena. First, the "regime" in the periphery state can also gain from its engagement in exchange with the core states, despite the nature of imbalance and inequality of the exchange. Second, the exchange relationship of the core state can extend to the domestic sectors in the periphery states, usually through the medium of the existing regime. In the case of agricultural strategy, it is the urban-industrialist sector that establishes indirect but important exchange with the U.S. through the regimes in power.

Summing up the above discussion of sectoral analysis, the relationship of exchange between regime and sectors in relation to agricultural strategy can be shown in Diagram 2, on which this dissertation's theoretical framework will be based.

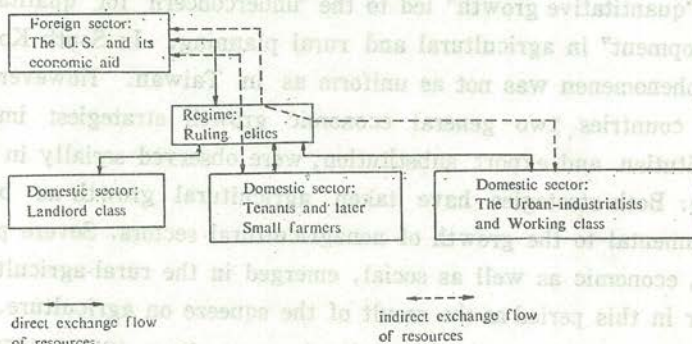


Diagram 2: A Macro Exchange Model of Government Agricultural Strategy

The following chapters will then concentrate on the analysis of government agricultural strategies in two Third World countries: Taiwan and South Korea, in terms of the macro exchange model suggested above.

For the purpose of visualizing the evolution and changes of government strategies in agriculture in both Taiwan and South Korea, three general subphases of the past 3 decades can be observed:

(1) Rehabilitation phase (1947-1952 in Taiwan, 1945-1953 in South Korea): The major task was to restore the economy to the prewar level and to initiate institutional change of the agrarian sector. In this phase the social-political implications were considered more crucial than the economic ones.

(2) Unbalanced growth with an agricultural strategy intended to squeeze agriculture for rapid industrial growth. Agriculture fulfilled all its contributions to economic growth that had been the primary concern of the economics literature, but the "overconcern"

with "quantitative growth" led to the "underconcern" for "qualitative development" in agricultural and rural planning. In South Korea, this phenomenon was not as uniform as in Taiwan. However, in both countries, two general economic growth strategies; import substitution and export substitution, were observed serially in this phase. Both strategies have taken agricultural growth as being instrumental to the growth of nonagricultural sectors. Severe problems, economic as well as social, emerged in the rural-agricultural sector in this period as the result of the squeeze on agriculture.

(3) Transition to balanced development phase (Since 1972 in both Taiwan and South Korea). The emphasis is on balanced growth in agriculture and industry in this phase. Several important policies have emerged to reshape the rural scene. Pricing policies for agricultural products and inputs were issued to protect the producing farmers. Accelerating the process of mechanization of farming activities was another major task. A large amount of government revenue was devoted to agricultural reconstruction. Moreover, government efforts were also oriented to social and psychological development in the rural areas. The "community development program" in Taiwan and the "Saemaul Undong" in South Korea are examples. The squeezing process is claimed to have come to an end to give way to developing agriculture.

In the context of Taiwan's and South Korea's agricultural strategies, four major propositions can be drawn from the above theoretical model. The first three propositions with several subpropositions deal with exchange relations between government and the three domestic sectors (i.e.; the landlord class, tenants and later small farmers, and the urban-industrial sector) in influencing two significant agricultural strategies: land reform and "squeezing" policies

in the post-war period. The fourth proposition, on the other hand, accounts for the exchange transaction between the government and the foreign sector: the U.S. and its aid. The components of the agricultural strategies are, again, land reform and the "squeezing" strategy on agriculture through a pro-industrial development policy. As a part of Proposition 4, the indirect exchange between the foreign sector and the domestic industrial sector will be noted.

The following are the propositions considered in this study.

Proposition 1: When a political threat to the existing regime is perceived to be related to the land tenure system, a government is likely to launch a land reform.

Proposition 1a: If a government is not predominantly controlled by the landed class, land reform is more likely to take place.

Proposition 1b: If the landed class in its drive for status, moves its political interest from local positions to the "center", there is less resistance to land reform.

Proposition 2: As a result of redistributive land reform, the countryside can turn into a conservative force. Not being confronted with potential political threat from the rural-agricultural sector, a government can then undertake any agricultural strategy it chooses in this sector in the post-reform era.

Proposition 3: The overall economic strategy chosen is related to the ideology of modernization held by the ruling elites. If the ideology stresses industrialization as the symbol of national modernization, then an "imbalanced" growth strategy in favor of industry at the expense of agriculture is likely to be adopted.

Proposition 3a: Under a pro-industrial strategy, a new industrial-

urban class is created, and it can develop into a strong political economic force in coalition with the governing elites to maintain the existing squeezing agricultural policy. As a result, any radical change in government development strategy in favor of rural-agricultural sector becomes unlikely for political reasons.

Proposition 4: Within the modern capitalist world system, a peripheral state's government policy in the agricultural sector can virtually be determined by a core-state (i.e., the U.S.), mainly through its influence of foreign agrarian policy and aid.

Proposition 4a: Aid from the U.S., being highly integrated with its foreign policy in favor of land reform along liberal lines, can serve as an important factor in shaping the recipient nation's decisions on land reform.

Proposition 4b: U.S. aid in the form of agricultural surplus sales can be used as a political instrument by the recipient government to carry out anti-agricultural strategies.

Proposition 4c: U.S. aid, with its focus on building a "capitalist" economy in the recipient nation, helps create an emerging private industrial sector intended to accelerate the industrialization process.

A major purpose of this study is to demonstrate the applicability of the above propositions to the cases of Taiwan and South Korea. It is clear that this is a comparative case study of agricultural policy. As such, it will contribute to the knowledge of Third World agricultural development in the post-WWII period. Moreover, applying the theoretical framework suggested above contributes to the establishment of general propositions and thus to theory building in the sociology of Third World development.

Beyond the intrinsic value of a descriptive as well as interpretive case study, it is hoped that the theoretical model developed will provide a useful basis for ongoing comparative research on Third World agricultural development.

Organization of this Book

There are 7 chapters in this volume. Chapters II and III present historical overviews of government agricultural strategies and development performance in the past three decades in Taiwan and South Korea. Chapter IV analyzes the domestic factors affecting government agricultural strategies in the two countries in terms of the exchange model suggested above. The main analyses will be based on examination of the first three propositions drawn from the model.

Then, Chapter V focuses on the history and character of U.S. involvement through its aid in both Taiwan's and South Korea's agricultural sectors in the post-war period. It lays the background for Chapter VI in which another proposition is examined, focusing on exchange relations between the U.S. and the regimes in the formation and implementation of government strategies for agriculture. Finally, in Chapter VII some conclusions and implications are presented.

CHAPTER II

CHANGES IN AGRICULTURE AND AGRICULTURAL STRATEGIES IN TAIWAN

Prelude: Agriculture under Japanese Colonialism, 1895-1945

Under the policy of "industrial Japan, agricultural Taiwan", Japanese colonial strategy in Taiwan was primarily to develop agriculture in order to support Japan's industrialization (Hsiao, 1976). Taiwan, as well as Korea, emerged as a "colony" as compared to the agricultural sector in Japan which served as an "internal colony" of Japanese Empire (Baran, 1957:155). All development efforts, at least for most of the colonial period, were to enable Taiwan to increase rapidly its agricultural exports, such as rice and sugar. Taiwan's industrial development was thus largely neglected. Without exaggeration, it could be said that all economic growth in colonial Taiwan was growth in agriculture. The agricultural sector grew initially at around 2 to 2.5 percent a year, and, after 1920, at an annual compound rate of 3.8 percent, which exceeded, by a significant margin, Taiwan's population growth rate during the whole period in question (Ho, 1975:421). The steady increase in agricultural labor productivity—totalling more than 88 percent between 1910-1914 and 1935-1939—generated an impressive agricultural surplus, most of which was exported to Japan in exchange for industrial products. Of the gross value produced by factories in the private manufacturing sector, sugar alone accounted for about 60 percent in the 1920's and 50 percent in the 1930's. Largely

reflecting growth in sugar refining, Taiwan's limited industrial production grew by about 6 percent a year between 1912 and 1940. However, this did not alter the whole picture of Taiwan's weak industrial sector, since Taiwan possessed an extremely small industrial base in the early colonial decades.

Moreover, the colonial government never encouraged the emergence of an indigenous industrial commercial class in Taiwan. In fact, the Japanese colonial strategy was directed to preventing the emergence of such a class. Until 1924 Taiwanese were not allowed to organize or operate corporations unless there were Japanese participants. In every possible way, the colonial government encouraged the concentration of economic power in the industrial-corporate sector and tried to ensure that this sector was owned and controlled by Japanese (Chang and Myers, 1963:433-449; Ho, 1978:37-40). As a result, the industrial sector became a complete monopoly of the Japanese capitalists who accompanied the colonial government. Not until the mid-1930's, when Japan turned to war preparation, did the colonial government add new objectives to Taiwan's economic development—the expansion of Taiwan's industrial capacity to produce goods which were previously imported from Japan. The purpose was to supply industrial raw materials such as aluminum and chemicals needed by Japanese heavy industries. Several industries, e.g. metal, chemicals, and pulp were established. But they came too late. Only a marginal effect was exerted on the economy. At the end of the colonial period, Taiwan still remained an agricultural country, though an industrial superstructure had been added to the agricultural base. Several of the agricultural programs of the colonial govern-

ment had significant effects on Taiwan's economy even after 1945, the year the Japanese Empire collapsed and Taiwan was returned to China.

The first important agricultural program was to accelerate Taiwan's technological changes in the agricultural sector. Especially after the 1920's, those changes had transformed Taiwan's traditional agriculture into a more modern one. These included the introduction of the recently termed "green revolution" i.e. a high-yield variety of rice, *pon-lai*, was distributed. After some agricultural experimental tests during the 1920's, a new sugarcane seed called "PO J2725" from Java was introduced to sugar plantations. Chemical fertilizers were also introduced or developed in Taiwan during the colonial period (Myers and Ching, 1964; Ho, 1968, 1975; Ma, *et al.* 1955). Other agricultural infrastructure, such as irrigation systems, water control facilities, and research and extension services were by then operating extensively.

The second set of programs undertaken by the colonial government concerned the institutional or organizational aspect of agrarian structure. A thorough land survey and a detailed population census were carried out during the early colonial period. The traditional land-holding system was then changed by abolishing the holding right of *Ta-tsu* (absentee landlord). They had originally received the land in trust from the government, big cultivators, or an aboriginal tribe. The colonial government thus came to own most almost 80 percent of the total land. The rest went to the holders of *Shiao-tsu* (tenant). The tenant could work other land himself or rent it to other tenants. Since then, the *Shiao-tsu* had become a new small

landlord class. They paid land taxes to the colonial government. The land tenure system was re-established and land tax revenue increased thereafter. Despite the effort of transferring the ownership of land, the basic agrarian class structure still largely remained unchanged. The land tenure system during the whole period of colonial rule had been unequal. Based on a farm land survey in 1920-21, 90 percent of the farm households owned 40 percent of the land. On the local level, the farmer's association and the irrigation association were institutionalized. These served as change agents to introduce new technology into agriculture through strategic links between the administration and the local landlords (Myers and Ching, 1964: 559). In addition, in 1910 tenants and landlords constituted 42.8 percent and 33.7 percent of the total agricultural population, with part-owner-cultivators making up the remainder; in 1945 the shares, 39.4 percent and 40.0 percent, respectively were little changed (Bank of Taiwan, 1958: 20). Despite the very unequal land distribution, Taiwan's agriculture had achieved a rapid growth as has been shown above. Myers and Ching have identified a strategic factor that accounts for the achievement of colonial Taiwan's agricultural growth. They maintain that:

The Japanese successfully repeated the institutional and organizational reforms, tested during the early Meiji period, of working through the landlord and wealthy farmer classes to encourage the introduction of innovations into agriculture (Myers and Ching, 1964: 555).

In other words, the strategy used by the Japanese colonial government to increase Taiwan's agricultural production was to work through the landlord class rather than the rural masses.

Gradual institutional and organizational change encouraged the traditional local leadership, the landlords, to adopt new farm technology, apply it and urged tenant farmers to imitate these practices. Land tax reform gave land owners the incentive to develop their land. The colonial administration was not interested in altering the existing unequal land ownership as they found it, but rather taking advantage of it to suit their colonial purposes.

Moreover, the fruit of the agricultural growth was never shared by the agricultural population who contributed to the growth. The surplus was transferred out of Taiwan to Japan and that was done largely at the expense of Taiwanese farmers. Under this condition, the production surplus diverted from Taiwan provided a rough measure of the extent to which Taiwan's agriculture was "squeezed." In conclusion, Taiwan's agriculture under Japanese colonialism could be characterized by its experience of "growth" with "inequality" and "exploitation"⁽¹⁾.

Land Reform Phase, 1949-1953

During the course of colonialism the land tenure structure

- (1) The per capita consumption of food has increased very slowly over time. Rice is preferred to sweet potatoes but the calories from rice decreased while calories from sweet potatoes increased. The switch from a preferred to a less desirable food provides further evidence that the real income level or welfare of the Taiwanese population did not noticeably change for the better. Also, during 1930 and 1940, rice consumption experienced the most serious decline while food production and exports increased the fastest. For a detailed discussion see Samuel Ho, "Agricultural Transformation under Colonialism: The Case of Taiwan", *The Journal of Economic History*, (Sept., 1968), pp. 313-340.

deteriorated. When Taiwan was retroceded to China in 1945, the tenant farmers were 70 percent of total farming families, of which 39 percent were full tenant farmers and 31 percent part-owners (Koo, 1968:27). The farmland rent was kept at approximately 50 percent of the total main crop rice yield. In the more fertile areas, it ran as high as 70 percent. Tenanted farmland accounted for 41 percent of the total cultivated area. The average size of a farm operated by a tenant household of 7 was about one hectare. Most farm households had to cultivate a small piece of land, usually with surplus labor and a shortage of capital. As a result of the limited farmland, a growing population and unequal tenure system, farmers' income was low and unstable. The agricultural sector as a whole, during the immediate post-war period was experiencing a low level of output and low capital accumulation. Under such a situation, the latent conflict between landlord and tenant could at any time become explicit.

In addition, under the threat of the Chinese Communists who had pushed on to attack Taiwan, posing themselves as "land reformers", the Nationalist government, after retreating from the mainland, seriously paid attention to the existing agrarian issues facing Taiwan's agriculture.

To forestall any such possibility the Nationalist government with General Chen Cheng as Governor of Taiwan initiated a land reform program in 1949. It consisted of 3 phases: 1) rent reduction, 2) sale of public lands, and 3) a land-to-the-tiller program. It was carried out step by step as a social reform for the landless, whereby farmland was gradually transferred to the actual tiller.

In the first phase, the emphasis was placed on 2 aspects: "reduction of rent" and "security of tenancy". The farm rental rate was thus set at 37.5 percent of the annual main crop yield, and the tenure of lease was to be at least for 6 years. If tenants devoted their surplus labor and capital to subordinate crops (e.g. peanuts, soy bean, and vegetables), the output could belong wholly to the tenants themselves. In addition, if the land was offered for sale, the tenant had the preferential right to purchase. Under this program, some 250,557 hectares of privately tenanted lands were affected and some 296,043 tenant families benefited (Hsiao, 1970:332). Another result was that landlords were no longer as eager as they had been to own the land and some of them were even disposed to sell their land, transferring their capital to other economic sectors, mainly industries. This caused a decline in the price of farmland, and enabled tenant farmers to buy it with the increased income they now received as a consequence of lowered rent and increased production (Shen, 1970:351).

According to a survey conducted by the Taiwan Provincial Land Bureau, some 61,000 tenants purchased a total of 32,000 hectares of farmland in the 5-year period 1949 to 1953.

The second stage started in 1951, involving the sales of vast public lands on which a sizable farm population was working as tenants. These lands were taken over from the Japanese colonial government and Japanese nationals in 1945. They amounted to approximately 180,000 hectares, which constituted almost 1/5 of the total available land in Taiwan. The aims of the public land sales were to promote owner-farmers; to set an example for the landlords who would during the next stage be required to sell

lands to their tenants; and finally to increase land use. The sale price was fixed at 2.5 times the total annual yield of the main crop to be paid in 10 semi-annual installments without interest. Each purchasing family was entitled to buy a maximum of from 1/2 to 2 hectares of paddy land or double the amount of dry land. From 1951 to 1964, 6 sales were conducted and 110,935 hectares of public lands were transferred to the private ownership of 243,023 tenant families (Hsiao, 1970:333). The extra revenue realized by the Nationalist Government was used to assist in the implementation of other local land reform measures.

The third and last phase of the land reform, initiated in 1953, known as the land-to-the-tiller program, involved government compulsory purchase of landlord's tenanted farmland in excess of a certain maximum limit and resale to the incumbent tillers at the same price. Under this program, each landlord was allowed to keep 3 hectares of medium grade paddy land, 6 hectares of medium grade dry land, or an equivalent mix of paddy and dry land of superior or inferior quantities. The religious institutions and family clans with property devoted to ancestor worship purposes were allowed to keep for themselves twice the amount of tenanted lands that an individual landlord might retain. As in the case of the sale of public lands, the price was also set at 2.5 times the value of its annual main crop yield for the respective land grades, of which there were 26. The landlord was paid 70 percent of the land price with land bonds and 30 percent in stock shares of 4 government-owned enterprises. This kind of support arrangement had 2 important effects on the domestic economy: 1) it avoided the possibility of causing an inflation by a sudden increase in the amount of currency in

circulation, and 2) it forced the landlords to shift their investment from land to industry.

The tillers who purchased the land were required to pay in rice or cash plus interest at 4 percent per annum in 20 semi-annual installments spread over a period of 10 years. However, the total amount any purchaser had to pay in his capacity as landowner was not more than the farm rent he paid as a tenant before.

By the end of 1953, a total of 143,568 hectares of excessive tenanted holdings or 55 percent of total private tenanted land were purchased from 106,049 landlords and resold by the Nationalist government to 194,823 farm families at a total purchase price of 1,272,109 metric tons of rice and 433,202 metric tons of sweet potatoes (Tang and Hsieh, 1961:122).

After the completion of the land-to-the-tiller program, there were still 90,000 hectares of private land retained in the hands of landlords and 140,000 farm families working as tenants and/or part-tenants. Out of the 140,000 families, some 61,400 families had already acquired a part of their leased holding under the land-to-the-tiller program. In 1957, the government again undertook a land purchase loan program under which loans were granted to tenant farmers to purchase the land they leased, with interest of 5 percent per annum to be repaid within 10 years. Up to April 1959, some 1,600 applications to purchase additional 1,300 hectares of the retained leased holding were approved (Tang and Hsieh, 1961:122).

After the 3 stages of land reform, Taiwan's agrarian structure, as manifested in its land tenure system, had been dramatically transformed. In 1949, the first year land reform was effected,

39 percent of the total farm families were tenant families. In 1957, the ratio was reduced to only 17 percent. A comparison of land ownership before and after the land reform may be shown in Table 2-1.

TABLE 2-1: TYPES OF FARM FAMILIES BEFORE AND AFTER THE IMPLEMENTATION OF THE LAND-TO-THE-TILLER PROGRAM IN TAIWAN

	Before Reform (1949)		After Reform (1957)	
	Families	%	Families	%
Owner Farmers	224,378	36	455,357	60
Tenant Farmers	239,939	39	125,653	17
Part Owner-farmers	156,558	25	178,224	23
Total	620,875	100	759,234	100

Source: Tang and Hsieh, 1961:123

Change also took place in the ownership ratio of the arable land. Before the land reform, in 1949, 50.5 percent of total private land was cultivated by the owner. After the land reform, the area under owner cultivation increased to 84.8 percent of the total. In 1953 another significant change was in the size of the individual land holdings. As a result of the reform, holdings below 3 hectares were increased from 58 percent to 77 percent while holdings over 3 hectares were decreased from 42 percent to 23 percent as shown in Table 2-2.

TABLE 2-2; CHANGES IN THE SIZE OF LAND HOLDINGS BEFORE AND AFTER THE IMPLEMENTATION OF THE LAND-TO-THE-TILLER PROGRAM IN TAIWAN

Holding Size	(A) Before Implementation		(B) After Implementation		(C) (B/A×100)
	1952		1955		
	Area (Ha.)	%	Area (Ha.)	%	
(Hectare)					
Below 0.5	67,511	10	92,146	14	137
0.5-1	102,577	15	146,042	21	142
1-3	227,577	33	285,627	42	125
3-10	175,064	26	124,113	18	71
Over 10	108,108	16	31,642	5	29
Total	681,150	100	679,570	100	99

Source: Tang and Hsieh, 1961:124

The change could also be noted in the number of landowner families, which increased from 611,193 in 1952 to 789,429 in 1955, an increase of 29 percent or 178,236 families. There was also a significant increase (43 percent) in the families owning land of less than 3 hectares and a decrease (4.7 percent) in the number of families owning land of 3 or more hectares. This can be summarized in Table 2-3.

TABLE 2-3: CHANGES IN THE NUMBER OF LANDOWNER FAMILIES BEFORE AND AFTER THE IMPLEMENTATION OF THE LAND-TO-THE-TILLER PROGRAM IN TAIWAN (BY SIZE OF HOLDINGS)

Holding Size (Hectare)	(A) Before Implementation 1952		(B) After Implementation 1955		(C) (B/A×100)
	No. of Landowner Families	%	No. of Landowner Families	%	
Below 0.5	288,955	47	378,923	48	131
0.5-1	142,659	23	204,128	26	143
1-3	138,178	23	176,669	22	128
3-10	36,350	6	28,193	4	77
Over 10	5,051	1	1,516		30
Total	611,193	100	789,429	100	129

Source: Tang and Hsieh, 1961:125.

In addition to the changes in the land-tenure system, land reform in Taiwan brought about several other significant results in its agrarian socioeconomy. Since the land reform, rice production had been on the increase. In 1948, the total rice output was 1,068,421 metric tons, and it increased to 1,214,523 metric tons in 1964, and even reached 2,348,041 metric tons in 1965⁽²⁾. It also increased the farming income by 9 percent from 1950 to 1955, while farm rentals were cut by about 13 percent. Farm families now could afford to spend more for personal consumption,

(2) However, Chao (1970) in a study of land reform in Taiwan, Japan and Communist China concludes that there was a decrease in the productivity of aggregate inputs immediately after the land reform.

thereby raising their living standards. On the average, they consumed 4 percent more of their income in 1955 than they did in 1950. Consequently, their saving ratio dropped from 14 percent to 10 percent in the same period. This drop in saving was, of course, accounted for by the installment payments in the land purchase price. Total investment in agriculture in 1955 was about twice the amount in 1950, while net farm income registered a four-fold increase during the same period. The rate of family income reinvested in agriculture was relatively lower in 1955 than 1950 (c.f. Tang and Hsieh for detailed account of farming economy).

In social as well as political terms, land reform in Taiwan provided security for tenant farmers, raised the social status of the farmers by depriving landlords of their dominant power in rural society, and enabled the farmers to participate in several rural organizations, including farmer's association and farm tenancy committee which were designed to be "democratically operated". The most significant success of the land reform for the Nationalist government was the achievement of political and social stability in Taiwan which prevented the potential infiltration of the Communists.

The last point but not the least to be mentioned about Taiwan's land reform is that its success was, to a significant extent, supported by other related measures that promoted agricultural productivity. These measures included land consolidation, farm mechanization, agricultural credit and improvement of agricultural techniques. This leads into the phase during which all the efforts mentioned above demonstrated their effects

**Unbalanced Growth and the Squeezing Strategy in
the Post-Land Reform Era, 1953-1972**

Taiwan, as well as South Korea, has experienced 2 distinct growth strategies during the post-land-reform period: an "import substitution" strategy and an "export substitution" strategy. In the former, an indigenous industrial sector was created and developed for products needed in the domestic market to displace traditionally imported consumer goods. It was facilitated by a nationalistic protective trade policy designed to exclude competitive foreign imports. Under this growth strategy, agricultural exports were encouraged as a continuation of colonial agricultural growth in order to use its earnings to finance the importation of producer goods for creating domestic industrial capacity (Paauw and Fei, 1973:18). In other words, agriculture was assigned the role of supporting the initial industrialization in this first phase of Taiwan's economic growth experience. In the second phase, manufactured goods replaced agricultural products as the dominant exports. Economic growth was then achieved through the penetration of manufactured industrial exports into the world market. Agriculture, again, was responsible for the rapid development of the export-oriented industries by providing labor, raw materials, and food for the industrial sectors. The import substitution strategy was advanced and implemented in the first (1953-1956) and the second (1957-1960) 4-year economic plans. The third (1961-1964) through the fifth (1969-1972) plans on the

other hand, employed the strategy of export substitution⁽³⁾.

In the import substitution phase, the agricultural sector experienced a steady increase in its productivity and output as a result of a series of effective governmental measures aimed at "modernizing" Taiwan's traditional agriculture. The measures included the spread of the seed-fertilizer revolution, improved farm practices and equipment, an expanded irrigation system, credit availability, and finally, effective rural local organizations (Lee, 1970).

The improved agricultural productivity in the post-reform period had in turn, released surplus agricultural labor and food that enabled the non-agricultural sectors to acquire labor at a low real cost. The domestic industries and the indigenous entrepreneur capabilities, under government protection have expanded greatly. The entrepreneurs could exploit the economy's surplus labor through labor-intensive industries and effective competition in the world market. In addition, toward the end of the 1950's, Taiwan's domestic market for the industrial sector became exhausted due to its small economic scale. As these 3 conditions: high agricultural productivity, exhaustion of the

(3) These four year plans were all entitled *The Republic of China's Four Plan for Economic Development of the Province of Taiwan*. The first and second were drawn up by the Economic Stabilization Board (ESB) while the third was planned by the Ministry of Economic Affairs. The fourth through sixth plans (1965-1975) were prepared by Council for International Economic Cooperation and Development (CIECD) which was operated jointly by the Chinese government and the American aid mission. In 1973, the Economic Planning Council (EPC) was established to be in charge of economic planning and it issued the newly revised *The Republic of China's Six Year Plan for Economic Development of Taiwan, 1976-1981*.

domestic market for industrial goods and emergent entrepreneurship, were fulfilled in 1959-1960, the import substitution phase gave way to a new growth phase: export substitution. During the following phase (1960-1972) trade control was liberalized, and the industrial sector was export-oriented with concentration upon labor-intensive manufactures, e.g. textile products, plywood, etc. Agricultural exports ceased to be the major source of finance for the continued imports of industrial producer goods.

One of the most significant characteristics demonstrated in the two growth phases following the 1949-1953 land reform in Taiwan is the fact that agriculture since then has been squeezed on its surplus production, income, and labor, with the excess being transferred to the non-agricultural sector. It was the strategy of planned change that had been adopted by the Nationalist government on Taiwan upon the completion of land reform. The catch-words "fostering industry by virtue of agriculture and developing agriculture by virtue of industry" were the guiding principle of long-range economic planning (Hsing, 1971:185). It appeared to be a balanced growth, but, in practice, the first part of the slogan that stressed industrialization nourished by agriculture took precedent over the whole period of post-land-reform growth. As it turned out, the strategic feature of Taiwan's economic growth has been an "imbalanced" doctrine directed toward rapid industrialization at the expense of agriculture. Agriculture was expected to maximize output to meet demand for not only domestic consumption but also export in order to earn foreign exchange which was needed for importing capital goods and the raw materials for the expansion of domestic industries. The importance of agriculture was recognized in the

TABLE 2-4: COMPOSITION OF FIXED DOMESTIC CAPITAL FORMATION BY INDUSTRIAL USE IN TAIWAN, 1952-1975 (%)

Year	Agriculture	Industry	Transportation & Communication	Commerce	Others	Total
1952	24.2	30.0	15.3	10.4	20.1	100
First Plan Period						
1953	25.9	30.4	12.7	12.0	19.0	100
1956	22.6	38.2	10.8	7.6	20.8	100
Second Plan Period						
1957	16.9	42.2	13.8	4.3	22.8	100
1960	18.3	37.1	17.9	3.7	23.0	100
Third Plan Period						
1961	19.5	37.1	17.2	3.5	22.7	100
1964	17.5	39.4	16.3	6.0	20.8	100
Fourth Plan Period						
1965	17.3	40.5	17.1	5.5	19.6	100
1968	12.0	45.4	16.2	5.7	20.7	100
Fifth Plan Period						
1969	9.7	44.5	20.4	5.9	19.5	100
1972	9.0	51.4	15.3	3.0	21.3	100
Sixth Plan Period						
1973	10.6	51.4	15.1	2.5	20.4	100
1975	5.4	59.6	17.7	2.0	15.3	100

Source: Taiwan Statistical Data Book, 1977: p. 41-42

TABLE 2-5: INDUSTRIAL ORIGINS OF NET DOMESTIC PRODUCT
IN TAIWAN, 1952-1976 (%)

Period	Agriculture	Industry	Transportation & Communication	Commerce	Others	Total
1952	35.7	17.9	3.8	18.7	23.9	100
First Plan Period						
1953	30.0	17.6	3.4	18.4	22.6	100
1956	31.2	22.2	3.9	16.9	25.8	100
Second Plan Period						
1957	31.3	23.6	4.3	15.2	25.6	100
1960	32.4	24.6	4.1	14.3	24.6	100
Third Plan Period						
1961	31.1	24.7	4.7	13.8	25.7	100
1964	27.6	28.0	4.3	14.8	25.3	100
Fourth Plan Period						
1965	26.8	28.1	4.7	14.8	25.6	100
1968	21.5	31.9	5.6	14.3	26.7	100
Fifth Plan Period						
1969	18.5	33.8	5.8	13.5	28.4	100
1972	14.9	38.9	6.0	11.7	28.5	100
Sixth Plan Period						
1973	15.0	40.1	6.1	11.0	27.8	100
1976a	13.8	38.2	6.1	11.7	30.2	100

a: Estimate

Source: Taiwan Statistical Data Book, 1977: 32

subsequent government plans. However, fixed capital formation in agriculture as a percentage of total fixed capital formation continually declined while in industry it rose significantly. Consequently, from 1952 to 1972, agriculture's share in net domestic product declined from 35.7 percent to 16.7 percent, while the share of the industrial sector increased from 17.9 percent to 39.0 percent in the same period. Tables 2-4 and 2-5 summarize the change.

The following pages present further description of the situation of agriculture, and government policies under the "imbalanced" growth orientation in the period 1953 to 1972.

Under the import-substitution growth strategy, agricultural products and processed agricultural products were mobilized for export in order to finance the import-substitution industries. During a decade (1953-1960), agricultural exports always accounted for from 67.7 percent to 91.9 percent of total value of exports. After 1960, export substitution was initiated, and the importance of agricultural exports diminished rapidly. They gave way to manufactured exports. By 1968, only 21.6 percent of total exports were drawn from agricultural products, and this declined to 16.7 percent in 1972. From 1960 to 1972, the share of industrial products in exports rose from 32.3 percent to 83.3 percent (See Table 2-6). Nevertheless, agriculture in the initial industrialization phase fulfilled its mission of nourishing the infant industries in Taiwan. In addition, except in the fifth plan period, the growth rate of agricultural production in the post-reform era has always been above the population growth rate. From 1953 to 1962, for example, Taiwan's average population growth was 3.5 percent while its growth rate for agricultural products was 3.7 percent

annually. From 1963 to 1972, population growth slowed down to at the average annual rates of 2.9 percent, while agricultural products grew at the average rate of 3.0 percent annually (See Table 2-6).

That has kept Taiwan away from the classical Malthusian trap. Moreover, agriculture has not only met the increasing demand for food from the rising population, but has provided agricultural surplus available for being "squeezed" into the export and industrial sectors. This constitutes the first contribution of agriculture to overall growth.

Second, agriculture has supplied the necessary labor force for the industrial sector. In 1953, the agricultural population accounted for more than 50 percent of Taiwan's total population, and agricultural employment generated for more than 60 percent of total employment. To the end of 1972, the ratio of the agricultural population declined to only 38.9 percent and agricultural employment also decreased to only 39.9 percent of total employment. According to the estimate of Liang and Lee (1975:302-304) the net migration of the agricultural labor force increased from 48,752 persons in 1953 to 115,199 persons in 1970. The outflow rate of agricultural labor was less than 2 percent in the period of 1952-1960, and over 3 percent since 1961. The year 1970, in particular, saw the agricultural labor outflow rate reach 6.81 percent. As a whole, from 1952 to 1970, agricultural migration to the non-agricultural sectors totalled 824,000 farm laborers which accounted for about 47 percent of labor increase in the non-agricultural sectors. Obviously, this trend was more significant during the export substitution period in which labor-intensive export industries were rapidly developed and expanded.

TABLE 2-6: SOME INDICATORS OF CHANGES IN THE AGRICULTURAL SECTOR IN TAIWAN, 1952-1976

Period	Agricultural Population as % Total Population	Cultivated Land (Ha.)			Agricultural Production		Agricultural Exports as % of Total Exports
		Per Family	Per Farm On Farm	Per Person Engaged in Agriculture	Index Numbers (1952=100)	Annual Growth Rate(%)	
1952	52.4	1.29	0.21	0.49	100		91.9
First Plan Period							
1953	51.9	1.24	0.19	0.48	108.4		90.6
1956	50.0	1.17	0.19	0.48	116.8	4.1	83.0
Second Plan Period							
1957	49.4	1.15	0.18	0.48	123.5		97.4
1960	49.8	1.11	0.16	0.46	132.1	3.2	67.7
Third Plan Period							
1961	49.0	1.09	0.16	0.46	141.9		59.1
1964	46.1	1.06	0.16	0.44	159.7	5.0	52.5
Fourth Plan Period							
1965	45.4	1.05	0.16	0.44	172.5		54.0
1968	43.9	1.03	0.15	0.42	189.9	4.5	21.6
Fifth Plan Period							
1969	42.9	1.03	0.15	0.41	182.2		26.0
1972	38.9	1.02	0.15	0.39	193.3	0.7	16.7
Sixth Plan Period							
1973	37.7	1.02	0.15	0.40	195.2		15.2
1976	33.7	1.06	0.17	0.39	214.5	2.7	12.4

Source: Compiled from Taiwan Statistical Data Book 1977:53-56, 184

Third, agriculture also contributed to the economy by its provision of capital. Lee and Liang estimate the flow of resources and funds out of the agricultural sector to other sectors from 1950 to 1969 and conclude that the capital outflow from agriculture has always been positive and increasing. For instance, in 1950-1955 the gross capital outflow was NT \$916,057,000 and it increased to NT \$1,346,036,000 in 1961-1965, and again, reached NT\$2,078,932,000 in the 1966-1969 period (Liang and Lee, 1975:304-307). The gross outflow of funds includes land rent paid to the resident and absentee landlords, interest paid to financial institutions, government taxation, various fees, net savings deposits and interest in the non-agricultural sectors through financial institutions.

In discussing intersectoral relations, the terms of trade between the agricultural and the non-agricultural sectors have to be mentioned. The terms of trade (using the period of 1935-1937 as a base) were unfavorable for agriculture through the whole period of 1950-1969 during which an "imbalanced" growth ideology was upheld. The index of prices *received* by the agricultural producers over the period has constantly been lower than that of prices *paid* by them. For example, in 1950-1955, the terms of trade (the ratio of the non-agricultural price index over the agricultural price index) was 125.7 percent, indicating that farmers paid more than they received from trade with the non-agricultural sector. The ratio, though improved later, still kept on the level of 118.5 percent in 1966-1969 (Liang and Lee, 1975:305). In fact, this was the result of the policy interventions taken by the Nationalist government to alter prices against agriculture. The price twist has long been advocated by agricultural development economists (Mellor, 1966). They provide the intellectual rationali-

zation for the third world governments' actions to affect price relationships between agriculture and non-agricultural sectors. The twisted terms of trade were designated to depress farm prices and favor industrial prices (Lipton 1977:287-327). Those measures used by the Nationalist government in Taiwan to achieve a squeeze on agriculture include low price for agricultural products, especially for grains, accompanied by varying items of government taxation and fees. Another price twist used in Taiwan is the rice-fertilizer barter system. By this system, government sold fertilizers to the farmers, who paid for them with rice valued 20 percent below the market price.

Under an unbalanced growth doctrine, Taiwan's agriculture was damaged by the squeeze. During the 1960's when Taiwan's economic growth was climbing up to 10 percent per annum, the income disparity between the rural-agricultural and non-agricultural households was widening. In 1953, farming households income was about 75 percent of the non-farming households, but it declined to 61 percent in 1964, and further to 58 percent in 1968. Since 1969, farm income in most farming families has no longer met consumption needs. Furthermore, the margin between farm and non-farm income of farming families has increased, as farmers have been forced to find other sources of income to maintain living standards. Off-farm labor was the most important source and accounted for over 30 percent of total income earned by farming households in 1972, sharply increased from 14 percent in 1969 (Hu, 1976:25). The number of full-time farmers has thus continued to decrease from 47.61 percent in 1961 to 31.93 percent in 1966, and again dropped to only 30.24 percent in 1970. The outflow of a large quantity of

rural youth has also resulted in lowering the quality of farm labor (Hu, 1976:27; Wu, 1972). Finally, the persistent increase of farm population appeared to be a pressure on already limited available cultivated land and led to a narrowing scale of average farm size. In 1952, an average land holding per household was 1.28 hectare, but it shrank to only 1.03 hectare in 1968. The narrowing operation scale limited the possible income to be generated from the land.

During the fifth plan period (1969-1972), agricultural growth finally dropped down to only 2.2 percent per annum, only half way to the target of 4.4 percent, compared with industry's 21 percent annual growth rate and an 11 percent GNP growth rate. Moreover, Taiwan had already become a net food importer since the end of the 1960's (JCRR, 1974). The accumulated exhaustion of agriculture under the squeezing strategy over the past 20 years had finally appeared on the surface and forced the Nationalist government to cope with it seriously. In 1969, facing the emerging development problems, an "Itemized Review of Agricultural Policy" was announced to examine the problems confronting Taiwan's agriculture. Fourteen solutions were proposed in the document but none was put into practice due to reluctance on the part of the government. At the same time, "Community Development" was adopted as a major strategy of rural social development, under the influence of the U.N., aimed at improving the physical quality of rural life. Paradoxically, the squeezing policies mentioned above had not been challenged in the proposed fifth 4-year plan, also starting in 1969. Again, in 1970, the ruling Nationalist party issued a "Guideline for Present Stage Rural Reconstruction", acknowledging the critical situation of Taiwan's agriculture and

claiming to encourage the central government to take serious steps to solve it. Up to now, no actual policy or action had been taken, yet the deterioration of agriculture has been worsening. The period of 1969 to 1972 could be characterized as a transition toward a basic strategic change for agriculture. Serious attention to agricultural problems has been paid by local politicians, academics, and journalists.

Significantly, 4 months after assuming governmental power as Premier, Chiang Ching-kuo, the eldest son of Chiang Kai-shek, announced an "Agricultural Reconstruction Program" in a conference on agricultural development in September 1972. This program was the milestone of Taiwan's agricultural policy since the land reform in the early 1950's. Specifically, there were 9 policy changes adopted in the program:

- (1) The rice-fertilizer barter system, a key squeezing mechanism on agriculture was abolished. Instead, fertilizers would be purchased or loaned to the farmers. After the harvest they could choose to repay the government either in cash or in kind. The method of requisition of rice would be improved, taking the market price as the criterion.
- (2) The land surtax levied in support of the free 9-year educational system was also abolished, so as to reduce the burden on the farmer.
- (3) The terms of agricultural loans would be relaxed.
- (4) The agricultural marketing system would be improved and reformed.
- (5) Investment in the infrastructure of the countryside would be increased, including irrigation projects and facilities for public health.

- (6) The use of integrated techniques of farm production would be speeded up.
- (7) Specialized agricultural production zones would be set up.
- (8) Agricultural research and extension services would be strengthened.
- (9) Factories in the countryside would be encouraged to employ rural labor and increase the income of the farmers by providing "non-farm" income.

Among the above 9 policy actions, the abolishment of the rice-fertilizer barter system and the education donation imposed on the farmers, the improvement of the availability of the agricultural credit and loan, and the reduction of price differentials particularly had an immediate positive effect on the farmers (Shi, 1976). The government allocated NT \$2 billion through a supplementary budget and another NT \$1.8 billion for use as low interest loans.

The most expensive project, however, was to promote specialized products zones, which received 30 percent of the total budget and 84 percent of the loans available. The significance of the project, argued the government, was to economize the land use of Taiwan's agricultural sector. Two methods were employed to implement this institutional change, one was to plan production zones for different agricultural products, the other was to form farming cooperatives composed of the farmers involved. From January to June 1973, there had been 206 zones set up on the whole island, but only 15 percent of the farming households were involved in the projects.

Transition to Balanced Growth?

In August 1973, the "Agricultural Development Act" was

enacted, making modernization of agriculture government policy. Since then, Taiwan has had a basic policy for agricultural development for the 1970's. The sixth 4-year plan (1973-1976) had finally demonstrated a strategic shift in Taiwan's development efforts. "Balanced" growth between agriculture and industry was stressed. The primary goal now was to bridge as much as possible the inequality existing between the rural-agricultural and the urban-industrial sectors. In other words, "development" with the notions of equality and general welfare of the agricultural sector and its attached population became the focal issue. The target for agricultural growth in the sixth plan was set at 4.1 percent per annum. However, a considerable fluctuation of agricultural production in the period of 1973-1976 was observed. The first year, with a 5.3 percent growth rate, exceeded the growth target, but 1974 saw a drastic drop of agricultural production to only 0.5 percent growth. Even worse, in 1975, the growth rate became negative (-2.0 percent) over the previous year, due to the adverse effects of natural disaster. With the rising agricultural production in 1976 (a 10.7 percent growth rate), the overall growth rate for the sixth plan was 3.62 percent, below the planned target but better than 2.2 percent in the previous fifth plan period.

At the end of 1975, Taiwan abandoned the 4-year plan, and instead issued a new 6-year plan for the period of 1976 to 1981. The reasons for this change were mainly because of substantial changes in domestic and world economic conditions. The target for agricultural growth in the new 6-year plan period is 2.5 percent, substantially lower than the previous 6 consecutive plans. From this it can be seen that the Nationalist government has taken a rather modest approach to deal with Taiwan's agricultural

development, recognizing that the exhausted agricultural sector requires relief. Moreover, it also suggests a termination of any further squeeze on the agricultural sector. In other words, it is accepted that if agriculture is to be developed that it must be for its own sake rather than for its instrumental role for other sectors. In this new plan, the gap between the agricultural and industrial sector incomes is intended to be narrowed to reach a "tolerable" point, less than a 30 percent gap between farm households and non-farm households at the end of 1981. It also issued a guaranteed price for agricultural products (e.g., rice, sugar, and corn) and provided sufficient welfare programs such as medical care, and farmers' insurance in order to release farmers' financial burden. By the end of the plan in 1981, Taiwan's overall food sufficiency is expected to reach 87.7 percent in which farm crop is set at 77.8 percent (Economic Planning Council, 1976). However, these projections appear to be over-optimistic.

One other significant policy change for Taiwan's agriculture also took place in 1975 when the "Itemized Practices for Agricultural Development Act" was announced. In this document the enlargement of farm size through farmland consolidation was strongly advocated. The incentive used by the government is a reduction of land taxes. This policy intends a radical institutional change of agrarian structure since land reform. The land reform in the early 1950's had contributed to build a "unimodal" agrarian system with a fairly equitable distribution of farmland. On the other hand, the new policy shifts its emphasis to mechanization on bigger farms with a "bimodal" orientation.⁽⁴⁾ A small group of

commercial farms, which concentrates on livestock enterprise, has taken advantages of the new agricultural policy and quickly enlarged their farm size and increased their production. On the other hand, the majority of small farmers have not been able to increase their crop production due to their weak economic capabilities. Therefore, critics in Taiwan have warned that the "bimodal" pattern suggested in the new policy could jeopardize the existing relative equality within the rural-agricultural sector (Hu, 1976:30). Actually, increasing intrasectoral inequality has been in sight since the end of the 1960's (Cheng, 1974:139). Finally, a constantly declining share of government investment in agriculture has also cast some doubt on prospects for progressive agricultural development in the future.

(4) By definition, a "unimodal strategy" refers to an agricultural strategy aimed at the progressive modernization of the entire agricultural sector, while a "bimodal strategy" is defined as a crash modernization strategy that concentrates resources in certain highly profitable and commercialized subsectors. (See Johnston and Kilby, *Agriculture and Structural Transformation: Economic Strategies in Late-Developing Countries*, Oxford University Press, 1975:127-129).

CHAPTER III

CHANGES IN AGRICULTURE AND AGRICULTURAL STRATEGIES IN SOUTH KOREA

Prelude: Agriculture Under Japanese Colonialism, 1910-1945

From 1910 to 1945, Korea, like Taiwan, was part of the Japanese Empire. In this case, colonial policies were designed to expand agricultural output and squeeze out the surplus for the benefit of Japan proper. Not until 1920, when the Corporate Law designed to limit non-agricultural investment and the development of domestic enterprise in Korea was abolished, did the colonial government pay attention to the growth of consumer goods industries, particularly food and textiles.

During the whole period of colonial rule, agriculture, especially food crops, was the primary target for the colonial development strategy, which was characterized by the "Rice Increase Plan" initiated in 1920 and again in 1926. The plans were attempted in response to the rice riots of 1918 in Japan induced by rice shortage. Thus, the major aim of the plan was to help solve the Empire's food problems. The plans were pushed forward with great success until 1934, when the over-production of Korean rice had depressed prices in Japan. The Japanese farmers threatened to boycott Korean rice, and the plan was called off. However, renewed shortage of rice occurred again in Japan in the late 1930's, after

the outbreak of war with China, and this led to a revised plan to increase Korean rice production.

In balance, agricultural production almost doubled between 1910-1912 and 1939-1941. Rice production increased at an average annual rate of 2 percent from 1910 to 1935, slightly lower than that of Taiwan (Kuznets, 1975:15,18). Rice exports accounted for 16 per cent of domestic production in 1910-1915, rising to 44 per cent in 1930-1936. Korean rice made up half of Japanese rice imports from 1925-1926 through 1937-1938 and probably into the war years as well.

The factors that contributed to agricultural growth in Korea included land improvement through construction of irrigation and drainage facilities; a "green revolution" from introducing superior seeds and greater use of fertilizer; increased use of machinery; new farm equipment; and more labor-intensive use of land. However, one of the crucial factors behind the increase in agricultural output, especially the rapid growth of rice exports, was a change in the land ownership and tenure system imposed by the colonial government. The strategy started with a land survey, lasting from 1910 to 1918, that turned over royal land and uncultivated land to the colonial government for sale to Japanese land companies and landlords. The colonial government made Korean land available as a saleable commodity and Japanese investment flowed in.

New titles of ownership were granted to those members of the Korean *Yangban* lineages (local gentry and nobility) who could

show rent receiving titles under the Yi Dynasty.⁽¹⁾ But farmers with only cultivating rights were deprived of any claim to the land and became landless tenants. The proportion of pure tenant households (as opposed to proprietors or part-owners) rose from 39 percent in 1913-1917 to 56 percent by 1938.⁽²⁾ Of large holdings (over 100 *chongbo*; one *chongbo* equals approximately one hectare), Japanese landlords owned 54 percent in 1921 and 62 percent by 1935. If government property is included, the Japanese may have controlled more than half the land in Korea (Kuznets, 1977:16-17),

In 1930, the landlord, mostly Japanese absentee landlords, who

(1) During the Yi Dynasty, the land belonged to the king. The "Yangban" was a government official appointed by the king through examination or recommendation, enjoying special privileges in the localities. They did not own the land, but had powerful authority over the management of land. They were also allowed to rent part or all of the land to the farmer-cultivator who was a commoner or slave, and in turn, was required to pay land-tax to the state. However, in the latter part of the dynastic period, king's control over the land fell into disorder, and land gradually came into private hands, largely the Yangban class. Nevertheless, it was Japanese colonial policy that imposed legally as well as politically private ownership of land in Korea. With the establishment of private property rights, land previously held by the Yangban remained with them under a new title. They became landlords and retained their hierarchical relationship with the commoner or slave who had previously cultivated their land. On the other hand, those of the Yangban elite who had no land, or did not move into the new administration, had to find a livelihood elsewhere in the cities, competing with commoners for jobs (See Chang, 1971:164-169; Lee, 1969:70-71).

(2) According to Japanese government statistics for 1914, more than 51 percent of the total arable land was owned by less than 2 percent of the total number of farm households, while about 3 percent of the total farm households were landless tenants (Government Statistical Yearbook, 1914; Choi, 1971:219).

comprised less than 5 percent of total farm population, owned some 60 percent of the arable land. Four out of five Korean farmhouseholds were tenants or semi-tenants and on average, one half or more of their crops went to landlords as rent (Chang, 1971:175). As a consequence, most of the rice collected as rent moved into the export trade and about 60 percent of Korean exports came from the landlords. Thus the magnitude of Korean exports after 1930 can be explained by absentee landlords' control over much of the land, which both directly extracted rice from the small farmers and also forced them to sell more of what was left to them (Johnston, 1953:55).

However, as in Taiwan, the Rice Increase Plan did not benefit Korean farmers at all. The fact that rice exported to Japan exceeded the increase of rice grown in Korea meant a reduction in the consumption of home-grown rice. Cheaper, coarser grains were imported from Manchuria as a substitute for the rice exported to Japan. There was a constant decline in the average per capita consumption of rice and food grains as a whole in Korea over the colonial period. Table 3-1 clearly summarizes this astonishing

TABLE: 3. 1: INDEXES OF KOREAN AGRICULTURAL GROWTH UNDER COLONIALISM, (1915-19=100)

Year	Total Agricultural Production	Rice Production	Exports of Rice	Rice Consumption	Total Food Consumption
1915-19	100	100	100	100	100
1920-24	118	106	167	90	98
1925-29	140	109	286	72	89
1930-34	153	126	375	63	82
1935-39	185	150	379	91	90

Source: Compiled from tables in Chang, 1971:173-174.

fact about Korean agriculture under colonial rule. It should be noted that between 1925-1929 and 1930-1934 when rice and food consumption experienced the most serious decline was also when agricultural production and exports increased the fastest.

As Johnston (1953:56) eloquently points out, "the large exports seem to have involved not only a qualitative sacrifice in substituting coarse grains for rice, the preferred cereal, but also a quantitative sacrifice of the level of food consumption". Even the Japanese food officials admittedly characterized it as "forced" or "starvation" exports (Chang, 1971:174). As indicated in Chapter II, colonial Taiwan also experienced a similar squeezing policy.

A move away from agriculture began in the 1930's. This policy shift was closely associated with the change in Korean position in the sub-world system (later to be called "co-prosperity sphere") dominated by Japan. After the economic depression in Japan, which was partially caused by the world depression, Japan's invasion of China, begun in the 1920's, was expanded further into Manchuria, Inner Mongolia and North China. In this wider scheme of Japanese colonization, the Korean strategic position between Japan and Manchuria became more important. Korea was viewed as a base for advance into the continent (Crow, 1942). Thus Korea, together with Taiwan, was called upon to develop the non-agricultural sectors of its economy.

A report prepared by the Committee for the Survey of Korean Industry in 1936 set out the major changes in Korean industry that were to come:

The economy in Korea, viewed in international context necessitates a change in industrial policy from one previously centered on the primitive industry toward a total development in a wider range of

industries. It should be aimed at the joint development of both industry and agriculture, the welfare of industrial workers, and the rapid development of the mining industry, which is still in the initial stage, while maintaining agriculture as the backbone of the economy. It is also necessary to have a closer connection between Japan and Manchuria and to assume responsibility for the economic needs of the entire imperial area. In carrying out these policies, we ought to be aware of the situation of the world economy, and especially under present grave circumstances we should strive to be victors in the world economic struggle by total utilization of the resources in our economic sphere. At the same time, with the goal of meeting the military need in a wider sense, the pace of development needs to be controlled in order to take into consideration our financial, banking and other conditions.

The colonial government also undertook policies to attract Japanese capital and skill to move to Korea. Japanese capitalists dominated not only the large industries but also small and medium factories. As of 1938, Japanese capitalists owned 3,136 companies or 57.9 percent of the total against 2,278 firms or 42.1 percent in the possession of Koreans. It must be pointed out, however, that most firms in the hands of Koreans were much smaller in both scale and capital than those owned by Japanese (Choi, 1971:235-237).

Despite the industrialization efforts started in the 1930's with consumer goods in the south, and later expanded to include heavy industries, i.e. electric power, minerals in the north, toward the end of colonial period, the Korean economy was still an agriculture-dominated one, especially in the southern part, where the Republic

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- (3) One of the most influential intellectual spokesmen for this expansionist view, Takeo Suzuki, was then professor of economics at Keijo Imperial University. See his "On the North-Korean Route" in *Keijo Tekoku Daigaku Hogakkai, The Korean Economy* (Tokyo, 1929 pp. 321-362).

of Korea (South Korea) was later formed.

Land Reform Phase, 1949-1951

From the surrender of Japan in August, 1945 to the establishment of an independent Republic on August, 1948, southern Korean was under the occupation of the American Military Government (AMG), whereas the northern part above latitude 38 was under Soviet control. As indicated, the South was predominantly agricultural. Heavy industry, major coal deposits, and almost all the developed power capacity were in the North. Especially due to the lack of facilities for producing chemical fertilizers in the South, agricultural output and yields were very low in 1945 and 1946. Food shortage, inflation, flood and drought, and the collapse of industrial production were the emergent economic problems facing the AMG. Moreover, in the period 1946-1948, social instability and unrest were observed, food riots in 1946 and a communist-inspired military uprising in 1948 were two obvious examples.

Another compelling problem on the agrarian scene was the land tenure problem, long existing in Korea. The land tenure situation was unequal when became independent. Only 13.8 percent of the total farm households were owner-operators, 34.6 percent were part owners, and the proportion of purely tenant farmers reached 48.9 percent. In other words, the number of tenant farmers of all kinds totaled 83.4 percent of the total farm households. A total of 69.5 percent of rice paddy and 55.8 percent of upland farm were under the cultivation of tenant farmers. Similar to Taiwan, Korean tenants had to pay as high as 50 percent to 70 percent of their products as rent to their landlords. However, no large-scale land reform took place during the AMG rule, only formerly Japanese-

owned lands had been sold and distributed to Korean tenants in 1948. Rents were also reduced.

On the other hand, in the Russian zone, a collectivistic type of land reform had been effected in the immediate postwar period. The whole question of land reform, one of the most critical social and economic issues in postwar Korea, remained unsettled in the South. An interpretative discussion of the lack of land reform under the AMG period will be presented in Chapter 6. Suffice it to say that the failure to initiate land reform emerged as a major source of discontent and opposition to the newly established Korean government under the presidency of Rhee Syngman.

Finally, in June 1949, a land reform act was passed by the National Assembly and forwarded to the President. But it was vetoed by Rhee. One somewhat more favorable to landlords was eventually passed and signed on March 25, 1950, only 3 months before the outbreak of the Korean War. Two types of land were to be distributed: 1) land purchased from Korean landlords, for which 818,548 farming households were eligible, and 2) confiscated Japanese land, for which 727,632 households were eligible. The price charged for the farmer was one-third of the annual crop (the same as the former rental charge), payable each year for a term of three years. This payment in kind was to be made to the government, which in turn paid to the former owners the equivalent value in certificates of 150% of one average annual crop. There was also a three hectare limit on paddy holding for each landlord household.

However, in anticipation of the reform, many landlords sold a great deal of land to tenants prior to the reform on very profitable terms. Therefore, the area of farm land actually redistributed by

the land reform was 470,000 hectares, or 56 percent of the 1949 tenant farm area (Pak, 1970:103).

significant results of the reform, however, were the changes in the land ownership and tenure system. In 1947, before land reform was effected, owner farmers constituted only 16.5 percent of the total number of farming households, part owners 38.3 percent, while purely tenant families reached 42.1 percent. After the reform, in 1965, owner farmers composed as high as 69.5 percent of the total number of farm families, part owners 23.5 percent, and tenant farmers only 7.0 percent. Table 3-2 summarizes the above discussion.

TABLE 3-2: TYPE OF FARM FAMILIES BEFORE AND AFTER THE LAND REFORM IN SOUTH KOREA

	Before Reform (1947)		After Reform (1965)	
	Families	%	Families	%
Owner Farmers	358,000	16.5	1,742,000	69.5
Part Owner-Farmers	834,000	38.3	589,000	23.5
Tenant Farmers	714,000	42.1	176,000	7.0
Non-Cultivating Farmers	66,000	3.1		
Total	2,172,000	100.0	2,507,000	100.0

Source: Compiled from Pak, et al., 1966; and Pak, 1970:102.

Change also occurred in the composition ratios of the arable land. Before the land reform, in 1945, 63.3 percent of total private land was cultivated by the tenant farmers. After the land reform, the area under tenant cultivation was dropped to only 18.0 percent

of the total in 1965 (Pak, 1970:104).

As in Taiwan, another overall effect of the reform was to create a basic agrarian structure of small landholders. With the ceiling of land ownership set at three hectares by land reform, the average scale of agricultural management grew smaller as a direct result. As shown in Table 3-3, the ratio of farm households each owning one hectare or less stood at 75.5 percent in 1947, increased to 79.1 percent in 1953, then slightly declined to 74.2 percent in 1955.

TABLE 3-3: CHANGES IN THE DISTRIBUTION OF
FARM HOUSEHOLDS BEFORE AND AFTER THE
REFORM BY SIZE OF HOLDINGS IN SOUTH
KOREA (%)

	Before Reform	After Reform		
	(1947)	(1953)	(1955)	
Size of Farm (hectare)	% of Farm Household	% of Farm Household	% of Farm Household	Cultivated Area
Below 0.5	42.2	44.9	43.1	18.0
0.5-1	33.3	34.2	31.1	29.2
1-3	24.1	20.8	25.6	51.8
Over 3	1.4	0.1	0.2	1.0
Total	100.0	100.0	100.0	100.0

Source: Pak, 1970:106.

Hardly any household reached the legal limit of paddy land. Only 0.1 percent of farm households owned more than 3 hectares in 1953. Even as late as 1966, there were still only 1.4 percent

of the farm households with farm size over 3 hectares, while 67.3 percent of the farm households owned less than 1 hectare (Pak, 1970:107). In other words, a predominant feature in post-reform rural Korea has been the existence of a bulk of small and fragmentary farms. In addition to land reform regulations, the influx during the Korean War of urban populace and north Korean refugees into farm villages also contributed to the fragmentation of land into small units in South Korea.

Compared with their counterparts in Taiwan, Korean farmers were burdened much more to own land. Tenants were allowed to pay for the land in a period of 5 years, at 24 percent interest per annum. Pak (1970:103) also points out that the payment of usurious interest more than offset the curtailment in farm rent. In addition, more than 20 kinds of excessive taxes were imposed on the owner farmers. Finally, in terms of production, the reform was in fact considered to have a somewhat detrimental effect, at least in the short run.

The positive effects of the reform were primarily psychological and political rather than economic. The reform eliminated the fundamental class division in the countryside from which the leftists could have hoped to generate support in rural Korea. Thus, it eliminated the Communist threat to the existing regime. However, the shrinking scale of farm management and the absence of any supporting agrarian measures aimed at boosting agricultural productivity had resulted in the decline of the farm economy.

There is no available documentary data of productivity change in the immediate post-reform period. The 1966 land survey showed high productivity of land among small farmers, but labor productivity was still relatively low (Ministry of Agriculture and Forestry,

1967: 326-327).

Stagnant, Depressed Agriculture Under Rhee, 1954-1960

The lack of agrarian reform to accompany the land reform was the major difference between the cases of South Korea and Taiwan. One other crucial difference was that the Korean War broke out almost simultaneously with the enforcement of the land reform, whereas Taiwan enjoyed a rather stable environment in which to implement its land reform programs. During the period of 1949 to 1952 South Korean agricultural production dropped 27 percent, and the overall GNP dropped 14 percent. Therefore, it is very difficult to evaluate the net result of land reform relative to the impact of the War.

The Korean War also altered the priorities for national-building. It transformed South Korea from a small country with needs somewhat relevant to its size and capability into the defense bastion of Asia. The Korean army had increased from 65,000 in 1951 to over 700,000 in 1953. Meeting the needs of such sizable forces altered the Korean economy. The cost of maintaining this force (not including military hardware which came from the U.S.) was beyond the capacity of the economy, and had to be met by foreign aid. The first annual U.S. foreign aid bill after the armistice came to \$200 million. Then, it rose to a peak of \$365 million in 1956, and never went below \$200 million until the mid 1960's (USOMK, 1967).

The Korean government, under Rhee Syngman thus became heavily dependent on U.S. foreign aid not only for defense, but for current expenses as well. According to the Bank of Korea, the level of budget assistance from foreign aid grew from a third of the total budget in 1954 to 58.4 percent in 1956, and it was still

at 38 percent in 1960. During the Rhee period, the Korean government failed to overcome its dependence.

During the Rhee regime, no serious attention was ever paid to "economic development". Rather, nation-building, post-war reconstruction, and internal political struggle preoccupied all of Rhee's energy. The whole idea of economic planning seemed to be opposed by Rhee (Cole and Lyman, 1971). Though the Economic Development Council (EDC) was finally established in 1958, it could not provide any "economic leadership" at all. The EDC had no direct access to the highest level of the Rhee government. As time passed the prestige of the EDC fell, as was to be expected of a new government agency that was not in a position to fulfill the purpose for which it was established (Oregon Advisory Group Report, 1962:2).

The industrial sector, however, received relatively higher priority. The strategy of post-war Korean industrial growth was one of "import substitution" focusing on the processing of imported raw materials and semi-finished goods. Without effective planning efforts, factories were built that, due to lack of power, management, and even domestic market, ran at much less than full capacity.⁽⁴⁾ Significantly, Korean import substitution strategy for industrialization was backed by U.S. economic aid. Detail on this will be discussed in Chapters V and VI.

Agriculture under this unplanned "import substitution" growth strategy, however, was largely ignored by the Rhee regime.

(4) In a 1959 Economic Survey by the Ministry of Reconstruction, among the total of 6529 factories under study, 53.8 percent were operating below capacity and only 17.6 percent operated at capacity, the remaining 28.4 percent had been closed. In other words, more than 80 percent of the Korean factories were underutilized.

Particularly in relation to U.S. food imports, Korean home agriculture even became stagnant during the 1950's.

For example, in the decade from 1948-1949 to 1958-1959, the average rate of increase in the production of grains was 17.2 percent (9.8 percent in rice and 31.5 percent in miscellaneous cereals). In other words, the annual growth rate of domestic grain production was only 1.72 percent during the tenure of the Rhee government (Chu, 1963:224). But the increase rate in imports of foreign grains was as high as 23.1 percent annually for the same period. As a result of the disincentive effect of the imported grains the domestic food price dropped steadily. The price index in 1959-1960 as against 100 in September, 1955 shows that agricultural price index was only 60 percent of that for non-agricultural products. This situation was aggravated by the government interventions of lowering crop estimates designated to help enlarge aid requirements (Cole and Lyman, 1971:79).

Expecting a serious food shortage after the end of the Korean War, the Rhee regime did formulate the first five-year agricultural production program (1953-1957) to increase staple food production. This program was assisted by the United Nations' Korean Reconstruction Agency (UNKRA) and the Food and Agricultural Organization (FAO). While the program was being carried out, South Korea began to receive a large amount of U.S. agricultural surplus under Public Law 480 (PL480). The imported grains financed by U.S. aid, in a sense, almost killed the incentive to implement the agricultural program vigorously.

The result of the implementation of the first 5 year agricultural program appeared to be unsatisfactory. Moreover, the post-war food shortage and then the heavy reliance upon imported grains,

again stimulated the Rhee regime to conduct "the grain saving campaign". Constrained by its basic economic strategy aimed at industrialization, the Rhee government's agricultural programs during the 1950's proved to be very ineffective.

Without any progressive policy taken by the government, the Korean rural economy had been allowed to deteriorate toward the end of the 1950's. A survey by the Bank of Korea indicates that agricultural sectors had been in a state of continuous stagnation that caused a considerable deficit for farm households between 1959 and 1960. Another survey conducted by the Agricultural Bank also shows the accumulated debts incurred by the farmers throughout the nation reached 8.9 billion *won* in 1956, and 18.3 billion *won* in 1960. Another deplorable fact arising from the deteriorating rural economy is the ever-widening gap between the average earning of farmers and that of urban dwellers. For example, the Bank of Korea reports that the ratios of farmers' income to urban dwellers' for the years of 1957 to 1960 were 56.3 percent, 42.3 percent, 31.5 percent, and 33.4 percent, respectively (Chu, 1963:228). Accompanying the deterioration of the farm economy was a sharp drain of agricultural labor into the urban areas and a further worsening of the poverty and distress of the rural population.

Consequently, the relative importance of agriculture for domestic industrial growth (import substitution) was much less than that in Taiwan, where agriculture gave a strong "push" to the development of industries.

The failure of any effective development policy, the over-dependence on foreign aid, corruption and political repression in the late 1950's, finally brought about the urban-centered student revolution that ended the 12 year Rhee regime on April 26, 1960.

Imbalanced Growth and the Squeezing Strategy Under Park, 1961-1971

An Interim Government was established to arrange for a new constitutional system and new election after the collapse of the Rhee government. The Democratic Party, an opposition party in the 1950's, had seized power. Yuan Po-san was elected president and Chang Myon prime minister with actual power. Under the new Democratic regime, "economic development first" became the new government slogan. A five year plan was issued. It was based on the abortive three year plan that was approved in January, 1960 just before the overthrow of the Rhee regime. However, this new five year plan was announced right before the downfall of the Democratic government. The plan was guided by an "unbalanced" growth doctrine, placing strong emphasis on a few strategic or key sectors, in which agriculture was designated for growth (Wolf, 1961). Unfortunately, like its predecessor, this plan was rendered inoperative due to political turmoil and a military coup in May, 1961.

Under the military government, of which a large number of the military elites were born in the rural areas, agricultural economic problems for the first time received close official attention. The emergent actions were to stabilize the price of agricultural products and relieve the deterioration of the farming socio-economy. Agricultural credit and loans at low interest increased 30-fold over the pre-1961 average. The government also offered to take over from the farmers their private high interest loans in order to relieve them of excessive debts incurred earlier (Cole and Lyman, 1971; Shin, 1969:231). As an immediate result, Korean farm households had

positive budget balances of 460 *won*, for the first time in the past six years (Chu, 1963:228). The growing economic concerns and the demand for a concrete economic policy had made economic performance almost a "must" for any regime that wished to keep in power after 1960.

The third planning attempt was finally completed and approved in late 1961. It was the first five-year economic plan for 1962 to 1966. An Economic Planning Board was set up by the military government to be in charge of overall planning, budgeting, and aid administration. The plan stated that the basic guideline for Korean economic development would be "guided capitalism". The development strategy was led by an "imbalanced" growth doctrine with an emphasis on industrial growth at the expense of agriculture. An "export substitution" industrialization policy was undertaken thereafter. The "unbalanced" trend of Korean development strategy in favor of the industrial sector was even more evident after the Military government transferred its power to a civilian government, with General Park Chung-hee as president, at the end of 1963. At a crucial point in the summer and fall of 1964, President Park refused to continue the subsidies on fertilizers to the farmers that had been promised by the previous Military government. Instead, emphasis was to be put on new land development, technological improvement and greater market efficiency, aimed at accelerating the "growth" of the agricultural sector. These technological and physical improvements were supposed to be substitutes for the agricultural subsidies and liberal credit policies. In other words, the main concern was to squeeze agricultural growth rather than stabilize and equalize the rural-agricultural sector.

The Park regime thus betrayed one of its 1963 election slogans,

"agriculture first". In a speech to provincial governors in June, 1966, President Park stated forcefully that the country must seek to bring its grain price down to world market levels in order to hold domestic food prices low enough to keep labor wages low. It was the first time the Park government had come out officially for this controversial policy (Cole and Lyman, 1971:288n).

The second five-year plan (1967-1971) followed the same strategy and furthered the growth of "export-oriented" manufacturing industries. Self-sufficiency of food products was listed as one of the priorities in the plan. Ironically, the weakest part of the whole plan was in programs for agriculture (Kuznets, 1977:205-208). It failed to design a comprehensive set of targets, to relate investments and policies to the targets, or to indicate the other kind of inputs required to expand agricultural production. Consequently, the actual agricultural programs in the second plan were largely ignored and government investments in agriculture had accordingly declined without reference to the plan (Cole and Lyman, 1971:219).

As in Taiwan, the agricultural development program in South Korea is closely interrelated with the overall five year plan and instrumental to the programs for the industrial sector. In the two plan period (1962-1971), two major agricultural development programs were formulated: 1) the five year development program (1962-1966), and 2) the seven year program for the increase of food production (1966-1972). Like their predecessors in the 1950's, the two agricultural programs were not given serious attention and thus remained ineffective to develop the agricultural sector in South Korea during the 1960's.

The potential conflict between priorities for achieving self-sufficiency in food grains and building an industrial base in both

plans was ostensibly settled in favor of the latter. Government investment allocation for agriculture was much less than for other sectors. For instance, in the first plan period, the actual investment share in agriculture was only 14.7 percent, much less than the originally planned 17.2 percent. In the second plan, the actual allocation of capital to agriculture (7.1 percent) was even less than half of what had been planned (16.3 percent). The absolute amount of investment in agriculture was also below the amount originally planned (See Table 3-4). To a great extent, the unrealistic squeeze had resulted in declined agricultural output during

TABLE 3-4: COMPOSITION OF GROSS DOMESTIC
FIXED CAPITAL FORMATION BY INDUSTRIAL USE
IN SOUTH KOREA, 1953-1973 (%)

Year	Agri- culture	Industry	Transpo- rtation & Communi- cation	Commerce	Other	Total
1953	13.0	21.4	65.6			100
1957	14.0	24.5	60.5			100
First Plan Period						
1961	14.1	21.0	64.9			100
1966	11.1	36.1	23.2	3.5	26.1	100
Second Plan Period						
1967	8.3	34.9	27.8	4.3	24.7	100
1971	7.4	27.6	24.0	5.8	35.2	100
Third Plan Period						
1972	10.6	26.9	29.1	4.6	28.8	100
1973	7.8	32.0	23.2	3.7	33.3	100

Source: The Bank of Korea, Economic Statistics Yearbook, 1973;
Byun, et. al., 1975:395; Hasan, 1976:210-211.

the second plan period. The average growth rate of grain production was only 1.6 percent in the period of 1966 to 1970, a decline from the 6.4 percent in the previous period of 1960 to 1965 (Byun, *et al.*, 1975:384). The discrepancy between actual and planned investment in agriculture also explained why the target of food-sufficiency had not yet been reached by 1971.

Consequently, domestic agricultural production could not meet the demand for food and, therefore, grain imports continued at a high level in the 1960's. During the period of 1960-1962 to 1970-1972, Korea imported wheat and wheat flour valued at approximately \$850 million, \$640 million worth of cotton, and \$600 million of rice (mainly after 1966). Food imports provided through U.S. aid relieved pressure on the government to develop the domestic agriculture and also served as a form of surplus that might be used to promote industries. All this proves, though, that the Park government had attempted to restrict food prices, mostly in order to limit wage costs and maintain the competitiveness of the industrial exports.

The grain price control (especially for rice and barley) was a crucial mechanism to squeeze agriculture. Though grains were priced in the market, the government would announce its own purchase price at the beginning of the harvest, usually lower than the market price, for purchasing and collecting land taxes. The government also could simply close the commercial channels, thus forcing the farmers to sell all their grains to the government. Moreover, the government would depress the farm prices at harvest time by dumping stored grains on the market. This had widened the income gap between farming households and urbanwaged households. For instance, Table 3-5 reveals that the average annual income of farmers in 1963 was 16.2 percent higher than that

of the urban workers', while in 1969 the former amounted to only 65.3 percent of the latter.

TABLE 3-5: A COMPARISON BETWEEN FARMERS' INCOME AND URBAN LABORERS' IN SOUTH KOREA

UNIT: WON*

Year	Farmer's Income**			Urban Laborer's Income(B)**	A/B (%)
	Agriculture Income	Other Income	Total (A)		
1963	76,542	16,637	93,179	80,160	116.2
1964	103,745	21,997	125,692	97,200	109.3
1965	88,812	23,389	112,201	112,560	99.7
1966	101,430	28,746	130,176	161,520	80.6
1967	116,359	33,111	149,470	248,640	60.1
1968	136,936	42,023	178,959	285,960	62.6
1969	167,128	50,746	217,874	333,600	65.3

*The exchange rate between the Korean won and the dollar is 400:1

**Refers to the family's income.

Source: The Dong-A Ilbo, December 23, 1970, p.1, cited from Kim, 1974:147.

In addition, the increase in the cost of living to farmers was greater than that of city families. The overall cost of living index in 1971, for example, was at 205 for an urban dweller and 227 for a farmer, taking 1965-100 (Wideman, 1974:477). Consequently, the real income of urban workers increased 77 percent from 1963 to 1971, while the real income of farm families rose only 30 percent (Kuznets, 1973:7).

At the macro economic level, the structure of the Korean economy changed significantly under the Park government. Table 3-6 and 3-7 summarize the structural change of the Korean economy

from 1953-1955 to 1970-1972. Agriculture's share of total domestic product dropped from 50 percent in 1953-1955 to 30 percent by 1970-1972 and domestic product originating in the service sector fell somewhat, while the industrial sector's share increased from 11 to 35 percent. Industry expanded at least twice as fast as the service sector and four to five times more rapidly than agriculture during each subperiod (1953-55, 1960-62 and 1970-72).

TABLE 3-6: SECTORAL ORIGINS OF GROSS
DOMESTIC PRODUCT IN SOUTH KOREA,
1953-1972 (%)

Year	Agriculture	Industry	Services	Total
1953-55	50.4	10.6	39.0	100
1960-62	45.2	17.1	37.7	100
1970-72	29.5	35.2	35.2	100

Source: Bank of Korea, Economic Statistics Yearbook, 1973.

TABLE 3-7: ANNUAL GROWTH RATE OF GROSS
DOMESTIC PRODUCT IN SOUTH KOREA BY
INDUSTRIAL SECTORS, 1953-1972 (%)

Year	Total GDP	Agriculture	Industry	Services
1953-1962	3.9	2.3	11.2	3.4
1960-2-1970-2	8.8	4.2	16.9	8.1

Source: op cit.

One correlate of the change in the sectoral share is a shift in the labor force from agriculture and other primary industries to

manufacturing and other secondary activities and, in some cases, to the service, or tertiary, sector. From 1960-1962 to 1970-1972, for example, agricultural employment share declined from 63.1 percent to 49.9 percent, while industrial employment increased from 13 percent to 21.1 percent, and service employment also climbed from 23.9 percent to 29.0 percent. A significant increase, as the result of government industrial policy was observed in manufacturing export industries (Kuznets, 1977:53-57). Meanwhile, migration from the countryside to cities was also marked. Approximately 3.5 million rural people (more than one-fifth the urban population in 1971) had moved to urban areas during 1961-1971 to take advantage of better employment and income opportunities (Hasan, 1976:139). Employment in the agricultural sector during the second plan period saw an absolute decrease of 204,000 since 1966 (Byun, *et al.*, 1975:378).

Contrary to the case of Taiwan, Korean development in the 1960's failed to establish close developmental linkage between the agricultural and non-agricultural sector. The industrial sector has much closer connections with the foreign sector than with the agricultural sector. By the end of the 1960's, Korean agriculture had become less and less important for the non-agricultural sector either as the supply source of raw materials or as a market of industrial products.

Transition to Balanced Growth?

Facing the deterioration of domestic agriculture, the South Korean government announced in 1971-1972 a higher price for barley and rice. Also, the third plan (1972-1976) had given a "top priority" to agriculture. However, in the plan the allocation of

government investment to agriculture was still far below that for the other sectors. In fact, the planned share ratio for agriculture (13.6 percent) in the third plan was even lower than in the second plan (16.3 percent). One cannot help wondering where "priority" was given. A nation-wide movement, *Saemaul Undong* (New Village Movement), was also launched by President Park in 1971 (Ministry of Interior, 1973: 32). This new village movement was intended to improve rural living conditions through "self-reliance" on the part of the farmers. One of the assumptions behind this top-to-bottom rural movement is the misbelief that Korean agricultural under-development has been the product of resistance to change and innovation by "traditional" peasants. Therefore, the solution must include sociopsychological change of the farmers themselves.

This is, in fact, consistent with the "psychological" theories of modernization and development, advocated by some western students of third world development. They emphasize the importance of psychological and cognitive changes as a prerequisite for certain kinds of national development and modernization. Taking a micro level approach, they intend to understand the situation of the so-called "traditional" and "backward" agrarian societies.⁽⁵⁾ To a great extent, the Park regime in Seoul has adopted this point of view. The thinking behind the *Saemaul Undong* reflected the conventional attitudes of the Seoul elites towards their countryside folks. The farmers were seen as conservative, inferior, and resistant to any modernization. As Brandt critically points out, those characteristics of Korean farmers were non-existent in the 1971 Korean rural scene, after the series of social and economic changes throughout the 1950's

(5) Works of such scholars as Lerner, Hagen, McClelland, Inkeles and Smith are examples.

and 1960's. Moreover, the notion that farmers could overcome the obstacles confronting them economically and financially through village cooperative efforts and even some consciousness raising was naive and simplistic in economic terms (Brandt, 1976:35). Based on the above discussion of governmental strategy for the agricultural sector in the 1960's, it is obviously very questionable whether the approach taken in the Saemaul Undong would be an appropriate solution to the prevailing urban-rural unbalanced growth, without a change in governmental policy.

It is still too early to evaluate the effects on the attitudes and behavior of the farmers that might have been brought about by this movement. Ironically, all the efforts so far have been concentrated on improving the physical appearance of the countryside. As a critic points out, "the modernization of roofs has nothing to do with peasant wellbeing or production efficiency..." (Wideman, 1974). However, the improvement of rural electricity, medical facilities, and sanitary systems are, of course, beneficial to the wellbeing of the farmers.

The whole idea of squeezing the rural-agricultural sector even appeared in this government-sponsored movement. According to official figures, a total of 275 billion *won* (approximately 567 million dollars) was invested in the Saemaul program during 1971-1974. But, only 22 percent of the total investment was provided by the governmental budget, with the remaining 78 percent "contributed" by the villages, mainly in the form of "voluntary" labor which totaled 215 million mandays. This puts an extra financial burden on the already troubled rural economy. The psychological assumption mentioned above implies that the responsibility for developing a more progressive agricultural sector lies with the farmers. It denies

the fact that the plight of the Korean farmers has been the consequence of government strategies in the past two decades.

With all the doubts and criticisms surrounding the third plan and the new village movement, one cannot be convinced that Korean agriculture can be expected to develop favorably in the years to come.

It is still too early to evaluate the effects on the attitudes and behavior of the farmers that might have been brought about by this movement. Ironically, all the efforts so far have been concentrated on improving the physical appearance of the countryside. As a critic points out, "the modernization of tools has nothing to do with peasant wellbeing or production efficiency..." (Wilderman, 1974). However, the improvement of rural electricity, medical facilities, and sanitary systems are, of course, beneficial to the wellbeing of the farmers.

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COMPARATIVE CHRONOLOGY FOR TAIWAN AND SOUTH KOREA

YEAR	TAIWAN	SOUTH KOREA
1945		American Military Government (AMG) established in southern Korea.
1946		AMG urged Korean Interim Legislative Assembly to redistribute Japanese owned land to the tenants.
1947	"February 28" Incident.	"New Korea Company" (NKC) was formed by AMG.
1948	JCRR established in Nanking. "Rice fertilizer barter system" was issued. US senate authorized the China Aid Act of 1948.	NKC was abolished, the National Land Administration (NLA) was set up to sell land. Rhee Synham was elected as the the president of the Republic of Korea.
1949	President Chiang Kai-shek arrived in Taipei, the Chinese Nationalist government moved to Taiwan. "Farm Rent Reduction" program enacted.	"Agrarian Reform Act" was issued by the Assembly.
1950		Rhee approved Agrarian Reform Act. US senate issued Far Eastern Economic Aid Act allocating aid to Korea. The Korean War broke out.
1951	"Sale of Public Land" program.	
1952	"Land to the Tiller" program.	
1953	First Four Year Economic Plan issued. "Import Substitution" growth strategy initiated.	The Korean War ended.

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YEAR	TAIWAN	SOUTH KOREA
1954	US PL 480 agricultural surplus sales arrived.	US PL 480 agricultural surplus sales arrived. "Import Substitution" industrial growth advocated.
1955-56		Mass rural exodus took place.
1957	Second Four Year Economic Plan issued.	
1958	"Foreign Exchange Reform" enacted.	
1960	"19 Point Reform" program issued for export promotion.	April Student revolution, Rhee was overthrown. Democratic government was set up.
1961	Third Four Year Economic Plan issued. "Export Substitution" growth strategy advocated.	Military coup ended civilian rule. General Park led the Military government. Economic Planning Board (EPB) was established.
1962		First Five Year Economic Development Plan announced by EPB. Military government favored agriculture.
1963		Park Chung-hee elected as president. "Export Substitution" growth advocated. Park refused to finance agriculture.
1965	Fourth Four Year Economic Plan announced. "Export Processing Zones Statute" issued.	
1967		Second Five Year Economic Development Plan started.
1968	Farming labor shortage occurred. Community Development for rural areas as a government policy.	

YEAR	TAIWAN	SOUTH KOREA
1969	Fifth Four Year Economic Plan issued. "Outline of the Evaluation of Agricultural Policy" issued. "Eight Year Plan for Community Development in Taiwan" announced.	Farming labor shortage started.
1970	The Nationalist Party announced "Guideline for Current Rural Economic Construction".	High rice price policy was initiated.
1971	"Ten Big National Projects" promoted by premier Chiang Ching-kuo.	"Saemaul Undong" (New Village Movement) was launched by Park.
1972	"Important Tacts of Accelerating Rural Construction" was announced by premier Chiang Ching-kuo. Abolition of rice fertilizer barter system.	Third Five Year Economic Development Plan announced. "Balanced Growth" strategy indicated. Ten Year National Land Development Plan announced.
1973	Sixth Four Year Economic Plan issued, "Balanced Growth" strategy stressed. Regulation of Agricultural Development" announced.	
1974	"Details on the Implementation of Agricultural Development" enacted.	
1976	Revised Six Year Economic Plan issued for 1976-1981. President Chiang died.	
1977		Fourth Five Year Economic Development Plan issued.

CHAPTER IV

DOMESTIC FACTORS AFFECTING AGRICULTURAL STRATEGIES IN TAIWAN AND SOUTH KOREA

This chapter deals with the relationships between the government strategies for agriculture described in the previous two chapters and their domestic socioeconomic environment. As will be examined in Chapter VI another dimension of Taiwan's and South Korea's agricultural strategy relates to the foreign sector: the U.S. and its economic aid. Only by including this factor can a realistic understanding of Taiwan's and South Korea's agricultural policies in the past three decades be obtained.

There are 3 major propositions to be examined in this chapter. The first two are more or less related to the "agrarian setting", while the third one is associated with the larger domestic "political and economic setting". In relation to government strategies, the first and second propositions are about land reform, while the third relates to the post-land-reform squeezing policies on agriculture.

As illustrated in Chapter I, a macrosociological model has been constructed to guide the examination of propositions in this chapter. As will be seen in the following discussions, the dynamics of exchange among the different sectors, defined in sociological terms, is the main focus for analysis of government agricultural strategies in Taiwan and South Korea.

For example, proposition 1 (with 2 sub-propositions) deals with relations between the government and the tenants and landlords, suggesting an "exchange" orientation in the process

of reaching the decision to initiate land reform. Proposition 2, on the other hand, concerns the relations between government and small landholders during the post-land-reform era. Proposition 3 relates the governing elites' ideology of modernization to their economic policy favoring industrialization at the expense of agriculture. Furthermore, the "coalition" between government and the private industrial class is the central focus for explaining the persistent government anti-agricultural strategies.

The main thrust of this chapter is thus to examine the tenability and plausibility of the above propositions with available evidence, and thereby to provide some post-factum interpretation of Taiwan's and South Korean agricultural strategies undertaken in the past three decades.

LAND REFORM

Proposition 1: When a political threat to the existing regime is perceived to be related to the land tenure system, a government is likely to launch land reform.

Proposition 1a: If a government is not predominantly controlled by the landed class, land reform is more likely to take place.

Proposition 1b: If the landed class, in its drive for status, moves its political interest from local positions to the "center", there is less resistance to land reform.

Governments and Tenant Relations in Taiwan

During the mainland period (1911-1949) the Chinese Nationalists failed to identify with the peasantry in any effective land strategy. This might have been because from the very beginning of the Chinese revolution led by the Nationalist Party, the peasants had not been active participants. They had remained persistently by-

tanders. However, ideologically, the Nationalist Party, under Dr. Sun Yat-Sen, had stressed the importance of farmers to the movement.

As early as 1905, Dr. Sun Yat-Sen renewed efforts known before in China, to resolve the land problem, emphasizing "Equalization of Land Rights" as one of the four fundamental objectives of his revolutionary movement against the Manchu Dynasty. After the Republic was established in 1911, Dr. Sun further elaborated his ideas of land reform. In 1924, in what later became known as the Nationalist ideology: The Three Principles of the People, he diagnosed China's land tenure problems and expounded his famous "land-to-the-tiller" principle. Dr. Sun asserted:

Although the system of largeholding is not developed in China, nine-tenths of her farmers are nevertheless tenants. What they cultivate is someone else's land, and those who own land do not as a rule cultivate it. It is only just that the farmers should have their own land and own what they produce....According to one of our latest rural surveys, sixty percent of annual yield from the land goes to the landlord and only forty percent goes to the farmer....If this state of affairs allowed to go on, the farmers, as they become better educated, will not be willing to work hard for nothing, and they will desert the farms, leaving the land wasted and unproductive. Conversely, if farmers own their land and have complete possession of their produce, all of them will be happy to produce as much as possible.

Thus the only sound method of increasing our food production is legislative protection of peasant interests....The ultimate solution of the peasant problem...will be for every farmer to own his land. Not until this is realized can the problem of the people's livelihood be solved (Sun, 1933: 448-9).

In the same year, the First National Congress pledged that state should provide farm land to tenants who do not have sufficient land to cultivate", affirming Dr. Sun's *The Outline of National*

Reconstruction. In 1926, the 2nd National Congress adopted a platform in favor of a nationwide 25 percent reduction of rent. In 1930, the national government adopted the Land Law, which established 37.5 percent of the annual yield of the main crop as the lawful amount of rent. But in contrast to its repeated resolutions, platforms, and legislation, the Nationalist government took little action during its mainland rule, and "most of the law remained a dead letter" (Hsiao 1953:49). Only in certain areas in Hupeh, Chekiang, Szechwan, Kwangsi, Kweichow, and Kwangtung provinces was rent reduction given scattered implementation, and land redistribution was attempted on a very meager scale for a limited period of time in Fukien province.

Except for the rent-reduction measure in Hupeh, none these efforts at land tenure reform achieved any appreciable results. While the Nationalists failed to identify with the Chinese countryside, the Communists seized the land issue, skillfully projecting their image, both domestically and internationally, as land reformers⁽¹⁾.

- (1) Comparative content analysis of the wartime writings of Chiang Kai-shek and Mao Tse-tung also reveals some interesting insights into the different priority placed on land reform by the Nationalists and the Communists. In his most famous work, *China's Destiny*, published in 1943, Chiang only mentioned land reform twice in an entire book containing 69,000 words. On the contrary, in his selected works written from 1942 to 1945, Mao talked about land reform on 57 occasions in his collection of 69,000 words. Very significantly, the needs for economic betterment of urban workers was placed by Mao almost at the bottom of his priority list. This illustrated Mao's position that the Chinese Communist revolution was a rural movement. (See Charles Stevens, "A Content Analysis of the Wartime Writings of Chiang Kai-shek and Mao Tse-tung", *Asian Survey*, June, 1964, pp. 890-903). On the other hand, a 1954 Nationalist Party report deemed its failure in land reform as having contributed to an international "misconception" as to the nature of the Chinese Communist movement. It stated that "during World War II, the U.S. Embassy in China took the Communists as land reformers."

From the time of the Nanchang Uprising in 1927, the Chinese Communists had used land reform to appeal to the peasants to take part in their armed forces. Having gradually gained control of the vast peasantry, the Communists were able to build up a massive rural base to contest the Nationalists. In retrospect, it has been believed that the failure of the Nationalists to resolve the land problem weighed as heavily as any other factor in their defeat on the mainland (Tai, 1974; Hsiao, 1967; Rowe, 1961; Yang, 1970).

Chen Cheng, the architect of Taiwan's land reform, once candidly expressed that the old land tenure system "had provided the Communist agitators with an opportunity to infiltrate into the villages". He then continued:

It was one of the main reasons why the Chinese mainland fell into Communist hands. On the eve of rent reduction in Taiwan, the situation on the mainland was becoming critical and the villages were showing signs of unrest and instability. It was feared that the Communists might take advantage of the rapidly deteriorating condition to fish in troubled waters. But with the implementation of rent reduction, the livelihood of the broad masses of the farming population was immediately improved. The Chinese Communists were effectively deprived of propagandistic weapons by the new order that had arisen in rural areas (Chen, 1961:47-48).

A very simple logic operated in the Nationalists' decision on land reform in Taiwan. It was "social stability" that the Nationalists were searching for after their arrival on Taiwan. Their embarrassing experience on the mainland had made them realize that the countryside was troubled area. Therefore, immediate action in Taiwan's rural sector was a "must" to safeguard their political future on this island. Chen Cheng once again illustrated

this view rather plainly. His retrospective assessment was as follows:

The author was appointed Governor of Taiwan Province in 1949.

At that juncture the general situation on the mainland was deteriorating fast, the morale of the people was low, economic confusion and social unrest were rampant, and it looked as though anything might happen. To safeguard the island as a base of operations for national recovery, we required social stability, and the first prerequisite had to be satisfactory solution of the problem of the people's livelihood. Social and economic conditions of Taiwan still rested on an agricultural basis. Farmers constituted more than three-fifths of the population, and the number of tenants was more than two-thirds of all farm families. Social stability improved people's livelihood and economic development could take place only through land reform (Chen, 1961:x).

In fact, Chen's diagnosis of Taiwan's situation was only partially true, though ideologically and politically sound. What he meant by "social unrest" actually was an urban phenomenon. The famous February 28 incident in 1947 occurred in Taipei when a woman cigarette vendor was pistol-whipped by a monopoly bureau agent. As a result, a native Taiwanese mass movement took place against the government's overall monopoly practices. Later it developed into a large-scale anti-Nationalist riot in the capital. A few days later it turned into a reform-demanding civil movement, directly aimed at General Chen Yi, then Governor of Taiwan. A Settlement Committee was formed to negotiate with Governor Chen and appealed for island-wide support. Seventeen Committees centers were established throughout the island. However, all reform activities still remained in the cities and townships. The countryside was relatively unaffected by those political and even violent

conflicts. Street fighting was brief but fairly severe in Taichung and Chia-yi, and in Kaohsiung, where the Nationalist soldiers were engaged in armed violence against the native Taiwanese (Kerr, 1965:276-7). The general feeling of Taiwanese was that the vendor's death was the immediate provocation, but that the underlying cause was the profound dissatisfaction and bitterness toward Chen Yi's rule. All the activities which developed so far did not show any thought of rebellion nor of independence in Taiwan; rather the need was for immediate and widespread reform of the Nationalist government on Taiwan. As an influential Taiwanese leader, Chiang Wei-Chuan, indicated on March 5, 1947:

We absolutely support the Central Government, but will eradicate all corrupt officials in this province. This is our aim which I hope every one of you fully grasp. At the same time we must realize our present situation. We need organization, but we must try best for a peaceful settlement and never indiscreetly resort to force (Chung Wai Jih Pao, Taipei, March 6, 1947).

Instead of pacifying the enraged Taiwanese by realizing the Reform Program proposed by the Settlement Committee, the Nationalist government in Nanking sent a large armed force to Taiwan. That was President Chiang's solution to the Taiwanese problem and it later proved very unwise. The March Massacre was the immediate result. The Nationalist government would like to forget this historical tragedy by attributing the whole thing to Communist agitation.

Chiang Kai-shek, on March 10, 1947, in Nanking, defended Chen Yi and made the following assertion on the Taiwan incident:

Some Taiwanese who had formerly been conscripted and sent to the South Seas area by the Japanese and had engaged in the war,

some of whom were communists, took advantage of the trouble incident of the Monopoly Bureau's attempt to control cigarette stall-keepers and agitated the public. Thus they created a riot and submitted a request for the reformation of the Government (Kerr, 1965:309).

In fact, the local communists working mostly in Taiwan's countryside were very insignificant. As pointed out earlier, this socio-political unrest was urban in character rather than rural, and furthermore, this incident was too large in scale for those local communists to handle (Kerr, 1965:279). Even an official U.S. document admitted with a high degree of assurance that as of March 1, 1947, communism was of most negligible importance on Taiwan (Department of State, 1949:936). Therefore the only plausible explanation for Chiang's accusation was the Nationalists' fear of the Communists, figuring that communism would be a potential threat in Taiwan.

In short, the Nationalist government had "perceived" the potential danger of the land tenure system in Taiwan if it was left without change, given the communist aggression on the mainland, even though Taiwan's countryside was actually relatively more stable than the cities. The 1947 violence had largely occurred in urban areas without any conspicuous participation by the landed gentry (Tai, 1974:88). Had the Nationalist government refrained from introducing land reform in Taiwan, the landlords would have become allies of the party rather than potential opponents.

But with the fear of the countryside, the Nationalist government determined not to build its traditional linkage with landlords that had existed in the past on the mainland. A series of land reform programs was finally initiated, starting in 1949 by the Nationalist government, signifying a landmark in Chinese Republican history.

Government and Tenant Relations in South Korea

While the Nationalist elites initiated land reform on Taiwan, primarily because of the past experience of rural violence and the foreseen danger in the rural areas, the U.S. Military Government in Korea began reform efforts in 1947, continued later by the Rhee regime in 1950, because of the *actual* existence of rural unrest and violence in the Korean countryside.

As will be discussed at length in Chapter 6, before the American Military Government moved into South Korea, a *de facto* Korean government already existed in late 1945. This was the People's Republic, a leftist-dominated government. A series of reforms was undertaken by local committees all over the country. In the countryside, particularly, the People's Republic had firm support because of its advocacy of land reform programs. More and more farmers were motivated by desire to change the land tenure system by lowering rents and redistributing landlords' lands. During the period prior to the American Military Government assumption of control in South Korea, interventions against local landlords in land disputes were taking place with the Republic's encouragement. Korean farmers were highly enthusiastic about the forthcoming land reform.

However, the American Military Government, though granting the importance of land reform in South Korea, took a hesitant position on its implementation. The delay and inaction on land reform caused growing rural unrest and riots. For example, the Hai Do Revolt of August 1946 was the result of rural dissatisfaction and disappointment with American Military Government's land reform policy (Meade, 1951:230). Before the American Military took action to sell the Japanese-owned land on March, 1947, General

Hodge had depicted the rural political situation as "more precarious today than at any time since the occupation began".

After the land sale, the Korean countryside was relatively more stable than before. The leftists lost their appeal to the tenant farmers. However, the expectation of a real redistribution of Korean landlord-owned lands was not realized until 1950, more than two years after the American Military Government land sale. During this period, frustration in the rural areas accumulated again. Soon after the initial withdrawal of American troops, upon the establishment of the Republic of Korea in August 1948, South Korea was plagued by sabotage, demonstrations, and armed insurrections in various localities, especially rural areas. The Communists from the North penetrated into various levels of South Korean society (Cho, 1967:231).

On October 2, 1948, less than 2 months after the inauguration of the South Korean government, a constabulary unit in rural Cheju Island rebelled against the central government. Later some other armed insurrections took place in northern Cholla province. Although all of the revolts were quelled by loyal troops within about a week, some rebel troops escaped to the mountain areas became guerrilla forces whose aim was to harass the new government. Again, in late 1948 at Taegu, another significant revolt broke out. As many civilian Communists joined the guerrilla forces, it was extremely difficult for the Rhee government to maintain order. In many rural areas, the Rhee forces ruled during the day, but the Communist guerrillas ruled at night. This forced Rhee to declare martial law in one-fourth of South Korea on November 13, 1948 (*Seoul Shinmun*, Nov. 2-8, 1948). He also postponed the withdrawal plan of the American troops from the peninsula.

The rural unrest and revolts were, of course, not necessarily directly related to land tenure issues. But the point to be stressed here is the "perception" on the part of the government elites toward the "rural" instability. As in Taiwan, the Korean elites believed a connection existed between the Communists' threat and the rural unrest. In other words, the American Military Government and later the Rhee government, considered the land reform (including land sale) as an effective "counter-revolutionary" weapon to gain political stability and the political support of the rural population.

The discussion so far has presented the case that land reform was decided upon mainly because it was believed that without reform, the political legitimacy of the existing government would be threatened. The following paragraphs will suggest another condition under which a government will undertake land reform.

Tai, in his comparative study of land reform, has also concluded that "the manner in which the elite formulated a program and the content of the program it finally adopted, are determined primarily by the relations between the elite and the landed class" (Tai, 1974:90). The following are two cases to illustrate the sectoral relations and exchange between government sector and landlord sector in Taiwan and South Korea on the land reform issue, as Propositions 1a and 1b have suggested.

According to Tai's classification of elites sponsoring land reform Taiwan's Nationalist government and the American Military Government in South Korea can be clearly considered as "separated non-indigenous elite", while the later Rhee government was a case of

"cooperative-conciliatory elites"⁽²⁾. Nationalists and the American Military Government both lacked membership from the landed class and the latter played no role in the formation of the land reform program. Both were non-indigenous to the local political circle that they ruled. On the other hand, the 1950 South Korean land reform initiated by the Rhee government included a substantial number of representatives of the landed interests. As will be analyzed below, the Rhee regime's adoption of the 1950 land reform bill had largely depended upon a "reconciliation" of the landlord sector with the elite groups.

Government and Landlord Relations in Taiwan

In Taiwan, political power had been concentrated in the hands of the Nationalist Party since the end of WW II. Coming from Mainland China, the Nationalist leaders included no representatives of local landed gentry (Tai, 1970). As pointed out earlier, due to its perception of rural threats and past experiences, the Nationalist regime for the first time in its history, gave up its traditional loyalty from the landlord class. Instead, the Nationalist elites decided to carry out land reform for the purpose of gaining political loyalty of the peasants. Another aspect of this decision is the fact that the KMT faced no opposition from the local landed gentry. Taiwan's countryside in the pre-land-reform era was characterized more by fragmentation than by high concentration of land ownership. Very few Taiwanese had great land holdings before 1945. For example,

(2) The other two types of elites in light of their relations with the landlord class are separated-revolutionary elites (Mexico, Egypt, and Communist China), and cooperative-dominated elites (India, Pakistan) (See Tai, p. 91).

just before the implementation of the land-to-the-tiller program, only 66 landlords on the entire island, or .01 percent of all landowners, had farms of more than 100 chia (97 hectares) of land, and the large owners possessed an aggregate area of 14,225 chia (13,797 hectares), or only 2.09 percent of the entire private farm area (Taiwan Provincial Land Bureau, 1952). In view of the small number of large landlords and of the meager area in their possession, it is obvious that in no way could they have become a "rallying point for opposition"⁽³⁾.

Under these two conditions, the Nationalists became ideologically determined to implement land reform for Taiwan's peasantry. It is difficult to surmise whether the Nationalists would still have carried out the reform if Taiwan's landlord class had been influential and powerful. Given the desperate situation of the Nationalists then, land reform was probably inevitable, but the degree of success would have been questionable.

- (3) Some western observers conjectured that the KMT decision on land reform in Taiwan was to remove the landed gentry as a potential opposition. For example, Israel stated that "the landlords, well-endowed and deeply entrenched, were a likely rallying point for opposition. For the Nationalists enlightened self-interest called for sweeping reform", See his "Politics on Formosa" in Mark Mancall, ed. *Formosa Today*, (NY: Praeger, 1964) p. 59; also, Kerr suspected that land reform in Taiwan was "designed as much to destroy the base of the emergent middle class (the class which produced the leaders of 1947) as it was to aid landless peasants" (Kerr, 1965:420). These arguments are not tenable, however. As pointed out above, Taiwan's local landed class was relatively weak and with the traditional sectoral connection of the Nationalist government with the landlord class, it is not unreasonable to assert that had the Nationalists refrained from deciding on land reform in Taiwan, the landlord would have become an ally of the Nationalist government rather than a potential opponent.

In other words, the deteriorated political situation on the mainland forced the Nationalist elites to perceive that the only way to save their political future in Taiwan was to gain support from the rural masses. Also, the Nationalist elites had no vested interest in the land of Taiwan and were free from the sectoral dominance of landed class. This did help increase the possibility of occurrence of land reform. The Provincial Assembly, where local landlords were relatively influential, did not have strong sectoral ties with the Nationalist centered government. Under tight pressure from the central government, the Provincial Assembly quickly approved the laws and regulations governing land reform in Taiwan.

Although the Provincial Assembly tried to weaken the program by introducing a number of amendments, it was later recalled that "President Chiang Kai-shek immediately called on the 371st session of the Central Reform Committee of the Nationalist Party. The Committee resolved: (1) the Land-to-the-Tiller program *must be* inaugurated in January, 1953 and (2) all party members must comply with the party's determination in this undertaking" (Tai, 1974: 209). The Assembly, whose consensus was not required, then dropped its amendments⁽⁴⁾.

General Chen, with tight control of the island by the Nationalist army, was disposed to proceed with the reform even without the support of local leaders and was quite ready to crush any opposition. In a 1953 speech concerning the land-to-the-tiller program, Chen declared:

-
- (4) The Assembly submitted four amendments designed to allow landlords to retain more land and receive greater compensation than they would have under the original draft of the land reform bill.

I am thoroughly determined to make this program fully implemented. The people of this island have always abided by the law, they will support this program. If there are a few unscrupulous persons trying to obstruct the enforcement of the program, I will apply the law with the fullest force so that the selfish few will not be able to harm the interest of the majority (Tai, 1974:275).

This certainly implied the potential for coercion. Also, Taiwan's landlord class changed its view of land reform. Seeing how the Communists had come into power on the other side of the Taiwan Strait by shouting the slogan of "Down with the Landlords!", they were afraid that the same thing might happen to them if they did not obey the Central government and make timely concessions while there was yet time to do so without compulsion (Shen, 1968:360).

Government and Landlord Relations in South Korea

In South Korea, the situation was more complicated. The American Military Government, as the Nationalist party in Taiwan was separated from the landed class in South Korea. The Interim Assembly, founded by the American Military Government in 1946, then the only Korean legislative body, was predominantly controlled by the landlord class. Its indifference to any land reform was understandable. Since the American Military Government was the *de facto* ruler of South Korea, the opposition of the Assembly to land sale was not crucial enough to halt the whole action.

The American Military Government's Support for Korean land reform will be discussed at length in Chapter VI. Let it suffice to say that the separation from the landed class gave the American Military Government a free hand to carry out land self in South Korea.

In April 1948, the American Military Government finally redistributed the Japanese-owned land to Korean tenants. The result of this land sale generated great support and enthusiasm among the Korean farming population. The political climate for further land redistribution was right. The period from the inauguration of the Republic in 1948 to the final approval of the land reform bill in 1950 presents an interesting case of sectoral exchange between the governing elites and the landlords. As indicated earlier, the Rhee government was a cooperative-conciliatory type of elite. It is easy to understand the justification by looking at the social origins of the National Assembly and of Rhee's cabinet. Like the 1946 Interim Assembly, the 1948 Assembly consisted of a substantial number from the landed class and its interest groups. Among the 200 seats, 86 members came from extreme rightist groups such as Rhee's National Association for the Rapid Realization of Korean Independence (NARRKI) and Kim's Korean Democratic Party (KDP). Both defended landed interests. Table 4-1 shows the sectoral composition of the 1948 Assembly.

Among the largest three groups (which constituted more than half of the total seats), the landed interests were significant (Hahn and Kim, 1963:306-8). While the non-landed elements in the elite had enlarged their numbers, the political strength of the landed interests did not appear to have declined appreciably. Under the circumstances, why had the Assembly finally passed the land reform bill on June 21, 1949? In other words, what made the Assembly members eschew their sectoral ties?

As pointed out earlier, the 1948 American Military Government land sale had pushed a step forward toward further land reform. Second, the concept of equality was part of both Western and Com-

TABLE 4-1: OCCUPATIONAL BACKGROUNDS OF
THE 1948 NATIONAL ASSEMBLY MEMBERS
IN KOREA (%)

Occupation	1948 Assembly (%)
Political entrepreneur	25.9
Local government official	18.7
Farmer	11.0
Education	11.5
Private entrepreneur	7.7
Journalist	8.1
Professional	7.7
Clerical worker	4.6
Police	2.9
Other	1.9
Total	100.0 209*

* Including nine members who had filled mid-term vacancies.

Source: Hahn and Kim, 1963: 308.

munist-influenced nationalist ideologies sweeping Korea during the initial years of the Rhee regime. The third influence was the fact that North Korea began its land reform as early as 1946, which gave the elites, landed and non-landed alike, a strong incentive to come up with an alternative to the communist-type land reform in South Korea. The elected Assembly were thus pushed by tenant farmers excited with the hopes of forthcoming land reform.

The non-landed interests in the Assembly were not opposed to land reform, since their sectoral interest was not directly involved. In addition, they also expected to extract sectoral resources from

the countryside as a result of the land reform. To them, land reform was a precondition for raising agricultural production, which in turn would stimulate urban-industrial growth. Moreover, they perceived that their rule would remain insecure as the landlords retained the powerful economic basis of their traditional predominance. Therefore, the non-landed interests in the Assembly had direct interest in passing the land reform bill.

Even the landed-interest-related Assemblymen realized the ultimate inevitability of land reform in South Korea. Such thinking and perception affected the landlord class as its members entered post-independence elections in great numbers, anxious to move from local positions to the center of power. As their view toward land and the agricultural sector changed, they were willing to support land reform as a way to gain support from the rural-agricultural sector in their attempt to shift their political base into the urban-industrial sector.

In addition, in the immediate struggle for power between the Assembly and the President, land reform became a major issue. There were showdowns between the Assembly and the President in vetoing and over-riding the veto in the legislative process. After lengthy debate, the land reform bill was finally passed by the Assembly and subsequently forwarded to President Rhee on June 21, 1949. Rhee himself considered the bill too inequitable to landlords and vetoed it. Rhee's objection was not to the substance of the bill, but political (Cole and Lyman, 1972:271). Assembly members, for this particular reason, brought pressure upon the reluctant President to enact the land reform bill. Finally, a somewhat modified land reform bill was passed and signed on March 25, 1950, just before the outbreak of the Korean War (Henderson, 1968: 289). Even before this, landlords had been selling their land in

anticipation of the reform.

It is crucial to point out that the landed interests in the Assembly elites gave up their economic ties with the landlord class in rural localities for the purpose of gaining political power and legitimacy in the center. Figuring out the exchange of dominance of land ownership in the periphery for resources, power, and legitimacy in the center, the landed interests in the Assembly were willing to eschew the economic and class tie and advocate land reform. At the same time, the president, lacking political roots and striving for legitimacy as the national leader, also felt the necessity of land reform. His veto of the first land reform bill was, in fact, only a show he put on to compete with the Assembly rather than a total rejection of land reform *per se*. In other words, the difference between the Assembly and the president was not the enactment of a land reform law but who was to administer the law and the content of the law to be enacted.

The change in attitude toward land reform on the part of the landed elites between 1946 and 1949 was significant. It contributed a great deal to the success in passing and later implementing land reform in South Korea.

Taking Taiwan and South Korea together, it can be seen that decisions on land reform were largely determined by sectoral exchange between the government and the landed sector. In both cases, however, land reforms were carried out without facing any substantial opposition from the landlord class. In Taiwan, it was due to the fact that the government was separated from the local landed interests. It was also true for the AMG in South Korea. The bargaining and exchange between these two sectors (regime and landlords) was limited. On the other hand, the 1949 land reform

bill in Rhee's Korea was the result of negotiation between the landed interests and the non-landed interests within the Assembly. One of the most important factors involved has been the changing perception of sectoral interests within those groups. As pointed out, however, the sociopolitical setting was also conducive to the landlords' attitudinal changes.

Moreover, comparing Taiwan's and South Korea's land reform, there can be found some difference in their claimed objectives. Facing no powerful landlord class, the Nationalist government in Taiwan, as a separated elite, could first satisfy the primary goal of the tenant farmers—the desire to own their own land—and later seek to increase production. The main objective was to gain the political loyalty of the peasantry. Economic gains were considered as a natural consequence of the reform, and therefore no prominent attention was given to production in initial official pronouncements or policy writings. During 1949 and 1953, while the reform measures were underway, there were scarcely any public programs designed to improve land use and to increase production (Tai, 1974: 115-6). Well after the completion of the reform measures of 1953, the Nationalist government began to stress the development of water resources, consolidation of holdings, increasing production of fertilizers, and improving farm practices, the so-called supporting "agrarian reform" programs. In other words, social equality was the primary objective of Taiwan's land reform, then followed by the consideration of increases in production.

In South Korea, the American Military Government claimed a similar objective for its land sale in 1948. The American Military Government stated that the redistribution of land would achieve the purpose of "assisting tenant farmers to become independent farm

owners so as to strengthen the agriculture of Korea by fostering wide ownership of the land..." (USAMG, Department of Public Information, April 1, 1948; *The Farmers' Weekly*, Issue No. 95) Later, in the 1949 bill and the 1950 revised act, the stated objectives added the prospect of increased production to both landlords and peasants, though equality was still an important purpose. The first Minister of Agriculture and Forestry in the Rhee government once stated this point rather clearly:

the land reform act will distribute lands to the landless farmers by abolishing the unreasonable land system, that will establish a self-supporting economy for the agrarian family, and that will improve agrarian life, culture, and productivity, thereby contributing to the stability of the people (Kim, 1974:72).

The nature of a cooperative-conciliatory elite group sponsoring the land reform bill was clear from a statement by the Assembly which stressed that it was "based on the principle of payment of just compensation for the expropriated land in terms of capitalism allowing private ownership" (Chairman Suh Sang-il, Committee on Industry of the National Assembly, March 10, 1949).

As also described in Chapters II and III, the consequence of land reform on production has been rather different in Taiwan and South Korea. The production record in Taiwan was much more impressive than that in South Korea.

POST-LAND-REFORM AGRICULTURAL STRATEGIES

Proposition 2: As a result of redistributive land reform, the countryside can turn into a conservative force. Not being confronted with potential political threat from the rural sector, a government can undertake any strategy it chooses in this sector in the post-reform era.

Government and Small Landowner-Farmer Relations in Taiwan and South Korea

One of the important impacts of the land reform on agrarian structure in both Taiwan and South Korea has been the creation of a bulk of small landowners based on family farms. Heavily influenced by American advisors, the land reforms in Taiwan and South Korea have followed a model advocating the "family farm" as the ultimate unit for realizing rural socioeconomic change (McCoy, 1971). Land reform, in a real sense, is undertaken to transfer land ownership from land ownership from landlords to the actual tillers on the land without rearranging the scale of farms. Land had already been fragmented from cultivation by individual farm families. In this connection, two aspects of the effects of land reform are to be mentioned. First, the number of the landowner-farmers has increased. In Taiwan, the landowners increased from 36 percent of the farm population in 1949 to 60 percent in 1957 (Tang and Hsieh, 1961:123). The same trend is also seen in South Korea. For example, before the reform, only 16.5 percent of the cultivators were owner-farmers, but this increased to 71.5 percent in 1964 (Pak, 1970:102). Second, as for the size of land holdings, both Taiwan and South Korea saw a sizable number of small landowners. In Taiwan, right after land reform, 74 percent of the total farm households owned less than one hectare in 1955. In 1968, there were still 68 percent, and 66.66 percent in 1970 (Tang and Hsieh, op cit). In Korea, 79.1 percent of the total farm households held less than one hectare in 1953, 74.2 percent in 1955, and still 67.3 percent in 1966 (Pak, op cit). In other words, the post-reform rural class structure in Taiwan and South

Korea can be characterized as a sizable proportion of small farm families, with equitable distribution replacing the traditional landlord class in the pre-reform period.

These small landholders emerged as the source of social and political stability in the countryside and, to a great extent, in the society as a whole. As Huntington (1968:375) points out, "no social group is more conservative than a landholding peasantry and none is more revolutionary than a peasantry which owns too little land or pays too high a rental". Land reform, in both Taiwan and South Korea, has successfully prevented the threats and infiltration of the Communists. It also turned the rural sector from a potential source of rebellion into a fundamentally conservative social force, since small landholders are more likely to be concerned with minor change in market participation for agricultural commodities than with any major change in the institution of property. In a study of agrarian social movements, Jeffery Paige concludes that under a small holding system, the only possible agrarian event is a commodity reform movement demanding an improvement of market conditions for agricultural products. It demands neither the redistribution of property nor the seizure of state power. However, there have been very few significant social movements occurring under small holding systems in the Third World (Paige, 1976:99-103). Among the five types of agricultural organizations classified by Paige, small holding is the most stable⁽⁵⁾. There were 47 small holding systems recorded in 1948 and none had changed its enterprise type by 1970. Of the total of 9 changes of agricultural organization

(5) The four types of agricultural organizations are decentralized sharecropping, migratory labor estate, hacienda, and plantation (See Paige, 1976:76-86).

in the entire period of 1948 to 1970, 5 were changed into small holdings, of which Taiwan and South Korea are the two cases in point. Specifically, the decentralized sharecropping system under Japanese colonialism was transferred into small holdings as a result of land reforms enacted by the two governments in the early 1950s.

As described in the previous 2 chapters, market distortion and a low price policy for agriculture were adopted by both governments after land reform. The terms of trade have been moving against the rural-agricultural sector. The inequality between the rural-agricultural and the urban-industrial sectors has also been worsening in the post-land-reform era. In other words, according to Paige, the two governments did the only thing which could have brought about rural opposition (Paige, 1976: *ibid*). Under the circumstances described, one might expect at least some sort of commodity movement to take place. However, in both Taiwan and South Korea, no significant agrarian movement has been observed during the whole period of "imbalanced" growth. It can be explained partly by the conservative character of small landowners in both countries. As long as land ownership is equitable and living conditions bearable, any drastic or collective movement is not welcomed by the small farmers. Especially since the agricultural sector had just experienced much worse "exploitation" under Japanese colonial dominance, the small farm owners were satisfied with what they had after land reform. Moreover, the agricultural sectors have long been accustomed to "state" intervention through experiences such as the introduction of new varieties of rice and farm techniques under the Japanese rule, and later land reform under the new government. There had even been an absence of significant cultural and political

resistance to those changes (Wang and Aphrope, 1974; Chang, 1971).

The other reason for the absence of any rural movement of challenge the "squeezing" agricultural policies lies in the form of rural governance are set up in both countries. In both Taiwan and South Korea, rural institutions are organized under strict control of the central government. A study of rural local government in Taiwan has concluded that "the rural institutions in Taiwan have never been the political power to force the central government to encourage agricultural development or to improve rural living" (Stavis, 1974:122). For example, Taiwan's farmers' association and irrigation association are both organized by firm centralization, coupled with some flexibilities at the local level and a great deal of communication up and down the administration.

A similar set-up also appears in South Korea. The National Agricultural Cooperative Federation (NACF), the most important farmers' association, is sponsored by the central government. Agricultural cooperatives at the local level are highly integrated into the central NACF, which regulates and finances the lower level units. The central office also controls planning, policy making, and even personnel affairs at all levels. Local farmer groups are in no position to demand or challenge any decision made by the central government, since those decisions are not subject to local approval or control in any way. As Aqua (1974:66) puts it, "participation in rural development programs generally means responding obediently (or at least giving the appearance of responding obediently) to government programs". Under centralized control, any rural movement organized by a bulk of conservative small landowners is very unlikely.

The exchange transactions between government and small farmers in the post-reform era can also be examined in terms of first, the pattern of political support from the farmers and, second, the government response to changing agricultural growth in the post-reform periods.

First, after land reform, both ruling governments have been generally favored in the countryside. Rhee's Liberal Party has dominated the rural areas since the reform, while the opposition came solely from the city. In the 1956 presidential election and the 1958 National Assembly election, the opposition party elected the vice president and the majority of assemblymen as the result of urban votes. In the presidential election of 1963, Park achieved his moderate victory by virtue of his rural support. Park won 59 percent of the rural votes as against 41 percent for his rival Yun Pao-Shan. On the other hand, Park lost most heavily in the urban areas where he received only 37 percent of the votes against Yun's 63 percent (Kim, 1963). In response to the discriminant policy against agriculture since 1964, the 1967 election cost Park some of his original rural support. He lost the predominantly agricultural Cholla provinces in the southwest, which he carried in 1963. On the contrary, he gained support in the cities and the southeast where industrialization was prominent. However, the loss of rural support was not critical enough to force the Park government to change its "unbalanced" growth strategy. Rather it was the deterioration of agricultural growth detrimental to overall economic growth that finally forced the Korean government to reconsider its economic priorities in the early 1970's.

Since there is no direct general election for the presidency in Taiwan, the only information available to demonstrate the extent

of rural support is the results of local elections. According to the record of the past elections from 1950 to 1968, the Nationalist party has constantly managed to have its candidates for provincial assemblyman, county magistrate, county and city councilman, etc., elected in the rural areas. But the most unstable locations for Nationalist party candidates were those large and prosperous cities along the main north-south railway line (Lee, 1972: 237-8). Obviously the Nationalist party is too powerful a political machine to be challenged by other parties in Taiwan, whereas party rivalry in Korea has been much greater. Nevertheless, the foregoing discussion has shown that during the post-land-reform period the ruling regimes definitely have firmer control over the countryside than the cities. The city emerged as a source of political opposition to the existing government, and its pressure on government has thus been greater. Under the circumstances, the government in Taiwan and South Korea have been free from political threats from the countryside but confronted by a new threat from the industrial cities. The preference for meeting the demands of one of the two sectors, one of which is weak and the other growing stronger, seems obvious. The subsequent "squeezing" policies on agriculture were the practical choices made by both governments.

Second, there is general consensus that land reform alone can not generate a high level of agricultural production (Dorner, 1972: 110-131; Lipton, 1974: 269-313). Historical cases like the land reforms in Cuba, Iraq, Mexico and Bolivia have shown that land reform can have negative economic consequences declining agricultural growth (Raup, 1963; Dorner, 1972). Taiwan as well as South Korea also saw a temporary decline in agricultural production in the wake of land reform. The fact is that land reform can be a

disruptive process due to the transformation of land tenure. However, in the long run, both Taiwan and South Korea have experienced agricultural growth after land reform, through the creation of incentives for increased output. Moreover, the supporting "agrarian reform" played a crucial role in growth-generation. As pointed out, supporting services followed land reform in Taiwan, and their absence in Korea contributed to worse growth performance there.

During the whole post-reform period in Taiwan and South Korea, there were several fluctuations in agricultural growth, to which both governments responded by adjusting their policy measures. In a way, the agricultural growth rate serves as a basis for social transactions between government (the center) and small farmers (periphery) without direct contact.

In South Korea, by the end of the Rhee regime, a stagnation of agriculture was evident. In 1959 and 1960, the growth rates were only 1.4 percent and 1.7 percent respectively. To respond to this low growth the military government in 1961-63 undertook a series of programs in favor of the farmers. It gave some stimuli to the growth of output that occurred from 1964 onward. With this increased agricultural growth after 1964, the Park government betrayed its campaign promise of "agriculture first" and undertook greater "squeezing" measures against the agricultural sector. By the end of the Second Five-Year Plan (1967-71), agricultural growth had dropped drastically again. The slow-down of agricultural growth was also accompanied by a deteriorating proportion of food self-sufficiency and an increase of food imports. More seriously, the income disparity between the urban-industrial and rural-agricultural sectors was also worsening. Facing this situation, the Korean

government once again reassigned a "top priority" to agriculture in its third Four-Year plan (1973-76) with the goal of "balanced economy and the improvement of rural life". Several actions were adopted, of which a higher grain price was one.

The relation between agricultural growth and agricultural strategy in Taiwan was less dramatic than in South Korea. Over two decades, Taiwan's agricultural growth steadily increased, until the end of the 1960's when the "squeeze" on agriculture reached its limit. During the Fifth Four-Year Plan (1969-72), in particular, agricultural countryside faced an initial economic crisis in the late 1960's and the early agricultural economy was then described by several national economists as experiencing "bankruptcy". The agricultural sector became a burden on the national economy for the first time. In 1972, a new agricultural policy was finally formed to "save" agriculture. A higher price policy for agricultural products and a lessening of taxes on farmers were undertaken, in order to improve their relative income.

Interestingly, both Taiwan and South Korea started initiating rural community development programs designated to "improve rural environment" and enhance "spiritual and ethical reconstruction" at a moment when the countryside faced socioeconomic crisis in the late 1960's and the early 1970's. Instead of responding to rural economic crisis by taking immediate "economic" measures to raise farm prices and lower farm input and taxes, both governments still wished to solve the agricultural problems without changing their basic growth strategies. They attributed the agricultural problems to the farmers' traditionalism and resistance to change and modernization. From the foregoing discussion, one can easily understand that this misbelief, again, is the reflection of a policy bias against

the agricultural sector. As indicated in the preceeding chapters, "community development" movements in both countries required both counterpart finance and "voluntary" labor from the local areas, and therefore, inevitably caused some financial hardship for the farmers and even some waste of labor and capital. So-called "community development" as practiced in Taiwan and South Korea, in fact, could be interpreted as another way of squeezing the rural agricultural sector.

The discussion so far has, in deed, provided some evidence that given the social character of the post-reform rural sector and the consequent strong control of the ruling regimes in that sector, an anti-agricultural strategy was possible without political threat from the rural sector.

On the other hand, the delay in taking direct and effective measures can also be attributed to the legacy of an "urban-industrial biased" ideology. This is the theme of the next proposition.

OVERALL ECONOMIC STRATEGY

Proposition 3: The overall economic strategy chosen is related to the ideology of modernization held by the ruling elites. If the ideology stresses industrialization as the symbol of national modernization, then an "imbalanced" growth strategy in favor of industries at the expense of agriculture is likely to be adopted.

In the most general terms, ideology is a pattern of beliefs and concepts which purports to explain complex social phenomena, with a view to directing and simplifying sociopolitical choices facing individuals and groups. Following Geertz, an ideology is "a rationalization and a schematic image of social order". Its function is either to defend the status quo (Marx, Mannheim) or to inspire reformist, revolutionary, or counterrevolutionary actions (Parsons).

Mostly, an ideology is likely to be publicly expressed and recorded, as well as incorporated into the policies and legislations of government. An ideology of national modernization is generally defined to denote a rationalization or an interpretation advocated by the ruling elites based on a perceived image of a nation to be "modernized". In our exchange model, it can further be specified to mean the elites' image of the importance of various sectors in the modernization process. In other words, the sectoral preference in elites' image of modernization will be stressed in the dissertation.

In the Third World today, industrialization has often been identified as the symbol of modernization by ruling elites. There are several explanations for this kind of image of modernization. First, it is an historical fact that the powerful nations of the past two centuries have been the industrialized nations. Industrialization is thus considered as a means to catch up with the developed nations (Robinson, 1971). Second, it is a reaction to "colonialism" that had in the past kept most Third World nations in the subordinate state of raw material suppliers. Industrialization, from this view, is granted as the only way to get out from under a position of economic subservience (Nkrumah, 1965). Third, the emphasis on industrialization can be seen as the result of an urban-industrial bias held by the ruling elites and the dominant groups (Lipton, 1969, 1977).

In this section, attempts will be made, first, to relate the elite's ideology of national modernization with the subsequent squeezing policies of agriculture, and, second, to consider the elite's ideology within its sociopolitical context. As described in the previous sections, governmental intervention in economic affairs has been highly stressed in both Taiwan and South Korea. In Taiwan it is "Planned

Free Economy" that has been used by the Nationalist Party to justify state intervention in Taiwan's economic activities. In Korea, on the other hand, they are "State Capitalism" under Rhee and "Guided Capitalism" under Park. Through state planning for economic growth, the ruling elites have translated their ideology of modernization into policy formulation.

In both Taiwan and South Korea, an ideology that equates industrialization with modernization has been consistently advocated in all economic policies after the land reform.

Elites' Ideology of Modernization in Taiwan

The Nationalist Party had long been criticized for its urban-industrial bias in past development efforts on the mainland. The "core combination" of the Nationalist Party is individual landlords, the successors to the gentry, military and civil servants, and urban commercial, financial and industrial interests. (Moore, 1966:196). They usually would gain or at least would not lose from biased industrial growth. In other words, the Nationalist ideology advocating industrialization has structural origins, and its consequence is also structural by protecting the industrial sectoral interest in policy-making. Consequently the policy toward the rural-agricultural sector had been one of neglect since the days on the mainland. This has been previously discussed in detail in the section on land reform (Proposition 1) in this chapter.

As pointed out, the Nationalist Party did not advocate a *laissez-faire* capitalism. The two fundamental doctrines of Chinese economic development, the *Principle of the People's Livelihood* and the *International Development of China* by Dr. Sun Yat-Sen, were in deed, more inclined to a planned and centralized economic model.

In these two ideological documents, the vision of a modern China has been unmistakably portrayed as a technologically advanced and industrialized nation.

Chiang Kai-shek, in his most important ideological work, *China's Destiny* (1943), restated this industrialization ideology strongly. In Chiang's view, industrialization was the basis of economic development. He maintained that:

"The Program for the People's Economic Reconstruction Movement" has pointed out the essentials of China's economic reconstruction. Based upon Dr. Sun Yat-sen's *International Development of China*, it specifies certain fundamental measures whereby the Chinese people's economy may be adjusted to the needs of national defense. Since the beginning of the war of resistance five and a half years ago, China's economy has tended towards a close coordination between national defense and the people's livelihood. The abrogation of the unequal treaties should further enable China, in full independence and freedom, march onward on the road to economic independence and to "revival through self-effort".

In this connection, *the most urgent need is industrialization. Accordingly, the development of our industrial economy must henceforth be taken as the basis of economic reconstruction.* The comprehensiveness of this program far surpasses anything that was conceived in the Han or Tang Dynasties, and at the same time it is adopted in spirit to the changed economic conditions of the modern world. It is truly the standard book on the economic reconstruction of China. The preparatory work involved in carrying out this plan is naturally heavy and difficult. Henceforth these must be developed with the greatest possible effort and the greatest possible speed, so that we may quickly obtain the high degree of technical perfection and the centralized industrial management of the more advanced nations....

In conclusion, the scale and plan of our national reconstruction as well as the skill and enthusiasm needed for its conception and execution, should be sought from the lessons of China's five thousand years of history and from our geographical environment..." (Chiang, 1947: 162-64).

He then listed the kinds of industries, the number of personnel and amount of materials required for carrying out the overall industrial development program during the first ten years.

It is significant to note that China had been facing serious agrarian social and economic problems for some time when Chiang wrote *China's Destiny* during November 1942 and March 1943. But in the entire book Chiang paid very little attention to the problem of the agricultural sector and its importance to China's development and modernization. He made one reference to the relationship between the Communists and the peasants by criticizing the Communists. Chiang said,

The class-struggle communists with their so-called "agrarian revolution" and "peasant revolution", raged over peaceful rural communities. Wherever their armies went there was widespread devastation on an extensive scale. The communists had not the slightest solicitude for the welfare of laborers. They only preached hatred and instilled the idea of class war in society and the youth of the nation in order to impede the progress of production (Chiang, 1947: 114).

The over emphasis of industrialization in a vague and overly quantitative way led us to believe that the Nationalist government under Chiang advocated a unbalanced growth ideology toward China's modernization.

When the Nationalist government held power in Taiwan after the defeat by the Communists in 1949, Chiang Kai-shek once again announced that "China must industrialize by peaceful and gradual stages". As early as 1949, it began to map out priorities for the development of differed industries. It was hoped by the Nationalist government that by developing and modernizing Taiwan it could

apply Taiwan as a model for China's future development, after recovering the Chinese Mainland.

Accordingly, the subsequent four year economic plans for Taiwan which carried out import substitution and export substitution industrialization policies were, in deed, the manifestation of ideology of modernization. In practice, the so-called "peaceful" and "gradual" stages of industrial development were accomplished by a sequence of "squeezing" policies on agriculture. A policy mix of "squeeze" and "growth" of the agricultural sector designated to accelerate industrialization has been skillfully operated (Lee, T. H., 1971). The supporting agrarian reforms accompanying land reform, however, have also "modernized" Taiwan's traditional agriculture.

Under pro-industrial policies, Taiwan's industrial sector has expanded rapidly vis-a-vis a squeeze on agriculture. Industrial interests have thus generated an ever-growing social-economic sector with dominant groups at every level of political-economic decision-making.

The existence of a growing "industrial establishment" as will be analyzed later, is the direct product of the industrialization ideology manifested in an "imbalanced" economic strategy that has protected and expanded the industrial sector.

Elites' Ideology of Modernization in South Korea

In Korea, an ideology of modernization was not clear during the Rhee period. The concept of national modernization was over-ridden by concern for nation-building, post-war reconstruction, and internal political struggle. Nationalism was the exclusive priority of the Rhee regime. Nation-building was placed ahead of socio-economic development as Rhee's vision of a modern Korea was

nothing but a politically independent and united nation. Rhee's political ideology may be explained partly by the background of his cabinet members at the beginning of the Republic. Among twelve cabinet members in 1948, eleven were nationalists or revolutionaries who participated in the independence movement either at home or abroad (Kim, 1974:162-63). Such a composition of revolutionary elites in Rhee's cabinet obviously affected the formation of national goals. In his inaugural speech on August 15, 1948, Rhee focused on two major themes: "national strength and self-support" (*The Dong-A Ilb.*, Aug. 15, 1948:1). Although he mentioned economic stability and progress, the designated government tasks were national unification and military strength.

The above contention can be supported by further analysis of the major themes of Rhee's policy statements and press conferences during the period from his presidential inauguration day, August 15, 1948, through the day before the outbreak of the Korean War on June 25, 1950. Of a total of 172 major themes, national security (i.e., defense, anti-communism, unification) and foreign policy (i.e., diplomacy, international affairs) accounted for 51.7 percent, while themes on economic development (i.e., stability, policy on agriculture and foreign aid) comprised only 19.8 percent (Kim, 1974:165-6).

After the end of the Korea War, Rhee's concern with economic development seemed to have increased. A content analysis of Rhee's post-Korean War speeches shows that, between 1955 and 1959, he did place more emphasis upon economic growth policy than upon national security and diplomacy (see Table 4-2).

However, he was not much concerned with long-range economic development. Although the three year economic development plan

TABLE 4-2: MAJOR THEMES OF PRESIDENTIAL
SPEECHES OF RHEE SYNGMAN AND
PARK CHUNG-HEE (%)

Themes	Khee Syngman (1955-59)		Park Chung-hee (1964-67)	
	Unit*	%	Unit	%
National Security and Diplomacy	3,600	32	7,700	15
Economic Stabilization & Growth	4,378	38	25,840	50
Education and Social Welfare	872	8	5,973	12
Government Administration	1,400	12	3,182	6
Others	1,150	10	9,305	17
Total	11,400	100	52,000	100

* Unit: Numbers of word

Service: Whang In-Joung, 1969:240; cited from Kim, 1974:167.

was drafted in the last year of his regime, it was not implemented due to the student revolt on April 19, 1960. Thus under the twelve year period of the Rhee regime, no significant economic development was attained, as previously discussed in Chapter 3. An ideology of national modernization in terms of socio-economic development simply was not apparent during Rhee's rule.

Nevertheless, the private urban-industrial sector was favored by the Rhee government for the reasons of political favoritism, and to a lesser degree, of catching up with the western world. It was during this reconstruction period in the 1950's that a group of entrepreneurs emerged and grew rapidly. Foreign aid was a unique political economy in which certain "political capitalists" sought the best opportunities for economic venture through political contribution to the regime (Kim, 1976:467-69).

Again, structural relations could be found between the relatively pro-industrial decisions and Liberal Party elites in the Rhee government. After land reform, most landlords transferred their political economic interests from the countryside to the urban industries and thus all were in favor of the acceleration of the growth of the industrial sector. On the contrary, the agricultural sector composed of a bulk of small independent farmers was ignored and even suppressed.

When General Park Chung-hee launched a military coup in 1961, his group pronounced the revolutionary pledge: "anti-communism, economic development, anti-corruption, and international cooperation" (*The Dong-A Ilbo*, May 16, 1961). Economic development as opposed to nation-building was the important theme to the military government. It was reflected in Park's early ideological writing, *Our Nation's Path: Ideology of Social Reconstruction*, first published in 1962 before he turned the state over to civilian rule. Park severely criticized the Rhee regime for not paying attention to national modernization, and then justified the coup as the real starting point of Korean modernization to achieve an independent national economy. Under the heading of "For Modernization of Korea" in one of his chapters, Park wrote:

Our nation is now faced with the task of modernization. The goal of our democratic revolution is to accomplish this task, which has remained unsolved since the days when the Western European great powers started their advance to the Orient. If the May 16 Revolution is to succeed as a national revolution, it must solve this historic problem which face our nation.

In accomplishing the task of modernizing Korea, we should first of all liberate the masses from the remaining vestiges of feudalism and colonialism. The nationalism of underdeveloped countries today

is the voice of the poor world and expresses their will to survive.... When nations in the past established modern societies by casting off traditional backwardness, nationalistic zeal always functioned. We must first form the mood for modernization.

Second, we must liberate the people from poverty and establish a self-reliant economy... Third in the construction of a healthy democracy.... (Park, 1962:119-121).

Park's concept of modernization was therefore much more clear and comprehensive than Rhee's. Economic development was recognized as one important aspect of Korean national modernization. This can also be explained by the different degree of emphasis on economic growth given in the speeches of Rhee and Park. From 1964 to 1967, half of Park's presidential speeches were focused on economic stabilization and growth (see Table 4-2).

In his chapter on *Ideology and Philosophy of Social (National) Reconstruction*, Park further urged development plans for Korean economic growth a strong emphasis of industrialization. He said,

We must take a great leap forward toward economic growth... it is urgently necessary to have an economic plan or a long-range development program through which reasonable allocation of all of our resources is feasible.... The policy of strengthening productive power and increasing employment through a long-range development program is being pushed by the revolutionary government by every possible means in the first year of the Five Year Economic Development Program.... The primary purpose of our industries should be public welfare in its fullest sense, so that through the long-range development program the potential industrial development will be exploited for the benefit of the public. In industries where monopoly exists, in fact, competition should be encouraged.... In country like Korea whose area is small and resources are scarce, expansion of foreign trade and acquisition of modern industries are vital conditions for full employment; as are the planned locations of industrial sites in farming regions, absorption of the excess farming population by in-

dustry, and a gradual reduction of working hours....We cannot ignore the fact that there are many industrial fields where small and medium business may have independent domains. The present stagnation of these smaller businesses suggests they could be stimulated to increase their productivity, through promoted coordination of management, and assistance rendered by the state, so that the income ratio of these businesses would not be less than that of the bigger enterprises...."Maximum competition and minimum planning"—this is that true principle (Park, 1962a:213-216).

This ideological stress on industrialization as being identical to national modernization was even much more straightforward in Park's speeches to the National Assembly after he was elected as president. For example, in his *State of the Nation Message* on January 18, 1966, Park spoke to the Assembly:

I believe the modernization of the country can be achieved by the following three stages.

When the First Five-Year Economic Developments Plan is accomplished in 1966, I think the first stage of laying the foundation for an *industrialized country* will be completed. The Second stage means the period of the second Five-Year Economic Plan will be completed in 1971. When the Third Five-Year Economic Plan is successfully achieved in the latter 1970's the third stage will be over and we shall be living in an age of mass production, it means that Korea will have achieved *modernization* in the 35 years since its liberation from Japanese occupation in 1945, or in 20 years since the Military Revolution of May 16, 1961....When the Third Five-Year Economic Plan is over, I am sure we will have accomplished the *modernization* of the country (Park, 1970:323).

It is not to say that Park had completely ignored the agricultural sector in his conceptual framework of economic development. Under Park, the military government did pay immediate and effective

attention to agricultural economic problems during its first year in power in 1961-62. But Park was certainly not wholeheartedly in favor of the rural sector. He argued for the instrumental role of the agricultural sector in Korean future development. In 1962, Park made the following statements in relation to the agricultural sector:

Economic policies should put more emphasis on the sound development of agriculture so that farming contributes to the overall progress of our economy. The revolutionary government takes as its urgent task the modernization of farms and improvement of farming efficiency....to achieve agricultural rehabilitation....Our farmers should voluntarily remove their dependence and display a pioneering spirit. The government is required on its part to set up worker and price policies to stabilize farm income thus increasing their purchasing power and enabling them to contribute further to our gross national product.

Of course we will not divert our attention from the interests of the consumer or our national economy. *This is to say, the government should go ahead with bold policies to help maintain and improve the farmer's income within limits that will not damage the consuming power of urban people* (Park, 1962a:221-2).

Though "agriculture first" was its campaign slogan in the 1963 presidential campaign, the Park government betrayed that promise soon after 1964. Park refused to continue the agricultural subsidy to offset the rise in fertilizer prices to farmers (*Dong-A Ilbo*, Oct. 6, 1964). In a speech to provincial governors in June 1966, Park even stated forcefully that his government must seek to bring its domestic grain prices down to world market levels (Cole and Lyman, 1971: 228). It is also found that in his speeches after 1965, despite agricultural growth had been mentioned, much more stress was given to industrial growth, particularly to export industries.

Moreover, industrialization as greatly appraised and supported by proposing effective policies (Park, 1970).

After the Park regime took power, an "imbalanced" growth doctrine was officially upheld in the first and second Five-Year plans, for the period of 1962 to 1971. Agricultural growth was expected to support the rapid growth of "export substitution" industries. Meanwhile, active industrialization programs accelerated the accumulation of capital and political power in the hands of a limited but influential group of industrialists in the 1960's.

On the other hand, Park's initial commitment toward the rural-agricultural sector was not supported at all by what he actually had done to that sector. Judging from what he did against what he said, the evidence suggests that Park's early commitment to agricultural development had been radically abandoned.

In other words, the ideology of modernization vis-a-vis industrialization was indeed taking the lead over an emphasis of agricultural development. An imbalanced conception was actually in shape.

In conclusion, the experience of Taiwan and South Korea in the post-land reform era have more or less demonstrated that the unbalanced growth strategy in favor of the industrial sector, indeed, had its ideological origin in the elites' perception of national modernization. However, the evidence from Taiwan was much more supportive of the proposition than that from South Korea, possibly due to the frequent political interruptions in Korea which affected the promotion of a clear policy.

Proposition 3a: Under a pro-industrial strategy, a new industrial-urban class is created, and it can develop into a strong political-economic force in coalition with the governing elites to

maintain the existing squeezing agricultural policy. As a result, any radical change in government development strategy in favor of the rural-agricultural sector becomes unlikely for political reasons.

This section identifies a pattern in the emergence of private industrial sectors and their implications for government agricultural strategies in both Taiwan and South Korea.

As discussed in the preceding section, the ideology of ruling elites in Taiwan and South Korea stressed "industrialization" as the path to modernization, and a series of pro-industrial strategies were undertaken.

It has also been pointed out that, under an "import substitution" growth strategy, the primary objective is to encourage the indigenous industrial sector with "protection" from the government. For both Taiwan and South Korea, the protectionism for indigenous industries has been described in chapters II and III, but it should be noted that an import substitution strategy for industrialization is not necessarily established in order to create private industrial elites, though it has this effect as a rule. As will be argued in chapter 6, in both Taiwan and South Korea, in their initial growth stages, the governing elites were not strongly inclined to foster the private sector, for one reason or another. The public or government-owned industries were the major beneficiaries of import-substitution protectionism at the beginning.

Nevertheless, under import substitution protectionism for indigenous industrial capacity, several private industries in both Taiwan and South Korea were restored and even enlarged. At the turn of the 1960's, both governments shifted their industrialization strategies to an export substitution path, emphasizing export industries. The

growth rate of the private industrial sector then has accelerated rapidly. Significantly, in both Taiwan and South Korea, though to varying degrees, the formation of the private industrial sector has had a great impact on government agricultural strategies.

One of the significant and far-reaching effects has been the emergence of private industrial elites, and, subsequently, their coalition with the power elites in pursuing further anti-agricultural strategies in development decision-making. In other words, the urban-industrial sector, through pushing its elites into the governmental machinery, has more influential impacts on shaping government economic policies. In pursuit of sectoral self-interests, the emergent private urban-industrial elites have built up a coalition relationship with the power elites at various levels of economic decision-making, aiming to maintain the *status quo*—that is, keeping the squeezing agricultural strategy in effect. The following pages will present some supporting evidence.

Government and Urban Industrial Class Relations in Taiwan

During the Japanese rule, Taiwan's few productive enterprises of any significance were mainly owned and operated by Japanese, and all the important managerial and technical personnel as well as the investment capital were supplied from Japan. This was also true in Korea. The Taiwanese-owned private enterprises which existed during the Japanese occupation were very small in size and limited in significance. When the Chinese Nationalist government took over those Japanese-owned enterprises, there were no private entrepreneurs to fill the vacuum caused by the repatriation of Japanese managers and technicians. Shortly after, a significant

number of white-collar and managerial people left mainland China with the move of the Nationalist government to Taiwan⁽⁶⁾. Under the circumstances and with the mistrust of Taiwanese on the part of the Nationalist government, it seemed that the only choice for the Nationalist government was to assume responsibility for running those industrial enterprises itself.

In 1946, though private industries accounted for 92.6 percent of the total factories registered in Taiwan, their share of employment of factory workers was only 34.6 percent. Government-owned industries made up the remaining 7.4 percent but accounted for as high as 65.4 percent of the total employment of factory workers. On average, each privately owned factory employed no more than 4.4 persons (Li, 1976:361). The lack of native entrepreneurs to manage those industries was not the sole reason for the Nationalist government's takeover and nationalization of time. Unfamiliarity with, and distrust of Taiwanese, especially the Nationalist government, but also among those who suffered from the experience on the mainland, made the Nationalists indifferent to transferring those government owned industries to private hands. The February 28, 1947 incident jeopardized the situation even more severely. As early as 1944, when the Nationalist government was still seated on the mainland, the Supreme Commission for National Defense, in formulating the "Principles for First-Stage Economic Reconstruction" had stated that:

(6) There are no accurate statistics available on the occupation structure of the migrants from the mainland. The above assertion is based on the writer's understanding of the fact that mainlanders dominated all the government-owned industrial enterprises after the Nationalist government took over these enterprises from the Japanese.

The operation of enterprises for economic development must follow the teachings of Dr. Sun Yat-sen and be implemented according to plan. The economic system of the Three People's Principles should be progressively established by the development of a free economy under overall planning. Private enterprise should be encouraged as much as possible so long as it is not in violation of the principles of proper utilization of private capital....free enterprise will stimulate the development of economic enterprises and the execution of development plans...."

President Chiang, in his broadcast to the nation on the National Day of 1945, further amplified the same point. He said:

During our first stage of economic development, the free economy of the private sector should be integrated with the planned economy of the State, with a clear demarcation in type between public and private enterprise. The policy of the Nationalist Government in this connection has already been announced in the "Principles for the First stage of Economic Reconstruction. In concrete terms, nationwide and monopolistic enterprises or those which can not be easily undertaken by the private sector, such as the steel industry, nation-wide railroads, and large-scale public utilities, should be operated by the state. All the remaining industries should be operated by the private sector. The government should give financial aid to or make investment in private enterprises which are short of capital....

It is clear that what the Nationalist regime intended was not a pure capitalist economy but rather a mixed economic system termed a "planned free economy". Given the unique situation of Taiwan, the Nationalist government was not interested in creating private industries in the beginning. The existence of an initial supply of capable entrepreneurs because of immigration from the mainland helped the Nationalist government to manage a large number of state-owned industries rather smoothly in the early period of Nationalist rule in Taiwan (Pauw and Fei, 1973: 113).

However, the number of private enterprises did rise slowly from 9,621 in 1949 to 9,821 in 1952 and workers employed by the private sector of the manufacturing industry also increased from 67,600 to 132,600. The average number of workers employed per factory rose from 4.4 persons in 1946 to 13.5 in 1952 (Li, 1976: 320). As will be discussed in chapter 5, under pressure from the U.S., the Nationalists sold four state-owned industries to private owners, most of whom were landlords who had been displaced from their private land in the land reform program. The stock of these four industries was part of those landlords' compensation for their forced sale of land. Therefore, the first private industrial class emerged during the mid 1950's.

Since 1953, a series of national development plans has been implemented. Encouragement for the private sector to establish new industries was part of the Nationalist policy of import substitution industrialization. During the first plan period (1953-1956) a number of largescale new industries such as glass, man-made fibers, polyvinyl plastics, bagasse board and cast iron pipe, and such already-established industries as cement, paper and textiles, were all financed by investment from the government or U. S. assistance. By 1960, new heavy industries like automobile parts and engines, shipbuilding, steel, etc. also were being undertaken by the private sector with the assistance of the Nationalist government. A 200 percent increase in the number of registered factories from 1946 to 1957 indicates the rapid growth of private industries (Li, 1976: 324).

Another indicator of the growth of the private industrial sector during this phase is the increase in the number of employees. For example, the number employed in private manufacturing industries climbed from 25,000 in 1946 to about 200,000 in 1958. On the con-

trary, the increase of employment in government manufacturing industries was relatively slow, it rose from 48,000 in 1946 to 61,000 in 1958. The ratio of employees between government and private manufacturing enterprises also changed from 65.4: 34.6 in 1946 to 23.5: 76.5 in 1958 (Li, 1959:18). However, the amount of investment in private industries still fell behind government-owned industries, as a result of the heavy capital requirement of those government-run industries such as public utilities, petroleum and fertilizer industries. In the late 1950's, the ratio of investment between government and private manufacturing enterprises was 51: 49. This also shows the relative importance of the private industries in Taiwan's economy in the 1950's. Up to 1958, private industry accounted for 17.9 percent of the net domestic product, up from 12.3 percent in 1951. It also contributed around 7 percent of the total employment in 1958. Moreover, exports from private industry totalled US\$8.75 million, accounting for only 7.3 percent of total exports in 1952. The amount increased to US\$27.73 million, a rise of 220 percent, accounted for 16.9 percent of total exports for the year 1958.

The above discussion shows that during the 1950s, under the Nationalist industrialization strategy, the private industrial sector expanded to become an important sector within Taiwan's socioeconomy. It absorbed the surplus labor from the agricultural sector, provided employment, and contributed to national income. More important is the fact that, as a result, the private industrial sector began to emerge as a sociopolitical sector from which a new urban-industrial class was created.

The protection measures were adopted by the Nationalist government in the spirit of an infant industry policy (i.e., to promote the

development of entrepreneurial efficiency rather than to perpetuate inefficiency). The Nationalist government offered opportunities for learning-by-doing. Also, given the lead of mainlanders entrepreneurs in the initial period, the new Taiwanese industrial elites could learn from them. As will be pointed out later, at this time the U.S. aid mission also played a crucial role in promoting the transfer of technology from the developed countries, for the development of new entrepreneurship. Under the favorable circumstances described above, a class of new industrial entrepreneurs was created by the turn of the 1960's. Their economic interests coincided with those of the Nationalist government in stressing further industrialization. This new private industrial class soon built a coalition with the government to perpetuate the existing proindustrial strategies. This situation was much more clear after the Nationalists initiated an export substitution industrial strategy after 1960.

By the end of the 1950's, the productive capacity of private industry had been expanded and the amount of capital investment per employee increased considerably. However, due to the limited domestic market in Taiwan, opportunities for large-scale investment in private industry were no longer favorable (Li, 1976:347). According to development planners, the key to further industrialization thus lay in the efforts to promote Taiwan's exports in the world market. In 1960, the Nationalist government promulgated the "19 Point Financial and Economic Reform Program" in order to accelerate Taiwan's industrialization. Under Points Nos. 4 and 5 of the program, the basic policy on private enterprise was spelled out clearly. The essence of Point 4 was that the "government will continue to transfer state-owned enterprises to private ownership and will no longer make investment in enterprises other than public

utilities and innovative or demonstrative projects, which may be operated by the private sector. The government will also directly or indirectly accord protection or assistance to private enterprise to foster its growth". Point No. 5 stipulated that "with regard to private investment, various kinds of facilities and incentives have already been provided by the government in terms of tax relief, availability of foreign exchange and extension of credits. Hereafter, these measures shall be reviewed to ascertain whether they can be further strengthened and simplified."

The goal of expansion of manufacturing exports, set by the Nationalist government, provided strong incentives for private entrepreneurs to take chances to become involved in the industrial sector. Meanwhile, again with a push from the US, the government encouraged private savings for investment in productive enterprises through the provision of tax and other benefits to facilitate the acquisition of industrial land. All these policies were geared to expanding Taiwan's industrial capacities, through creating a strong private sector. As a result, the share of the private sector in Taiwan's national fixed capital formation increased from 46.3 percent in 1959 to 57.6 percent in 1971.

A tremendous number of medium-sized private industries emerged in the 1960's, especially manufacturing industries. For example, the Kaoshiung export processing zone, established in 1964, was specifically for the purpose of attracting private investors—with a number of favorable conditions such as availability of developed plant sites, factory buildings and public facilities, exemption from custom duties, health and transportation services and a minimum of government red tape. In an area of only 69 hectares, the zone accommodated 157 factories, having a total capitalization of more than

US \$50 million and total employment of some 50,000 people. By 1973, it exported over \$200 million worth of manufactures annually (Li, 1976:368).

Over a period of more than two decades, under the two phases of industrialization strategies, Taiwan's private industry had attained a very remarkable growth. Indeed, private enterprise had become the mainstay of Taiwan's rapidly developing economy. At present, only the power, sugar, chemical fertilizer, petroleum refining, aluminum and wine and tobacco industries are still monopolized by the Nationalist government. The share of private ownership in such capital-intensive industries as shipping, iron and steel, machinery and petro chemicals has been and will continue to be on the increase in the future. As a result, private industry has accounted for a rapidly increasing share of Taiwan's total industrial products for the past two decades. In 1952, it was 43.4 percent and by the end of the fifth four-year plan period, in 1972 it has risen to 79.4 percent. The government-owned industries' share of total industrial production has decreased accordingly from 56.6 percent in 1952 to only 20.6 percent in 1972 (See Table 4-3).

Moreover, the private industrial sector also played a leading role in Taiwan's exports. In 1952, government-owned enterprises accounted for 77.7 percent of Taiwan's total exports. But by 1972, the share of the private sector jumped to 93.3 percent (Li, 1976:377).

The above descriptions have shown the significance of the private industrial sector in Taiwan's economy. It also provides some insight into the political impact it can have on government economic decision-making; specifically, how it has affected Taiwan's agricultural strategy for the past two decades and its implications for the future.

TABLE 4-3: DISTRIBUTION OF INDUSTRIAL PRODUCTION BY OWNERSHIP, TAIWAN (%)

Period	Total	Private	Public
1952	100.0	43.4	56.6
1953	100.0	44.1	55.9
1956	100.0	49.0	51.0
1960	100.0	52.1	47.9
1964	100.0	56.3	43.7
1968	100.0	68.9	31.1
1972	100.0	79.4	20.6

Source: Taiwan Statistical Data Book, 1977, p. 79

The following data intends to show that under the government's pro-industrial strategy, the private industrial sector not only received privileged economic treatment, but also gained political power at various levels of decision-making. Clearly, within the central government, the stress on industrialization remains predominant since the top decision making process is still in the hands of the Nationalist party. The Legislative Yuan, the highest law-making body in Chinese government, has been overwhelmingly controlled by the ruling party⁽⁷⁾. Therefore, what remains to be evaluated is the

- (7) For almost 20 years, the Nationalist Party has postponed the re-election of the people's representative body in Taiwan at the national level. Not until 1969 were the first supplementary elections held for the Legislative Yuan, the National Assembly, and the Control Yuan. Three years later, another supplementary election to the three bodies was held. Overall, 68 new members were elected in the Assembly, 62 in Legislative Yuan, and 7 in the Control Yuan. The overwhelming majority of the newly elected members are Taiwanese. However, most of them are of industrial-urban origin.

local political decision-makers' connection with the private sector.

The highest representative body at the provincial level is the Provincial Assembly of Taiwan. From 1954, right after the land reform, to 1970, the Provincial Assembly has been dominated by representatives from secondary and tertiary sectors, e.g., industry, commerce, and the professions. The private sector emerged under government protection, and thus its members were pushed through economic influence into the political sphere. Representatives of commercial and professional backgrounds have been represented in the Assembly at almost double their percentage in the general

TABLE 4-4: SECTORAL BACKGROUND OF MEMBERS
OF THE TAIWAN PROVINCIAL ASSEMBLY,
1951-1970 (%)

	1951	1954	1957	1960	1963	1967	1970
Provincial Origin							
Taiwanese	96.36	98.25	90.91	93.15	91.89	94.37	95.89
Mainlanders	3.64	1.75	9.09	6.85	8.11	5.63	4.11
Occupation							
Agriculture	16.36	14.04	16.67	19.18	18.92	19.72	17.81
Mining	3.64	3.51	4.54	4.11	2.71	1.41	2.74
Industry	3.64	8.77	4.54	6.85	5.41	2.82	4.11
Commerce	36.36	33.33	31.82	30.13	24.32	32.40	35.61
Professional	30.91	28.07	18.18	28.77	24.32	26.76	20.55
Public Administration	1.82	5.26	13.64	5.48	17.57	11.27	10.96
Transportation	5.45	3.51	4.55	1.37	4.05	2.82	4.11
Unemployed	1.82	3.51	6.06	4.11	2.70	2.80	4.11

Source: Department of Civil Affairs, Taiwan Provincial Government, 1973, cited from Wei, 1976:226.

population. The agricultural sector, on the contrary, has less than 20 percent of the representation in the Assembly, while the population in agriculture was always over 40 percent (See Table 4-4).

Taking all three levels of local political decision-making together reveals a much clearer picture. In Table 4-5, it is shown that the largest single sectoral group in the Assembly is businessmen, which accounted for 31 percent. Those businessmen are mostly managers and owners in the private industrial sector. In the Council, the number of councillors with a business background (28 percent) is roughly the same as those with an agricultural background (27 percent). Even among magistrates and mayors, the business sectors' interest are again over-represented (19 percent). All in all, agricultural interests are greatly under-represented in relation to the business.

TABLE 4-5: COMPARISON OF THE SECTORAL ORIGINS
OF TAIWAN PROVINCIAL ASSEMBLYMEN,
COUNCILLORS, MAGISTRATES AND
MAYORS (1950-1968) WITH THE 1964
POPULATION BY OCCUPATION
(%)

Levels of Decision-makers	Agriculture %	Business %	Liberal Profes- sions %	Government service %	Others %
Assemblymen	18	31	25	10	16
Councillors	27	28	18	8	19
Magistrates & Mayors	3	19	20	49	9
1964 Population by Occupation	54.2	8.9	3.9	7.4	25.3

Source: Cited from Lee Kuo-Wei, 1972: 235.

and professional groups at all levels of decision-making in Taiwan.

Lerman, in a study of Taiwan's local politics, has put it nicely by indicating that those new industrial-commercial sectors "seek out or send out politicians in order to insure their protection amidst the vagaries of both the market and the many decisions being made by the burgeoning bureaucracy, which was expanding along with the growing economy" (Lerman, 1977:1413).

Consequently, it is unlikely the agricultural interests of various levels of decision-making can ever press any significant change in government policy in their favor.

In summary, from the 1950s to the 1970s, Taiwan's agricultural sector has always been under-represented at all levels of political decision-making, whereas industrial-business sectoral interests are consistently over-represented. Under the circumstances, it is reasonable to suggest that the new industrial-commercial interest groups turned politicians should have built an effective coalition with the Nationalist government in order to pursue their sectoral interests in maintaining a squeezing agricultural strategy.

Government and Urban-Industrial Class Relations in South Korea

Even though major industrialization efforts were not initiated and advocated in South Korea before the 1960's, the origin of the current private-industrial sector can be traced back to the political economy of the 1950's. This decade was marked by the great turmoil of war and its aftermath, followed by another decade or so of frantic efforts for rapid economic growth, primarily led by industrialization. During the past two decades, the private industrial entrepreneur sector made its debut and succeeded in establishing

political power for influencing South Korean ongoing economic strategy in its favor.

South Korea in the 1950's had no clear economic development strategy, but the unique political economy of U.S. aid provided the Rhee regime with support to initiate an import substitution effort for post-war reconstruction. After the Korean War, the stress on developing a consumer goods industry had created the following industries: textiles, leather, paper, food, and rubber. Toward the end of the 1950's, many other private industries were encouraged and protected; such as light machines, sewing machines, electric testers, appliances, communication equipment, radios, fertilizer, textile machines, and pulp.

During this unique reconstruction period, a group of entrepreneurs emerged and grew rapidly into a large and influential socioeconomic sector. This can be best understood in terms of the dynamics of exchange between the Rhee regime and the sector during the 1950s.

With some private capital in hand, existing entrepreneurs sought the best opportunities for financing of economic ventures in the existing political economy dominated by foreign aid. The best access to this source was through political connections. Since the Rhee administration had no rooted base in South Korean society, every opportunity to gain local support and political legitimacy was exploited. Particularly after the formation of the Liberty Party, Rhee Syngam himself was eager to recruit members of every social stratum for political support, though he concentrated on the middle to upper classes.

Therefore, entrepreneurs could play on the urgent need for political legitimacy and financial funding on the part of the politici-

ans as well as the prevalent corruption of Rhee's high-ranking bureaucrats. One of the most typical examples was the so-called "tungsten dollar" case. In 1952, when the war was still going on, the Rhee administration allocated over \$3 million to 40 Korean private firms to enable them to import grains and fertilizers which were badly needed then. Funds earned from the export of Korean tungsten were supposedly allocated to certain specific projects in the country. Instead, the Rhee regime illegally distributed it to those favored private entrepreneurs. By taking advantage of the discrepancy in foreign exchange rates and by monopolizing the price, these firms made enormous profits. The Rhee regime was then offered a large contribution in return for the favor, which was allegedly used in Rhee's Liberty Party campaign for a constitutional amendment that permitted his reelection as president. Another famous instance of this sort involved disguised government subsidies in the form of loans. In the spring of 1957, the Liberty Party exerted pressure on the Korean Reconstruction Bank to grant a large loan to 12 big industrial enterprises for the professed purpose of advancing Korea's domestic industry. In the process, however, those firms had to contribute a certain percentage of the loans as a political donation.

Other forms used by the regime and private sectoral interests included tax manipulation, disguised tariff protection, price fixing, etc. Under the circumstances, those private entrepreneurs came very close to establishing themselves as monopolistic capitalists similar to the Japanese *Zaibatsu*. The label "Jaebol" was accorded to those big entrepreneurs who also could be called "political capitalists", plutocrats, or compradors. Without doubt, the influence of those political capitalists on governmental policy was also predictable. Nevertheless, it took some political and economic reshuf-

fling before large financial cliques became firmly rooted in the post-war Korean economy. This finally involved the collapse of Rhee's regime in 1960.

With a more definite economic strategy for Korea's future, the Park regime adopted a "guided capitalism" ideology and stressed industrialization in the 1960's. Under this orientation, the new private enterprises (largely industrial) were encouraged under government supervision and indirect intervention. Similar to Taiwan's Nationalist government, the Park regime reserved the power to control project selection and to designate firms to take up specific projects. It also decided how to allocate U.S. aid and loans which again had characterized the Korean economy. Obviously, the right connections and special favors were very important in this context. Some cases of political favors for particular entrepreneurs will be mentioned later, but a brief account of the new private industries created in the Park period seems to be in order.

In the first plan period (1962-66), a shift to an export-substitution strategy of industrial growth was observed. A large number of private industries producing semi-finished materials were developed. For example, during this time, industries such as synthetic fibers (nylon, viscose rayon, polyacrylic), fertilizer, cement, automobile parts, etc. were emerging in South Korea. Since the second plan, a more rapid growth of export-oriented industries was observed. New industries like electronics, petrochemicals, and machinery were created and encouraged under the Korean government's guidance. Manufactured products increased tremendously in share of Korean exports. For example, it was 18.2 percent in 1960, 62.3 percent in 1956, and it jumped to 77.3 percent of total exports in 1968. Meanwhile, agricultural exports dropped from 21.9 percent in 1960

to 8.6 percent in 1965, and then to only 4.3 percent in 1968 (Economic Planning Board, 1969; Lyman and Cole, 1971).

Unfortunately, no accurate statistics are available to determine the proportion of private industries in the total Korean industrial sector. Also, as in Taiwan, the Park government, under U.S. pressure, transferred a few government-owned enterprises to private hands. Clearly, the rate in private industries was far ahead of government-owned ones. The productivity of private enterprises was also greater than that of the government-owned.

The source of new investments shows in general how the private sector played an important role in Korea's economy in the 1960s and onward. Three quarters of Korea's annual total investment came from the private sector, taking the average for the years 1967-71. The influential role of the private industrial sector thus was rooted in South Korean society. Those "political capitalists" who emerged in the 1950's, gained a further chance to expand their capital and power by establishing a "coalition" with the Park government.

The following cases illustrate some of the points just mentioned. Like Rhee's Liberty Party, Park Chung-hee's newly formed Democratic-Republican Party needed financial and political resources from the influential sectors of Korean society. Though the Military government initiated an investigation into the notorious "illicitly accumulated wealth" during the Rhee regime, a tremendous amount of negotiation and compromise was inevitable. Thirty elite entrepreneurs were accused, convicted and asked to refund a designated amount of funds to the government rather than have them all confiscated (Kim, 1976:471). However, it turned out that the new regime was, in fact, persuaded by those entrepreneurs to help them build new industries under the long-term development plan. When

the plants were completed, they were supposed to pay the imposed fine by yielding a majority share of the stocks to the government. But most of the private entrepreneurs decided to pay cash instead of giving up ownership. Consequently, the Park program to correct (punish) the past wrongs of sectoral exchange between the government and entrepreneurs turned out to assist many of them not only to survive the ordeal but to renew their ambitious pursuit of profit and eventually create huge and powerful industrial-business-conglomerates in the 1960s and 1970s.

Moreover, under the five-year plans an industrialization strategy was ultimately stressed. A large number of old and new private industrial elites were involved. The interest of the private industrial sector was promoted again. The phenomenon of concentration of monopolistic power in large-scale enterprises was inevitably accelerated. As of 1974, the 50 most influential Jaebol groups have been indentified (Kim, 1976:473). These Jaebol groups were loosely defined as financial cliques controlling combined interests of three or more business or industrial firms. Seventeen had their origins in the 1950's. The three largest Jaebols before 1960 were still the three largest combines fifteen years later. Similar "exchange" between government and the industrial sector was observed during the Park regime in the 1960's in the form of granting loans and special favors⁽⁸⁾

(8) One of the two largest Jaebol groups, the Lakhee clique, won several rounds of competition to obtain the right to start new ventures in important areas of industrial activity such as electronics and communications equipment. Very revealing is the fact that one of the brothers of the chief of this clique has been the powerful chairman of the National Assembly's budgetary committee. Sangyong jaebol, the 2nd largest, however, has received the largest amount of foreign loans thus far. The boss of this clique was in fact that chairman of the ruling party's central committee and of the finance and economy committee in the National Assembly. (For details, see Kim, 1976: 472-475).

(Kim, 1976: 474). The Park regime argued that the existing organizations (enterprises) was necessary to make the best use of available foreign capital in the forms of aid or loans. The government also realized that it was in its favor to gain political legitimacy through accelerating economic growth by means of industrialization.

As a result, the industrial sector (including business as well) emerged as an influential sociopolitical force through its direct and indirect involvement in the various levels of politico-economic decision-making. At the national level, the secondary and tertiary sectors were always over-represented in the Assembly since the Korean War.

Table 4-6 shows the sectoral background of the National Assembly in 1954 (Rhee regime), 1960 (Chang government), 1963 (military government) and 1967 (Park regime). A significant findings is that for the four governments the majority of the Assembly was constantly composed of the following four major socioeconomic sectoral interests: bureaucrats, professional soldiers, educators, and businessmen. The total of these four sectoral interests was 59.7 percent, 58.6 percent, 68.3 percent and even 76.0 percent under the different regimes. On the other hand, agricultural interests had long been suppressed and even non-represented in the National Assembly. The proportion of businessmen shows little difference between the Rhee and Park regimes. It supports the preceding analysis of the relative influence of that particular sector in the Korean political economy. The bureaucrats who could gain political as well as economical benefits from rapid industrial growth would obviously act in the same interests as those of the central government and thus support the industrial-businessmen in the Assembly.

TABLE 4-6: SECTORAL BACKGROUND OF KOREAN
NATIONAL ASSEMBLYMEN IN 1954-1960, 1963,
AND 1967 (%)

Sectoral Origins	1954	1960	1963	1967
Bureaucrat	28.8	26.6	19.1	13.7
Professional Soldier	2.4	4.1	20.6	22.9
Educator	8.2	11.5	14.8	20.0
Businessman	20.3 (59.7)	16.4 (58.6)	13.8 (68.3)	19.4 (76.0)
Lawyer	6.7	7.4	6.4	5.7
Farmer	1.0	2.5	--	0.6
Employee of Private Company	1.4	1.2	2.1	0.6
Banker	2.4	0.8	0.5	1.1
Politician	2.9	4.1	1.1	0.6
Revolutionary of the Independence Movement	5.3	4.1	3.7	2.9
Editor	4.3	6.2	5.8	6.3
Member of the Financial Cooperative	4.3	1.6	1.6	1.1
Member of the Water Supply Cooperative	2.4	1.2	0.5	0.6
Clergyman	1.4	0.4	0.5	0.6
Doctor	2.4	3.7	1.6	2.3
Others	5.8	8.2	7.9	1.6
Total	100.0	100.0	100.0	100.0

Source: The Dong-A Ilbo, December 9, 1970, p.1; Kim, 1974:175.

Since Park had sole control over the military, the Assemblymen with professional soldier-origins had a parallel orientation in favor of the industrial sector. All in all, predominant urban-industrial-

commercial interests in the National Assembly had effectively upheld, without challenge from the rural-agricultural interests, the basic development strategy in favor of industrial growth.

A case study of elite mobility in South Korea also reveals a similar conclusion. In the period of 1961 to 1967, the industrial-commercial sectors took active steps to push their elites into government executive bodies. According to Ahn's findings, during this period there was also a trend of setting up "task elites" (defined as those who hold the responsibility for administering decision making, direction, and control in the implementation of government policies). Task force members from sectors like the military, industry, business, banking and finance, were again in the great majority (Ahn, 1972: 35). The agricultural sector had once more lost out.

With this tight "coalition" between the pro-industrial government and those pro-industrial sectors at all levels of political economic decision making and execution, it is hard to expect that any radical change in the future path of Korean economic growth can come about easily.

The above discussion has demonstrated first, the relationship between government's pro-industrial policy and the emergence of the urban-industrial-commercial sector, and second, the relative strength of the industrial sector at the various levels of public policy making and execution had subsequently built a coalition with the regime in maintaining the existing pro-industrial development strategies without any challenge from the under-represented agricultural sectors.

This seemingly firm coalition between the industrial sector and the regimes provides at least some explanation for the prolonging proindustrial development strategy, and, at the same time, the absence of any change of the squeezing agricultural policies in both

Taiwan and South Korea.

One difference between Taiwan and South Korea in this aspect, however, is that the Korean government (both Rhee and Park) created an influential industrial sector in order to support its political legitimacy, while in Taiwan this need is much weaker since the Nationalist government came from the mainland with unchallengeable control over the island. Thus, in Taiwan, the sectoral exchange and coalition has been less dramatic. But the impact on prolonging pro-industrial imbalanced growth in both Taiwan and South Korea has been the same.

CHAPTER V

BACKGROUND AND CHARACTER OF U. S. AID TO TAIWAN AND SOUTH KOREA

As emphasized in Chapter I, the theoretical objective intended in this dissertation is to go beyond the conventional realm of sociological investigation of agricultural development: community and local groups. Chapter IV focuses on the entire national structure instead of just the rural locality in relation to governmental strategy for agriculture. Chapters V and VI will explore the international dimension of agricultural policy in both Taiwan and South Korea.

It is impossible to ignore the importance of U.S. foreign aid to Taiwan's as well as South Korean economic development since the end of the war. U.S. aid has been a substantial part of the development resources of both Taiwan and South Korea. Both nations were the beneficiaries of a particularly "rich" aid program, receiving a substantial fraction of global U.S. economic assistance during the post-war period. Considering the relatively small size of Taiwan and South Korea, the absolute amount of U.S. aid inflow has indicated the relative "richness" and "significance" of U.S. aid programs. The emphasis here is to find out how U.S. aid has been shaping Taiwan's and South Korean economic policies, of which agricultural strategy is a part. We will ask not only how U.S. aid has been used within the agricultural sector, but also how it has been allocated to different sectors and to what degree agriculture has been emphasized in the total aid program. Moreover, the influence mechanisms used by aid Missions in both nations to affect the economic decision-making will be explored.

As a preliminary to analysis of American influences on government agricultural strategies in Taiwan and South Korea, this chapter will describe the historical background and some significant characteristics U.S. aid to the two nations after the war.

Objectives of U.S. aid to Taiwan and South Korea

U.S. aid to Taiwan and South Korea has been closely related to U.S. foreign policy toward the developing world in the post-war era. It would be naive to consider humanitarian concern as the sole reason for any nation-to-nation aid or any international assistance. Especially after World War II, world politics, in the eyes of American policymakers, went through a great qualitative change. Foreign policy thus has been altered to cope with the changing world order. In this context, aid (military as well as economic) is used as an instrument of foreign policy to advance political ends for the U.S. Until 1965, the post-war foreign policy of the U.S. was predominantly influenced by a Cold War outlook (Bliss and Johnson, 1975:3-7). It was believed that Communism was an aggressive and expansionist ideology, both dangerous and threatening in combination with Soviet power. The Soviet-Communist threat was global in nature and any gain for the Soviets would be a loss for the Americans. There would be no common interest between these two super powers and international communism must be fought at every step and everywhere. The United States, accordingly, was the only country in the free world with both the will and the capacity to resist the Soviet-Communist threat. This bipolar conflict was believed to be the central feature of international politics with which U.S. foreign policy was directed to deal. U.S.-Third World relations were thus inextricably conditioned by the U.S.-Soviet conflict. A

containment strategy by U.S. foreign policy makers was followed in the Far East as in Europe. Under this condition, the principal U.S. foreign policy objective is defined as building a world order which would not threaten the U.S. The goal of foreign aid is to further this U.S. foreign policy objective. Conversely, this cold-war rationale was particularly useful as a means to mobilize domestic American political support for large aid appropriations (Blake and Walter, 1976:129).

The 1947 Truman Doctrine, proposing aid to Greece and Turkey, made the ideological confrontation between the Soviet Union and the U.S. the central focus of basic U.S. aid strategy in the developing world. Truman remarked:

At the present moment in world history nearly every nation must choose between alternative ways of life. One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government, free elections, guarantees of individual liberty, freedom of speech and religion, and freedom from political oppression. The second way of life is based upon the will of a minority forcibly imposed upon the majority. It relies upon terror and oppression, a controlled press and radio, fixed elections, and the suppression of personal freedoms.

I believe that it must be the policy of the U.S. to support free people who are resisting attempted subjugation by armed minorities or by outside pressures.

I believe we must assist free people to work out their own destinies in their own way.

I believe our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes. (Truman Public Papers, 1947:178-179.)

Truman's message made clear the link between U.S. foreign policy and economic aid to the Third World in the post-war period. Foreign aid is always an economic instrument of foreign policy. Its ends

are no different from other foreign policy mechanisms.

Foreign aid was invented and employed for the simple reason that nations have interests abroad which cannot be secured by military means and for the support of which the traditional methods of diplomacy are only in part appropriate. If foreign aid is not available, they will not be supported at all¹. (Morgenthau, 1962: 301) As a government document evidently indicated, aid objectives are nearly identical to foreign policy goals. It is argued that aid will:

- (1) help build a strong free world alliance which is essential to U.S. security;
- (2) help U.S. allies build adequate defense without imperiling their basic economy;
- (3) provide a more economical defense for the U.S. in terms of money and manpower;
- (4) help deter Soviet aggression and to meet it more effectively if deterrence should fail;
- (5) help raise living standards in the less developed areas and thus make Communist claims less attractive.

(Legislative Reference Service, U.S. Foreign Aid, 1959: p. 84, House Doc. No. 116)

By comparing the first with the last objective, it is evident that security is the principal rationale for aid and that economic develop-

(1) According to S.H. Hsieh's record, by 1964 there were some 91 U.S. technicians who provided Taiwan a total of 175 man-years of technical assistance; 372 Chinese technicians were sent to the U.S. where they received 325 man-years of training; and 389 Chinese agriculturalists, irrigation specialists, foresters, fishery experts, and rural health specialists were sent to Japan and other countries for a total of 128 man-years of training. See Hsieh, *Impact of U.S. Foreign Aid on Taiwan's Agricultural Development, 1951-64*, (JCRR:1965).

ment per se was not an explicit objective of U.S. aid to the developing world as late as the late 1950s. David Bell, an administrator of the Agency for International Development, also stressed a similar point and added that U.S. economic aid was to help the less developed nations to:

establish themselves as independent, self-supporting nations, able to make economic and social progress through free institutions. This is in the interest of the countries we help. But it is also in our own vital interest, for only in a world community of free, self-sustaining nations can our own nation progress and prosper. (Department of State Bulletin, Nov. 25, 1962)

This is not to deny any development objective sought by U.S. aid. The point is that economic improvement is considered primarily as a means for achieving political stability in the pro-American allies. In other words, to reduce the recipient's political vulnerability by increasing its opportunity for economic growth is seen to be in the U.S. interest in keeping a desirable world order.

Nevertheless, U.S. aid has potentially far-reaching social-political and economic impacts on the domestic scene in recipient nations. A MIT study submitted to the U.S. Senate of U.S. aid to the Third World advocates "the strategy of the third choice" suggesting that with U.S. aid, the Third World could achieve the middle way between tradition bound dictatorship and revolutionary change controlled by communists. It provides an excellent statement of the American interest in these countries and offers a suggested solution of the dilemma between stability and change. At the outset, it is claimed that the primary U.S. interest in these Third World countries is to maintain their independence of powers hostile to the U.S. It then continues to maintain that:

The strategy of the third choice suggested that the U.S. uses its

resources and margin of influence on transitional societies in such a way as to minimize the likelihood of either of two undesirable outcomes: on the one hand, a repressive frustration of modernization by those whose vested interests and traditional outlooks may lead them to oppose this trend; on the other hand, the pursuit of modernization by dictatorial and revolutionary means, particularly of a communist variety. The objective of this strategy is to help make it possible for people caught up in transition to choose a third alternative--that is, to find an evolutionary path which can give constructive and progressive expression to modernizing of impulses without removing by violence and obstacles which the traditional heritage may place in their path (Senate Doc. No. 24, 87th Congress, 1961:173).

In other words, U.S. aid could bring about an evolutionary, planned social change in the recipient nations with America as the architect. It also calls for the establishment of democratic political systems to be promoted by economic growth. The classical Lipset (1959a) paradigm of "economic development—→political democracy" is the best illustration of U.S. postwar aid strategy in the Third World. Until the mid 1960s, this simplistic image of U.S. aid was not challenged. As Bell once admitted, American help would not necessarily insure the survival of free government in the developing countries. Still less would economic growth and stronger defense and security insure the evolution of a government toward a freer and more democratic political system (Bell, 1964). Moreover, U.S. aid often became a tool of continued repression used by unpopular regimes supported and even strengthened by U.S. aid. As Niebuhr critically puts it:

Our interference has not been for the purpose of establishing democracy; our objective has been to insure a strong anti-communist policy (Niebuhr, 1967:41).

Even after the 1966 foreign assistance legislation (particularly

title IX), requiring AID in cooperation with other U.S. aid agencies to undertake activities designed to promote the democratic political development potential of U.S. assistance, the political development (democratization) criterion was still not an explicit consideration in the planning and evaluation of U.S. assistance operations. A study in 1970 has shown the extent to which AID field personnel still considered political development to be equated with economic growth, a relationship explicitly rejected in the Congressional mandate in 1966 (Daleski, 1971).

This was exactly the motivation and strategy behind the U.S. aid to Taiwan and South Korea in the post-war era.

As early as 1947, President Truman had directed Lt. General Wedemeyer to make a study of the Far East situation. In September 1947, General Wedemeyer recommended to President Truman that "the U.S. Government provide as early as practicable moral, advisory, and material support to China and South Korea in order to contribute to the establishment of peace in the world...and concomitantly to protect U.S. strategic interests against militant forces which now threaten them" (Bowles, 1960:92-94). With a very short time of interruption since then, U.S. aid has been constantly the dominant source of foreign aid in post-war Taiwan and South Korea. Both have been treated as "show cases" of U.S. advocacy of the American image of a "free capitalist" world. According to world system theory, both Taiwan and South Korea, as peripheral states, thus became client states of the U.S. since the end of World War II (Chirot, 1977:181).

Character of U.S. aid to Taiwan, 1950-1965

U.S. aid to the Republic of China long antedated World War

II. After 1945, China was assisted by the U.N. Relief and Rehabilitation Administration (UNRRA) whose activities were significantly financed by the U.S. government.² In 1948, Congress passed the China Aid Act, issuing \$500 million for China's post-war reconstruction. U.S. aid was mainly in the form of food and petroleum products for relief and to restrain price inflation. After the Nationalist loss of mainland China to the Communists in early 1949, the U.S. government discontinued aid to the Nationalists. A miscalculated policy gambit of "Tito-izing" Communist China, trying to use Chinese nationalism to keep Peking independent of Moscow resulted in suspending U.S. aid to the Nationalists until June 1950, when the Korean War broke out (Kalko, 1972:547; Gaddis, 1972: 352; Page, 1967:82).

The Korean War and especially the Chinese Communist intervention in Korea destroyed U.S. hopes to include the new China in her containment strategy against the Soviets. Rusk, the Secretary of State, in his speech at the U.N. in November 1950 indicated the U.S. had reversed its policy toward Taiwan. Economic aid was to be continued and selected military assistance was furnished to defend Taiwan from any Communist attempt.

From 1949 to 1952, a total of \$368.7 million U.S. aid was granted to Taiwan, a yearly average of about \$90 million. In FY 1953 the aid amount jumped to \$279.3 million, of which \$183.8 million was allocated for military expenses and the remaining \$105.5 million for civilian uses. It reflects a deepening American commitment to the Nationalists in Taiwan, a perceived anti-Communist

(2) The U.N. Relief and Rehabilitation Administration (UNRRA) also provided considerable amount of economic assistance for relief purposes before completion of its mission to Korea in June, 1947.

ally.

When U.S. aid was resumed in late 1950, the Nationalist government in Taiwan was already in critical financial and economic condition, in addition to its political vulnerability. The primary aims of U.S. aid were then asserted by the Mutual Security Agency to be to curb price inflation, relieve the people's needs and support the Nationalist military establishment. However, it is clear that support of the military effort got priority. Only with U.S. aid was the Nationalist government able to maintain a huge military, whose presence was a primary cause of inflationary pressures. It will be seen that the same was the case in South Korea. As assessed by Jacoby, if economic stability really had been the dominant aim of U.S. aid strategy, these pressures could have been reduced by smaller military outlays (Jacoby, 1966:31).

In the period of 1951-1955, U.S. economic aid was considered to be an effective way of purchasing U.S. national security, by maintaining strong defense bases in Taiwan and increasing local production (i.e. food and clothing that would otherwise have to be imported from abroad) to sustain the existing political machinery.

The Mutual Defense Treaty, signed in March, 1955, marked an even more stable relationship between the core-peripheral dyad. Former U.S. Ambassador to China in Taiwan, Rankin, in his memoirs, claimed that U.S. assistance was desirable in view of Taiwan's importance to U.S. national security, and that it *should not* be used in an attempt to "reform" the Nationalist government along democratic lines. (Rankin, 1964:122, 143) To keep the status quo for the Nationalists in Taiwan was in the American interest. A long-range aid plan was affirmed to finance Taiwan's first Four-Year Economic Plan for 1953-1956, which called for \$250 million

in U.S. aid.

By 1956, Taiwan's immediate post-war recovery was complete. The pre-war peak levels of output in most industries had been regained. A gradual shift of U.S. *de facto* objectives from military strength and monetary stabilization to economic growth was underway. It was recognized that the progress of Taiwan under a rather capitalist economic system may well have produced as great a value for U.S. national security in the global struggle against Communism as Taiwan's military strength.

The ideology of capitalist development for the Third World has explicitly dominated U.S. foreign aid to Taiwan as well as to South Korea. The inauguration of the Development Loan Fund by Congress in 1958 was a manifestation of this policy. Loans for capital projects were made to Taiwan in 1959. The years 1956-60 were marked by heavy U.S. aid commitments to Taiwan's infrastructure and industrial projects. The import-substitution growth strategy in Taiwan was upheld by the U.S. Aid Mission in this period, though it had been undertaken by the Nationalist government upon the completion of land reform in 1953. In 1960 another shift in U.S. aid goals for Taiwan took place. A 19-point Program of Economic and Financial Reform was agreed upon by the Nationalists, stimulated by a promise of further special U.S. aid, in order to pursue U.S. aid goals for establishing a strong private industrial sector in Taiwan. The shift to an export-substitution growth policy was inherent in this reform. U.S. concessional assistance (grants) was ended in 1963, replaced by program loans and private investments. The vision of future free capitalism in Taiwan was greatly enhanced by the U.S. Congress and AID Mission in this period. This also grew from the fear of a built-in tendency for government-to-govern-

ment aid to develop a strong socialist state in Taiwan (Jacoby, 1966:130). During 1961-1965, Taiwan's investment climate was improved; the rapid rise of prices was prevented and the internal force of growth was emerging. Also, the U.S. Aid Mission used its offices to help the Nationalist state establish its credit-worthiness with the World Bank and other international commercial institutions, and to gain greater technical assistance from U.N. sources. It signaled Taiwan's deeper involvement in the world capitalist system.

In 1963, an important AID study of Taiwan's economic prospects for the period of 1965-72, on the assumption that the aid commitment ended in 1968, concluded that Taiwan's GNP could grow between 6.3 percent and 7.2 percent annually without further aid. Later, the Mission economic staff reassessed Taiwan's prospects and concluded that aid could be ended without danger by mid-1966. Under the pressure of Congress, which was debating passage of a foreign aid bill, and desiring a "success story" of post-war aid, AID announced that no further economic aid would be committed to Taiwan after June 30, 1965, except for surplus agricultural commodities. The termination of U.S. aid was again accompanied by a broadening of the sources of external assistance and a transformation of its nature from concessional to commercial terms.

By any standard, the U.S. financed a "heavy" program of economic aid to Taiwan. During the 15 year aid period, 1951-1965, a total of \$1465 million in U.S. aid was obligated to Taiwan. An average of almost \$100 million a year aid was granted. By the end of 1968, when U.S. assistance completely ended, a total of \$1482.2 million in aid had been given to Taiwan over an 18-year period.

The principal statutory source of financial aid to Taiwan had been defense support. By 1965, it had supplied \$792 million or 54

percent of all aid. It was intended to offset the military burden on Taiwan's economy. However, it far exceeded the amount required to offset the military burden and did have developmental effects. It was used extensively to fund aid projects and commodity import programs. Before 1958, the Aid Mission practiced a certain amount of deception by financing development behind a facade of Defense Support. Another \$124 million or 8.5 percent was used for Direct Forces Support. Defense Support and Direct Forces Support together accounted for about 63 percent of aid to Taiwan. The third important category of aid was surplus agricultural commodities provided under Public Law 480, passed in 1954. Clearly, Congress had mixed disposal and aid motives in enacting this Law. A total of \$349 million of surplus agricultural commodities were pledged to Taiwan over the aid period. It accounted for 24 percent of all aid. There was a steady increase in the annual commitments of surplus agricultural commodities after 1961. Development loans, program loans and technical assistance only accounted for \$201 million or 12.5 percent of total aid, though this did have a significant impact on Taiwan's development.

One way to view U.S. aid to Taiwan is that a series of inputs of U.S. resources had been added to Taiwan's economy. For the period 1951-1965 these resource inputs can be classified into the following four categories: (a) imports of industrial materials for domestic processing, which accounted for 60.2 percent of total aid; (b) imports of capital goods, 25 percent; (c) imports of human capital-knowledge, skills, and technology, via U.S. technicians and training of local participants, 4.6 percent; and (d) imports of consumer goods, 10.1 percent.

TABLE 5-1: CATEGORIES OF U.S. ECONOMIC AID TO TAIWAN

	Amount	%
Industrial materials	\$882,675,000	60.2
Capital goods	367,223,000	20.5
Human capital	67,466,000	4.6
Consumer goods	148,109,000	10.1
Total	\$1,465,373,000	100.0

Source: Jacoby, 1966:46.

Particularly relevant to the focus of this study is the allocation of U.S. aid to the different sectors of Taiwan's economy. Since U.S. dollars and aid-generated local currency, New Taiwan dollar, (hereafter, NT dollar) were both used to finance development projects in Taiwan, a total of \$1092 million in non-defense project funds of the two types is analyzed below. From Table 5-2, we see

TABLE 5-2: ALLOCATIONS OF U.S. ECONOMIC AID TO TAIWAN BY SECTORS OF THE ECONOMY, 1951-1965

	U.S. Dollar		NT Dollar		Total	
	Amount	%	Amount	%	Amount	%
Infrastructure	\$235.9	44.3	\$171.1	30.6	\$407.0	37.3
Agriculture	86.1	10.5	179.0	32.0	235.1	21.5
Human Resources	140.7	26.4	142.5	25.5	283.2	25.9
Industry	100.1	18.8	66.2	11.9	166.3	15.3
Total	\$532.8	100.0	\$558.6	100.0	\$1091.6	100.0

Source: Jacoby, 1966:51.

that U.S. dollars and NT dollars each financed almost half of the total aid allocations.

Of the total aid funds, over 37 percent was made to infrastructure, with which huge investments were made in electric power, transportation, and communications. The next largest allocation of funds went to human resources (25.9 percent), with agriculture the third (21.5 percent), and industry the fourth (15.3 percent).

The above table also shows a difference in aid allocations to agriculture and industry between U.S. dollars and NT dollars. Agriculture's share was less than 11 percent of U.S. dollars, while industry received over 18 percent. On the other hand, of NT dollars, agriculture received 32 percent whereas industry's share was only 11.9 percent. This reveals the complementary nature of U.S. dollars and aid-generated NT dollars in assisting developmental projects in Taiwan during the aid period. It is particularly interesting to note that U.S. dollars contributed directly to a very limited degree in Taiwan's agriculture. However, agriculture's share might be understated, because much aid to industry went to the fertilizer and other farm-related industries. Nevertheless, in terms of dollar expenditure, aid to agriculture was one of the cheapest parts of the entire economic aid program.

Another important aspect of aid allocation was that two thirds of all aid went to projects of purely public enterprises and agencies, which reflects the orientation of development strategy followed by Taiwan and the U.S. In the main, it was intended to utilize government aid funds to build infrastructure and to foster agriculture and human resources, leaving the bulk of industrial development to private enterprise. (Jacoby, 1966:51) It follows that U.S. aid was intended to help create a booming private sector as a counter force

by inducing favorable Chinese economic policies in Taiwan's public sector for private enterprises and by making available increased power, transportation, efficient labor, and low-priced raw materials. As will be pointed out later, AID had used its influence actively to stress the creation of a new Taiwanese middle-industrial class.

It is even more striking to note the role of U.S. aid in Taiwan's net capital formation during aid period. From 1951 to 1963, total U.S. capital assistance amounted to about \$310 million, which accounted for 31 percent of Taiwan's net domestic investment of \$2605 million. A sort of unilateral dependence situation was established (Blau, 1964:118). In other words, one-third of Taiwan's domestic investment was dependent on U.S. capital aid. There were many differences among the sectors in regard to the proportion of total investment financed by aid funds. U.S. capital assistance financed 74 percent of Taiwan's domestic investment in infrastructure, 58.7 percent in agriculture, 18 percent in human resources, and only 12.9 percent in industry. It reveals again the aid strategy held by U.S. Aid Mission to put priority of aid allocation on Taiwan's infrastructure in order to foster the roots of private enterprise. The limited direct role of U.S. capital aid in industrial capital formation also reflected this. The table below indicates some further facets of allocation of U.S. capital assistance to Taiwan's net domestic investments.

The table reveals the following important points. First, the ranking of the four sectors according to the proportion of total domestic investment was almost the reverse of their ranking in U.S. capital assistance received. That means that aid was relatively heavy in those sectors in which domestic investment was relatively light, and vice versa. Second, Taiwan had given high priority to

TABLE 5-3: U.S. CAPITAL ASSISTANCE OBLIGATIONS
TO TAIWAN AND NET DOMESTIC INVESTMENT
BY MAJOR SECTORS, 1951-1963
(In U.S. Dollar Equivalents)

Sectors	Net Domestic Investment Amount		U.S. Capital Assistance Amount		% of U.S. Capital Assistance to Domestic Investment
	(Millions)	%	(Millions)	%	
Infrastructure	481	18.5	356	44.0	74.0
Agriculture	329	12.6	193	23.8	58.7
Human Resources	577	22.1	104	12.8	18.0
Industry	1,218	46.8	157	19.4	12.9
Total	2,605	100.0	810	100.0	31.1
Public	1,253	48.0	648	80.1	51.7
Private	1,353	52.0	162	19.9	11.8
Total	2,605	100.0	810	100.0	31.1

Source: Jacoby, 1966:52

industrial growth, nearly half of the total investment was made in industry. Agriculture accounted for only one-eighth of the total investments. Third, U.S. capital assistance (193 million) financed more than half of the total agricultural investment (327 million), though it was rather limited in terms of capital amount. Fourth, U.S. capital aid financed more than one-half of domestic investment in the public sectors, mostly for power, transportation, and communication industries, which were operated by the government.

U.S. Aid to Taiwan's Agriculture

As indicated earlier, U.S. aid to agriculture was one of the

cheapest and probably most productive parts of the entire economic aid program. Total capital assistance to agriculture was \$193 million during 1951-1963. This was 23.8 percent of total capital assistance to Taiwan, but it financed nearly 59 percent of net domestic capital formation in agriculture. Taking only the total amount of project aid, the agricultural sector received an even smaller proportion. Only 9 percent of total project economic aid was devoted to agriculture annually for the whole aid period. The dollar figures were \$34.3 million out of the total of \$381.9 million dollars. (Taiwan Statistic Data Book, 1977). U.S. aid to Taiwan's agriculture, in fact, consisted mainly of administrative support and technical advice rather than dollar expenditure. U.S. dollars were primarily spent for American agricultural advisors who came to Taiwan; for commodities such as research equipment, machinery, vehicles, seeds, livestock, breeding material, drugs, and medical supplies; and for the training of Chinese agricultural specialists in the U.S. and other countries.¹ The most crucial U.S.-financed institution solely responsible for Taiwan's postwar agricultural policy formation and performance was the Joint Commission of Rural Reconstruction (JCRR), established on the mainland in 1948, then moved to Taipei in 1949. JCRR Commissioners have been actively involved in Taiwan's economic development policy and planning, while JCRR, as an agency, has also played an active role in planning and implementing agricultural programs (Shen, 1970: 34-36, 77-88). Nearly 6000 projects have been carried out by JCRR during the aid period (Jacoby, 1966: 181-2). The JCRR allocation of aid in NT and U.S. dollars for major projects categories is shown in the table below.

Water use and control accounted for the largest share of total

TABLE 5-4: JCRR ALLOCATION OF MONEY IN NT\$
AND US\$ FOR MAJOR PROJECT CATEGORIES,
FY1950-FY1965 (IN THOUSANDS OF DOLLARS)

Activity	NT\$	US\$
Crop production	415,581	1,024.4
Livestock production	293,237	348.9
Water use and control	1,241,378	2,552.4
Forestry and soil conservation	213,310	475.9
Rural Organization and agri. extension	286,610	88.0
Economic research and agri. credit	376,654	11.4
Fisheries	307,426	30.5
Land reform	25,812	—
Rural health	142,375	317.5
Agricultural research and education	90,627	731.2
Rural electrification and communication	53,763	—
Government budget support to local agri. programs	242,946	1,027.0
Miscellaneous projects	150,485	194.5
Administration	184,909	304.7
Total	4,025,113	7,106.4

Note: The table includes only funds disbursed by JCRR. Salaries, allowances, and international travel expenses of American personnel, and expenses for sending trainees to the United States or other countries are paid by the AID China Mission. The US\$ figures represent costs of commodity.

Source: Condensed from Appendix 1, JCRR General Report XVII, 1966, where the year-by-year figures are given. Cited from Shen, 1970: 41.

JCRR funds, followed by crop production, where multiple cropping and interplanting were introduced. Funds also went to research on

disease-resisting plants, fertilizers, slope-land use, pesticides, power tillers, improvement of livestock breeding, rural health, rural electrification, and finally, land reform, rural organization and agricultural extension work.

As indicated above, Taiwan's agriculture only received 12.6 percent of all domestic investment and less than one-quarter of U.S. aid funds. The doubling of agricultural output during 1952-1972, given the relative underinvestment, indicates the "success" of Taiwan's squeezing strategy on agriculture in the first one and half decades.

In conclusion, U.S. aid to Taiwan's agriculture was not as great as one might have expected. However, its policy impact on agriculture through influence on Taiwan's overall development strategy has been rather great. This relationship will be the main focus of investigation in the following chapter of this dissertation.

Character of U.S. aid to South Korea, 1946-1976

There are many similarities between U.S. aid to South Korea and aid to Taiwan in the post-war period. Immediately following the end of the second World War, there was an attempt at cooperation between the U.S. and the Soviet Union to establish "an effective, democratic, and unified Korean Government". The resolution of the U.N. General Assembly for the unification of Korea in November, 1947, turned out to be a prelude to the permanent division of the Korean peninsula. The post-war struggle between the U.S. and the Soviet Union made this "cooperation" impractical and the separation of two occupied zones inevitable (Cho, 1967:137-158; 161-203).

The Truman Doctrine, the Marshall Plan, and then the con-

tainment strategy ended any prospect of a unified Korea. American's Korea policy was mixed with seemingly contradictory desires to withdraw from Asia and to contain Communist power in Asia. The establishment of a separate South Korea was then the "logical" way to solve [this strategic dilemma. A similar policy hesitance took place in early 1949 when the U.S. had to determine which Chinese government to recognize.

The formal inauguration of the Republic of Korea on August 15, 1948 was the beginning of a 30 year separation of North and South Korea. Rhee Synman was elected the first president of the new government. The American Military Government, which had occupied the southern zone for the past 3 years, also scheduled the transfer of its authority to the Rhee government. Rhee requested the U.S. military retain control of vital areas and facilities, such as ports, military camps, railways, lines of communication, and airfields, in order to ease the transfer of authority and the withdrawal of occupation forces. The U.S. had quickly accorded *de facto* recognition to the Rhee government in South Korea. The Chinese Nationalist Government, then still on mainland China, also extended its provisional recognition. The Philippines followed. But, South Korean international status was still in question by many other nations. However, its initial involvement in the post-war world system was in the making.

Soon after the initial withdrawal of U.S. troops, South Korea was plagued by sabotage, demonstrations, and armed insurrections in various locations. Infiltration of subversive groups and rapidly mounting domestic unrest intensified to an almost uncontrollable degree. Communists penetrated into various levels of government organizations including colleges and the armed forces. Riots in

rural areas were even more frequent (Cho, 1967:231). Rhee asked the U.S. for a permanent American military and naval mission to be established at once in order to train Korean security forces. Also, the Korean National Assembly appealed to the U.S. to maintain troops in Korea until its own security forces could maintain order. Under the threatening situation, America halted the withdrawal of troops. In December, 1948, the Soviet withdrawal left the Americans as the only foreign troops on the Korean peninsula, an embarrassing situation. In March, 1949, U.S. Korean policy was reviewed. The National Security Council concluded that further support and assistance to Korea should not include the presence of American occupation forces and that a complete evacuation of U.S. troops should be made by June 1949. It also concluded that legislative authority should be sought for military assistance for FY 1950. The U.S. government policy toward Korea then became complete withdrawal of troops, establishment of a U.S. Military Advisory Group to train Korean armed forces, and supply of military and economic aid. The victory of the Chinese Communists on the mainland also made the defense of South Korea appear to Americans as strategically impracticable. Though the development of South Korean strength was recognized as a bulwark against Communist aggression, the subsequent aid was inadequate to satisfy Korean military needs. The result was the invasion from North Korea in June, 1950 and later the Chinese involvement in the Korean War. As discussed earlier, the Korean War had forced the U.S. to re-evaluate its commitments to the Far East, Taiwan and South Korea in particular.

From 1945 to 1950, South Korea survived under hazardous conditions only with considerable aid from the U.S. Since 1945

several factors had aggravated the ills of the South Korean economy. First, the separation of South and North Korea and the refusal of the Soviets to permit the free exchange of goods had cut off South Korea from normal industrial activities. In 1947, for example, manufacturing industries were operating at 20 percent of their pre-war level and were continuing to reduce or to slow down production. Second, the sudden exodus of the Japanese left Korea bereft of trained management and technical personnel. Third, the heavy migration from North to South increased the economic burden on the South. South Korean population jumped to 20 million, an additional 2.5 million people were suddenly added. This caused a further dislocation of the economy. Korea turned into a food-deficit nation due to the sharp increase in population and low production, resulting from a serious fertilizer shortage. In fact, half a million tons of fertilizer valued at 60 million dollars were imported from the U.S. by the AMG in the early years. In this respect, South Korea was very similar to Taiwan. Until 1949, the American military authorities therefore concentrated on two immediate aid aims: importing foods to sustain the increasing population and stimulating agricultural production by a land reform program designed to eliminate the tenant farmer feature of the Korean agricultural development pattern.

Toward the end of the occupation, there was a gradual shift from relief to economic assistance in terms of capital investment. Under an economic agreement with Korea, effective January 1, 1949, the U.S. now undertook to provide economic assistance in accordance with their previous agreement of December, 1948. Economic aid authority was transferred from the Department of the Army to the Economic Cooperation Administration (ECA), which had originally

been established to carry out the Marshall Plan in Europe and to administer aid to China. This move was rather significant in terms of the refocus of aid from purely military concerns to economic and reconstruction goals. Responsibility was given to the ECA on the understanding that the program presented to Congress would be a "real" economic program with emphasis on long-term capital development. The ECA furthermore planned to produce and import sufficient consumer goods and raw materials to sustain the people and, at the same time, start to lay the ground for a self-supporting and industrializing economy in South Korea⁽³⁾ (Lyons, 1961:12-13; Cho, 1967: 239-240).

Due to the uncertainty and ambiguity of what policy U.S. should be in Asia, the House rejected a further bill by Truman requesting \$150 million to aid Korea for 1949-1950. A revised bill including aid to Taiwan was finally passed, which allocated \$60 million to South Korea. Under this and other legislation, a total of \$110 million was made available for the fiscal year ending June 1960. This delay had in fact prolonged Korean post-war recovery and, moreover, weakened South Korea in the face of threats from the North. The Korean War broke out before the money was available. The delay at a critical time, it has been interpreted, again was a reflection of the lack of a definite U.S. policy toward this area.

Therefore, in the beginning, U.S. aid was not really generous compared with the amounts devoted to China and the European countries. However, it did enable post-war Korea to make progress

(3) In addition, funds administered by ECA included \$144 million Government and Relief in Occupied Areas funds, and \$100 million appropriated for fiscal year of 1951. See *US/ECA, Tenth Report to Congress of the ECA for the quarter ending Sept. 30, 1950*, pp. 75-78.

toward achieving a somewhat viable economy in the brief period before it was engulfed once more by the Korean War. Agricultural production, especially basic foodstuffs, had recovered and even reached its prewar level, resulting from a large quantity of fertilizer imported from the U.S. Recovery and progress in industries was also impressive, especially in electric power. It reached an average of 57.7 million kilowatts a month in the second quarter of 1949, a 19 percent gain over the previous 3 months and 50 percent higher than a year earlier. (The 50th Report to the U.S. Congress:84) Together with sharply increasing supplies of coal, Korean industrial plants were aided to increase their production. The output in March, 1949, was the highest since the end of the War. GNP per capita, consequently reached in 1949 an estimated post-war high of \$86. Moreover, the living standard of the people gained the highest point since 1945, though it was still lower than during the pre-war period (Cho, 1967:243).

The Korean War ruined the post-war recovery and achievement. The immediate impact of the war on the economy was far-reaching. It reduced the national production to one-third of the rate attained in 1949-1950 and destroyed physical assets valued at \$1.5 billion. Production facilities had to be converted to military production from basic commodities production. The new generation of manpower whose energies and skills were just being trained to lead their national development had to be thrown into battle. The destruction and military conversion of resources and manpower crippled the already vulnerable Korean economy. Between June, 1950 and March, 1951, the retail price index rose from 430.4 to 1506.8. The amount of paper money in circulation rose fivefold over the same period, while the amount of goods and services for civilian consumption dropped to

dangerously low levels. In addition, another four million refugees from the North and the provinces near the 38th parallel swarmed among the 21 million population in South Korea already struggling to live on inadequate food and housing. The Korean economy was near a crisis of total collapse.

Upon the invasion of North Korea, the U.N. Security Council, with the Soviet Union absent, determined to call for "the immediate cessation of hostilities" and for "all members to render every assistance to the U.N. in the execution of this resolution and to refrain from giving assistance to the North Korean authorities". It also sent a U.N. force to Korea under the unified command of the U.S. A relief operation also started in the fall of 1950. The U.N. Commission for the Unification and Rehabilitation of Korea (UNCURK) and the U.N. Korean Reconstruction Agency (UNKRA) were established to be in charge of long-range problems of unification and reconstruction. The UNKRA originally requested \$366 million for a reconstruction program, but the amount contributed by the member nations fell far short of the proposed requirements. It was slashed to only \$141 million. Until the signing of the armistice agreement, the UNKRA program, in reality, was nebulous.

The conflict between UNKRA and the U.N. Military Command in their approaches to Korean relief and reconstruction inhibited the success of UNKRA operations. It functioned only for the years 1953-1955, for in 1956 the lack of funds again made it impossible to initiate any new projects (Shin, 1969:91; Lyons, 1961). On the other hand, the U.S. involvement in South Korea deepened as the immediate result of the war. From 1951 to 1954, U.S. aid to Korea through two national programs (Civilian Relief in Korea and Armed Forces Assistance in Korea) totalled \$460 million, in addition

to its contribution to the above UNKRA operation. Divided responsibility for Korean aid and reconstruction between bilateral U.S. aid and the UNKRA program also emerged (U.N. Press Release KOR/380, May 13, 1953).

The Armistice, signed on July 27, 1953, crowned the pressures moving the U.S. toward a complete bilateral policy for economic aid to South Korea (Lyons, 1961:155:184). As in Taiwan, the Mutual Security Agency, soon to be named the Foreign Operations Administration (FOA), too over the responsibility of aid to Korea.

Even while armistice talks were still in progress, Eisenhower promised Rhee large-scale economic aid to insure the U.S. commitment to Korea's future development. In April, 1953, Eisenhower sent a mission headed by Dr. Henry Taska to undertake a survey of Korean socioeconomic needs in light of the security of objectives of the U.S. and the U.N. The final Taska Report recommended a unilateral U.S. aid program to Korea instead of a multilateral U.N. aid program, which Washington took action to implement. It also requested a long-term aid commitment covering several years. It was estimated that at least one billion dollars would be necessary to rebuild South Korea to a level approaching that of its prewar status (Lee, 1966:2-4; Lyons, 1961:189). This recommendation was accepted by President Eisenhower in his proposal to Congress for a program of "expanded" economic aid to Korea. The above-mentioned \$200 million aid was the first installment in a one billion dollar Korean aid program (President's message to Congress, July 27, 1953).

In this connection, the report by Nathan Associates, appointed by UNKRA, endorsed a similar view. It proposed a total of \$1.24 billion external aid for Korean reconstruction in the five year period, 1954-1958 (Nathan Associates, 1954, ix, xvi). The Nathan Mission

was rendered inoperative and never put into effect. The failure of the Nathan Mission was partly due to the poor political relations existing between the Nathan Mission and the Rhee government, and partly to UNKRA's inability to solicit sufficient funds for Korean reconstruction from member nations (Lee, 1966:5). Ironically, the Nathan Report was in fact implying UNKRA's incapability to carry out the task. Consequently, the Nathan Mission played a major role in causing the gradual elimination of its employer, UNKRA. The shift from a multilateral to a unilateral U.S. aid program was becoming inevitable.

Also, the cold war consensus made the new Eisenhower administration determined to undertake a more controllable military/economic aid strategy toward Korea for the establishment of a capitalist world system. Up to this point, the client-patron relation between the U.S. and Korea appeared quite obvious. According to the Mutual Defense Treaty, U.S. aid was to develop a viable Korean economy, which would be capable of:

1. achieving a standard of living approximately of pre-war level (1949-50);
2. supporting a military force adequate to deter external aggression;
3. promoting rehabilitation and reconstruction;
4. maintaining financial and monetary stability.

(83rd Congress, 2nd Session, 1954)

From 1954 to 1958, a total of \$1280 million was allocated to Korea. In 1959, another \$219 million was extended. Since 1958, there was a gradual shift in U.S. aid strategy from military and monetary stabilization to economic development. Loans for capital projects were made to South Korea in 1959 and program loans in

1965. However, the shift was not accompanied by any significant change in the statutory instruments of aid. Military assistance, defense support, and surplus agricultural commodities (made available since 1954) continued to be the dominant instruments.

In the 1950s, the goal of attaining economic self-sufficiency set up by the U.S. Aid Mission by means of massive aid inflow was unfortunately hampered by Rhee's inefficient administration. A large part of the aid funds was siphoned off by corrupt Rhee and Chang government officials. The *New York Times* reported in May 4, 1960, that U.S. aid was often used for political purposes in two ways: 1) Local irrigation projects were awarded in large part for rewarding their political henchmen rather than for purposes of development; 2) Dollar awards for industrial development projects went to political favorites. So-called "political capitalists" emerged in the 1950's (Kim, 1976:466-469). Approximately one-fifth of agricultural and industrial projects financed by U.S. aid proved unsound for reason of bankruptcy or for lack of managerial skills (Shin, 1969; Lee, 1971). In 1960, the Conlon Report of the U.S. Senate investigated the situation of Korean uses of aid and recommended to tighten the efficiency of the South Korean aid program:

Our techniques of aid, and our responsibilities in connection with aid, need to be basically reassessed.....In Korea, American aid should be reexamined with respect to the following questions:

1. What form of aid is most conducive to stimulating indigenous energies and capital formation?
 2. To what extent should assistance be geared to longrange planning and what should be the American responsibility for checking the validity and progress of such plans?
- (U.S. Foreign Policy Compilation of Studies, U.S. Senate 86th Congress, 2nd Session, September 1960)

The unique political economy created by U.S. aid in South Korea

was very significant in Korean post-war development. It accelerated the transformation of Korean socio-economic structures by fostering a new class—industrial elites. As will be seen later, U.S. aid, to an extent, had prematurely pushed Korean import-substitution industrialization in the 1950s, and led to stagnant agriculture (Jacoby, 1966:160). During the political crisis of 1960-1961, U.S. aid to South Korea suffered from its uncertainty toward the whole situation of Korean two revolutions. No new aid was undertaken. Korean post-war development suffered a major setback. Until the summer of 1961, when the military government established its power in South Korea with a promise of bringing about economic development for the Korean people, the U.S. accepted the junta as a *fait accompli* and expressed a desire to work with it in the reconstruction of Korea. (Shin, 1969:101) Moreover, during the transition of government, especially after Park was elected President, the U.S. aid Mission pushed another aid objective to emphasize the creation of a private sector, the growth of manufacturing and its industrial exports. The Park government made strong efforts to expand industrial production and foreign trade, initiated from within as well as without. It succeeded in attracting capital resources from private sources as well as U.S. aid and financing from international institutions. However, the aid resumption was conditioned on clear commitment of the military government to return to civilian rule (Berger, 1964:208-9).

Prior to the Park government, only a small proportion of U.S. aid was directly allocated to the private sector, while 80 percent was channeled through the government and quasi-government corporations. As happened in Taiwan, project assistance was

primarily extended into the sector of infrastructure, such as utilities, transportation and communication, which were under the control of either the government or a government corporation. Heavy investments in the public sector were necessary, considering Korea was in an initial stage of economic growth. Also, the Rhee administration was not interested in fostering any strong competitive private sector. Though a class of political capitalists was emerging under the Rhee period, this was outside Rhee's intention.

Development loans, since beginning in 1959, have steadily been increased, as happened in Taiwan. As of the end of 1966, a total of \$257.8 million in loans was issued to South Korea for development projects. When the Park government launched its first 5 year economic plan in 1961, stress on the private sector grew. Both the Korean government and the American Aid Mission had agreed that loan funds be used mainly to support private industries.

Following the completion of the Korean first 5 year plan (1966), U.S. aid strategy did not change in principle, but the amount of aid obligation has gradually declined, except in 1966 and 1967, when Korea agreed to send troops to South Vietnam, under U.S. influence. The Korean decision, after months of negotiation with the U.S. for more aid, to send some 42,000 troops to South Vietnam, brought forth a large aid commitment from the U.S. The U.S. government granted additional loans and agreed to produce in Korea as much goods for both military and nonmilitary uses in South Vietnam as Korea could provide. That accelerated Korean manufacturing industries and built up related industries. Moreover, it removed some of Korean army from Korea, which released some of the government financial burden. War in Vietnam did for Korea what war in Korea could not achieve. This case once more revealed the

way in which U.S. aid was allocated. Aid allocation, as indicated in the beginning, was determined more on the basis of political necessity than any purely economic justification (Shin, 1969:260).

U.S. aid to South Korea was terminated at the end of 1976. From the available data, a total of \$5588.5 million had been devoted to South Korean economic reconstruction and development for the period 1946-1974. An average of \$189.1 million a year in aid was granted for the past 29 years (AID Aid Program, 1976). Of the total, \$4535.2 million were concessional grants. The remaining \$1053.3 million were loans in kind. The principal statutory source for financing aid to South Korea, as in Taiwan, was Defense Support, later called Security Supporting Assistance. By 1974, it supplied \$2332 million, or 41 percent of all economic aid. The next

TABLE 5-5: SOURCES OF U.S. AID TO SOUTH KOREA(1946-1974)

Total Economic Assistance	\$5,588.5	100%
Loans	1,053.3	
Grants	4,535.2	
a. AID and Predecessor Agencies	3,018.4	
Loans	459.8	
Grants	2,558.7	
(Security Supporting Assistance)	2,332.0	41%
b. Food for Peace (PL 480)	1,687.5	32%
Title I	1,177.4	
Title II	510.1	
c. Other Economic Assistance	882.6	

Source: AID, Aid Program Submitted to Congress for FY 1976.

largest source was surplus agriculture commodities, under PL480. A total of \$1687.5 million in agricultural surplus commodities were obligated to South Korea, which accounted for 32 percent of all aid.

The following table shows the sources of U.S. aid to South Korea.

Development assistance for FY 1976 was only \$5 million for a loan project and \$592,000 for three continuing grant projects, obligated in order to ensure an orderly completion of AID activities. However, PL480 was still in effect to provide agricultural commodities for food needs as well as for sale in financing some irrigation projects, agricultural mechanization, and family planning services. In 1976, a total of \$137.6 million of PL480 assistance was again provided. Also, for 1977 and 1978, PL480 agricultural surplus commodities are expected to be required for Korea. In fact, \$79.1 million and \$109.3 million are planned for PL480 assistance for 1977 and 1978 respectively (AID, Asian Programs Submitted to the Congress, FY 1978).

On the whole, from 1945 to 1973 U.S. aid to South Korea totalled \$5,514 million which accounted for 5.9 percent of all U.S. aid to the whole world in the same period. In terms of its 1972 population, every Korean had received \$164 in U.S. aid thus far. On the other hand, during the same period, Taiwan received a total of only \$2324 million U.S. aid and shared 2.5 percent of total U.S. post-war aid in the world. The per capita aid dollar in Taiwan was \$158 (Chirot, 1977:165).

For a better understanding of the aid relations of Taiwan and South Korea with the U.S., the 11 year period, 1953-1963 has been chosen as a time horizon for comparison. Two factors are considered in the selection of this particular period. One is because

the Korean War ended in 1953. The other is because U.S. aid to Taiwan was phased out in 1965. Therefore, it seems reasonable to

TABLE 5-6: COMPARISON OF U.S. AID AND GROWTH OF GNP IN TAIWAN AND SOUTH KOREA, 1953-1963

Growth Rate, Percent	Taiwan 1953-63	South Korea 1953-63
<i>Population</i>	3.2	2.9
<i>GNP</i>	7.0	4.8
<i>Per capita GNP</i>	3.8	1.9
<i>Total U.S. economic aid (in millions of dollars, by fiscal years)</i>	1,120.0	2,944.0
<i>Per capita per year (in dollars)</i>	9.7	11.4
<i>As a percent of:</i>		
<i>GNP</i>	7.2	13.4
<i>Gross domestic investment</i>	38.1	95.9
<i>Government expenditures</i>	39.9	75.6
<i>U.S. economic aid-financed imports as a percent of total imports</i>	26.0	37.8
1) <i>U.S. economic aid to gross investment</i>		
a) <i>Amount of aid</i>	1,038 ^a	2,944
b) <i>As a percent of total gross investment</i>	35.3	95.9
2) <i>Increase in GNP</i>		
a) <i>Total</i>	940	934
b) <i>Attributed to U.S. economic aid (2.a ÷ 1.b)</i>	332	896
3) <i>GNP increase per \$ of U.S. economic aid (\$) (2.b ÷ 1a)</i>	0.32	0.30

a. Includes only U.S. aid invested, after deducting \$82 million added to foreign exchange reserves.

Source: Computed from data compiled by AID, Washington; in Jacoby, 1966.

concentrate on the period 1953-1963 to evaluate their aid relations with the U.S. Table 5-6 illustrates some of the significant comparisons.

By 1963, South Korea had received a total of \$2,944 million, while Taiwan only received \$1,120 million. U.S. aid to Korea was more than double that of Taiwan during this period. In terms of per capita aid, South Korea received \$11.4 per year from 1953 to 1963 while Chinese in Taiwan received \$9.7 annually in the same period. Again, U.S. aid financed a little more than one-third of Taiwan's total gross investment, while it supplied almost all of Korean investment during 1953-1963. Nearly two-fifths of Taiwan's government expenditures depended on U.S. aid resources. On the other hand, the Korean dependence ratio of government expenditures on U.S. aid was over three-fourths.

However, in terms of growth rate of GNP, both total and per capita, Taiwan was much higher than South Korea. Though the increase in GNP in both countries over the period was similar, \$940 in Taiwan and \$934 in South Korea, the percentage of increase attributed to U.S. aid was rather significantly different. In Taiwan, 35 percent of the increase in GNP was due to U.S. aid, while in Korea more than 95 percent of the increase was attributed to U.S. aid. It shows a much deeper dependence of South Korea on U.S. aid than that of Taiwan. On the other hand, due to the different growth rate of GNP, the increase in GNP per dollar of American aid was greater in Taiwan than in Korea. What this figure indicates is the fact that U.S. aid to Taiwan during 1953-1963 was more productive of growth than in South Korea.

In this connection, the present finding confirms one of the dependency theorists' hypotheses concerning the relationship between

foreign aid and economic growth (Chase-Dunn, 1975; Bornschier *et al*, 1978). Various crossnational empirical studies have suggested that in the long-run there is a negative relation between aid dependence and national economic growth. At least during the eleven year period, 1953-1963, in the cases of Taiwan and South Korea, this hypothesis seems to be supported.

However, detailed analysis of the difference between Taiwan and Korea in aid/development relations is not the main concern in this dissertation. Let it suffice to indicate some of the factors that help to account for the difference identified. In addition to the distortion effect of aid dependency, the Korean War disruption, internal political instability, corruption, and the lack of clear ambitious economic strategies all made South Korea unable to utilize aid resources effectively during the 1950's and early 1960's. Only from the mid 1960's and onward did Korea, under the Park government, improve its ability to use aid effectively for national growth and development.

U. S. Aid to Korean Agriculture

Without doubt, U.S. aid to agriculture in South Korea was as critical to Korean postwar recovery and growth as military or industrial aid.

Similar to Taiwan, U.S. aid to Korean agriculture was limited. For example, from 1956-1966, only 5 percent of total annual project economic assistance was devoted to agriculture. The dollar figures were \$24.96 million out of a project aid total of \$476.8 million. (USOM/K, 1966). U.S. aid to Korean agriculture was mainly financed through the sale of PL480 surplus commodities. As will be discussed later, agricultural surplus had, in fact, retarded Korean

agricultural growth. Nevertheless, the use of PL480 did finance a considerable number of agricultural projects such as: paddy rearrangement, terracing, countryside road construction, tideland reclamation, etc. As mentioned before, in the 1950's, some PL480 aid had been misused for political purposes rather than for development.

Taking the past 25 years after the armistice as a whole, U.S. aid to Korean agriculture was largely in the form of either capital assistance or technical assistance. As of 1975, a total of \$110 million of capital assistance was devoted to agriculture and natural resources. Among the capital assistance projects, agricultural credit loans, rice loans, and loans for general promotion of agriculture accounted for the major shares. Other projects included \$3.9 million worth of technical assistance, and assistance for rural policy planning and survey accounted for \$6.0 million. The rest of the aid was shared among projects for crop improvement, agricultural cooperatives and credit, agricultural extension, pest control, soil test service, etc. Particularly, the Rural Policy Planning and Survey Project financed American advisory groups at the national and provincial levels. At the national level, in addition to assistance in policy and program development, U.S. aid mission advisors assisted in the formation and operation of major rural development agencies such as the Office of Rural Development, the National Agricultural Cooperative Federation, the Union of Land Improvement Associations and the Central Federation of Fisheries Cooperative. Their role as agricultural and rural advisors to the Korean government was technical rather than policy-making. However, they provided know-how for agricultural development planning and programming

and also trained Korean counterparts for future planning tasks. At the provincial level, each provincial government was assigned an American rural development advisor who was in charge of all U.S. aid mission activities in agriculture in that province. American agriculturalists worked with Korean local officers in implementing agricultural programs in land development and soil conservation; improved use of lime fertilizers, new seed strains, and water management; farm credit and marketing; and the improvement of agricultural research, guidance and training provided to Korean farmers. By 1970, a total of 813 U.S. technicians, including contract experts, had been involved in Korean agricultural development projects as advisors at one level or another. However, this is different from the case of Taiwan, where the U.S. aid-financed JCRR fulfilled all the functions of advising, training, planning, and implementation in a much more systematic and concentrated way. Its efficiency, as a result, was much greater.

In short, U.S. aid contributed to Korean agriculture by supplying technical knowledge, capital, and manpower to improve the Korean capacity for planning skills in agriculture. However, it failed to overcome some political obstacles such as the government's indifference to agriculture in the 1950's and the squeezing intention toward agriculture in the 1960's. Moreover, as will be analyzed more thoroughly, U.S. aid strategy discriminated against agriculture in its aid allocation and overall influence on Korean economic development policy.

The above discussion has indicated how U.S. aid to Taiwan and South Korea contributed a substantial part of the development resources used, and how it played an important role in orienting

the two countries' developmental policies in the aid period. In the next chapter, three specific aspects of the impact of U.S. aid on Taiwan's and Korean national policies for agriculture will be tested.

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CHAPTER VI

U.S. INFLUENCES ON AGRICULTURAL STRATEGIES IN TAIWAN AND SOUTH KOREA

This chapter will focus on the relationship between the agricultural strategies undertaken by the two governments in the past three decades, and American influences on them. The basic premise in this chapter can be stated as follows: the large amount of economic aid given to Taiwan and South Korea provided the U.S. with leverage to influence domestic economic policies in the two nations in directions consistent with U.S. foreign policy. Since agricultural strategy is a part of overall economic policy, U.S. did affect agricultural development in Taiwan and South Korea by its influence on shaping priorities and investment policies in economic development planning. Therefore, the general proposition (4) to be examined is that, *within the modern capitalist world system, a peripheral state's governmental policy in the agricultural sector can virtually be determined by a core-state (i.e. the U.S.), given inequality in the total system, mainly through its influence of foreign agrarian policy and aid.*

More specifically, there are three aspects to be focused on with regard to U.S. influences—behaving as a core state in the world system—on Taiwan's and South Korean agricultural strategy since the end of the Second World War.

Proposition 4a requires another look at the land reforms in Taiwan and South Korea, bringing in an intervening variable: U.S. foreign agrarian policy in the post-war era. Proposition 4b explains the linkage between the post-war squeezing agricultural strategy

and U.S. surplus commodity sales in the two nations. And finally, proposition 4c attempts to relate U.S. capitalist ideology of national development, manifested in its stress of a free economy, and the private industrial enterprise which emerged in the aid recipient nations.

Put more directly, U.S. aid is considered to have *helped* and, to an extent, *pushed* both national governments to carry out their very proindustrial strategies. As shown in Chapter 4, the private industrial sectors in both nations have been a significant obstacle to changing development policy in favor of the rural/agricultural sector. Furthermore, from this view, U.S. aid with its capitalist industrial bias, has contributed to the formation of this structural obstacle to any future basic change in agricultural policy in Taiwan and South Korea.

Proposition 4a: Aid from the U.S., being highly integrated with its foreign policy in favor of land reform along liberal lines, can serve an important factor in shaping the recipient nations' decisions on land reform.

This proposition requires presentation of evidence of how land reforms undertaken in Taiwan and South Korea were heavily influenced by U.S. aid strategy, more specifically, U.S. foreign agrarian policy in the post-war era.

According to "world system" theory, the U.S., as a capitalist core state in the post-war period, had a foreign policy directed to defending the capitalist world system against the threatening power emerging in the Soviet Union (Wallerstein, 1974; Chirot, 1977). Emphasis on agrarian change and reform in the developing world was seen as a counter weapon to the Communist call for land

reform, and was thus included in its post-war foreign policy. Agricultural policy and particularly the issue of land tenure, was therefore considered a necessary and integral part of U.S. foreign policy (Parsons, 1961:289). The classical liberal and neoclassical economic doctrine of "private ownership" of land, held by the U.S. policy makers, became the ideal model for the developing world to follow for its rural change. However, the prime motivation was political, that is: the political stability of friendly nations was viewed as being in the interest of Americans. As already discussed in the section on Proposition 1, rural areas had been considered by both the Taiwan's and South Korean governments as major sources of political unrest and instability. The U.S. also perceived the potential threat of the peasantry being won over by the Communists during, and especially after the War. Facing the significant fact that the majority of people in the developing world lived in the rural areas, and their political loyalty and support could determine the fate of governments, U.S. foreign policy stressed gaining the countryside. In implementing this strategy, as Warriner has noted, the U.S. first made advocacy of land reform part of its official policy in 1950, when it supported a Polish resolution in favor of land reform in the General Assembly of the U.N. and thereby challenged the Communist claim to leadership in the use of land reform as a political weapon (Warriner, 1957:3-4). But the U.S. had not been involved in Polish land reform. In Asia, the U.S. had participated in several land reforms during the five-year period following World War II.

The tactics, in the minds of American policy makers, were rather simple. They believed that through the administration of a private property "innoculation", the peasantry would be immunized

against various strains of revolutionary fever. That is, certain forms of land tenure change could have the effect of diluting the strength of militant peasant forces by encouraging possessiveness and material betterment through the existing system. In their minds, of course, this kind of land reform is not what the Communists would advocate. The agrarian socio-economy was to be based upon private ownership of land, more specifically, family-based farms, individual entrepreneurship geared partially into a market economy, with credit facilities, appropriate education, market information, and so on. In other words, the U.S. must assist all friendly countries of Asia to meet the competition of the Communist-collectivistic alternative in the countryside. As Kenneth Parsons pointed out in 1961, social and economic reforms, intelligently done, are truly conservative in an age of revolution (Parsons, 1961: 292). The U.S. amendment to the Polish resolution on agrarian reform, favoring family-sized holdings, rural cooperatives, and small-scale indigenous enterprises vividly reflected this cold-war policy.

In October 1950, President Truman gave dramatic recognition to American official attitudes toward land reform in the Third World. Returning from his historic Wake Island conference with General MacArthur, the President emphasized:

We know that the people of Asia have problems of social justice to solve. They want their farmers to own their own land and to enjoy the fruits of their toil. That is one of our great national principles. Also, this is the basis of our agriculture, and has strongly influenced our form of government....(New York Times, October 18, 1950).

Early in 1951, the President appointed the Inter-Agency Committee on Land Reform Problems in order to make explicit the issue

of agrarian reform in American policy. The Committee circulated a policy statement officially declaring agrarian reform an "important part of U.S. foreign policy" toward the Third. It also set forth American willingness "to encourage and assist desirable land reform measures" through "appropriate international agencies." By 1952, the U.S. view had been crystallized to the point that the Secretary of state Acheson, speaking at the FAO, stated unequivocally that "land reform is absolutely foremost in our whole international policy" (The Department of State Bulletin, February 11, 1952). Moreover, the U.S. government promised American encouragement to land reform in international bodies and in its foreign aid program.

In its early planning efforts, for the establishment of the FAO, the U.S. pushed forward an explicit provision for the FAO to work on land tenure reform. Another progressive development was the 1953 FAO resolution requesting a high priority to provide technicians, conduct seminars, and gather information on agrarian reform (Gittinger, 1961:196-198). Since 1953, the FAO has been active in the field of land tenure issue. Both American citizens and government officials have participated in FAO activities in more than sixteen countries on the specific problems of land tenure and settlement⁽¹⁾.

Though it is true that the initiative still remains with the host

- (1) However, a real redistributive land reform has not yet been insisted upon by FAO as a model of agrarian strategy for the Third World. Even today the concepts of equality and income redistribution have not been accorded equality and income redistribution have not been accorded equal weight vis-a-vis the other variables in conventional benefit-cost calculation of agricultural development projects finances, by international agencies. See Peter Dorner, "Problems and Prospects of Multi-and Bilateral Assistance for Agricultural Development" (LTC Reprint 81, 1972).

governments whether or not the land reforms are to be launched, several cases in the post-war period have shown definite influence by the U.S. on national governments to attempt agrarian reforms. Post-war Japan under U.S. occupation was the first classic example. The occupation officials headed by General MacArthur believed that land reform could provide an alternative solution to the admittedly unsatisfactory farm situation, excluding Communism. In practice, to establish political stability, the elimination of the inequitable tenure system in the Japanese countryside was imperative. The Supreme Command Allied powers (SCAP) with the U.S. as the dominant force, was firmly in control of the land tenure situation, and could in effect implement land reform without having the Japanese leftists appeal to the peasantry. Motivated exactly by this political purpose, the Japanese post-war land reform was carried out by the U.S. military government, to embarrass Communists world-wide and severely undermine their position in Japan. Ladejinski, an important land reform advisor to the U.S. government, candidly claimed that "some of us familiar with the role of the peasantry in insuring the triumph of Soviet Communism were much concerned with the role of Japanese Communism in rural Japan" and "as far as I was concerned and the people I dealt with, the Communism issue was a basic factor...." (Olson, 1974: 28) Under the strong dominance of U.S. military force, the Japanese landlord class, that had long been in control of the Japanese ruling center, had failed to oppose effectively the imposed land reform (Dore, 1959) The American occupation force that carried out the reform was separated from the landed class and therefore was free from the control of this conservative and resistant power. The result of Japanese land reform, as Huntington points out, was that it "inured

Japanese peasants to the appeals of socialism and made them the strongest and most loyal supporters of conservative parties" (Huntington, 1968: 376)

The following pages will present some interpretations of how U.S. aid strategy in the post-war period influenced the land reform in Taiwan and South Korea as the evidence to support Proposition 4a.

The U.S. and Taiwan's Land Reform

During the war period, the U.S. had come to view the Communists in China as the land reformers, in response to the failure of the Nationalists' land policy. The U.S. also played a significant role in attempting to mediate between the Nationalists and the Communists. During the period 1944-45, a series of negotiations, with the mediation of American Ambassador Hurley, took place in order to reach a coalition government between the two military establishments in China against Japan. Based on the belief that the Chinese Communist Party was not an agent of the Soviets, of which the U.S. had also been afraid, President Chiang Kai-Shek attempted to reach a settlement with the Communists as a Chinese political party. Unfortunately no progress was made (The Department of State, 1949). However, the American perception of Chinese Communists as land reformers still held until the fall of the Nationalist government on the mainland in 1949. In the United States White Paper on China in 1949, Secretary of State Acheson revealed this view:

The population of China during the eighteenth and nineteenth century doubled, thereby creating an unbearable pressure upon the land. The first problem which every Chinese government has had to face is that of feeding this population. So far none has succeeded. The Kuomintang attempted to solve it by putting many land-reform

laws on the statute books. Some of these laws failed, others have been ignored. In no small measure, the predicament in which the National Government finds itself today is due to its failure to provide China with enough to eat. A large part of the Chinese Communists' propaganda consists of promises that they will solve the land problem (Department of State, 1949:iv-v).

With its enthusiasm for agrarian reform to gain political stability in China and a unified military force against Japan, the U.S. pushed the Nationalist regime to carry out land reform during the war period, and especially after the war, to counter deteriorating conditions caused by the Chinese Communists.

In October 1945, the Chinese Nationalist government presented a proposal for technical collaboration in agriculture and forestry to the U.S.A joint Chinese-American Agricultural Mission was established to make an intensive study of the problem of agricultural improvements in China, with special attention to be given to those agricultural commodities which played an important role in Sino-American trade (Shen, 1970:10-11; State Department, 1949:229-239). Ten American agricultural experts and 13 Chinese specialists were appointed by the two governments. Conferences were held with government officials, businessmen and agricultural specialists at Shanghai and Nanking, and field trips were made through 14 mainland provinces and Taiwan. The Mission submitted its recommendations to both governments late in 1946. Among the major recommendations, attention was given to technical aspects of China's agricultural problems such as the improvement of fertilizer production, irrigation facilities, development of livestock, fruits, vegetables, and forestry. However, some institutional changes and reforms were suggested, e.g. liberalization of farm credit, improvement of the agricultural extension system, creation of a government

bank to serve agricultural needs, population control, etc.

On the land tenure problem, it suggested to improve tenancy conditions, perform a land survey, and finally to enforce the Land Law of 1946 with respect to taxation of land. Though no strong advocacy of land redistribution was made by this Mission, several preliminary agrarian reforms (credit, taxation extension, education, health) were nevertheless emphasized. In December 1946, President Truman renewed the offer of American assistance in implementing the recommendations of the Mission insofar as feasible. Despite the continuing efforts of the U. S. government to elicit Chinese Nationalist action, no constructive measures were taken by the Chinese. Though some of the recommendations were embodied in the China Aid program in 1948, the Mission itself had no effect at all.

The Nationalist government was still unwilling to challenge the landed class on which its power had long been based, and to compete directly with the Communists for the political support of the masses in the rural areas. Instead the Nationalist government pursued a direct military strategy and requested aid from the U.S. since the U.S. still had strong interests in the Nationalists' survival. In 1947, when the economic and political situations were getting worse, the Nationalist government asked the U.S. for economic assistance to save the Chinese economy from collapse. On November 17, General Chang Chun, then the Chinese Premier, addressed the State Secretary regarding China's desperate need for aid. He said that:

At this moment when you are shouldering the heavy responsibility for formulating the initial plans for aiding Europe and China, I feel compelled to send you this message for your personal consideration. For over six months I have been in charge of the Executive Yuan....I must frankly admit that both military and economic situations are today far more critical than at the time I

assumed office....The Communist units are now operating in more and wider areas than before....This not only calls for greater military efforts but also for fresh and urgent economic measures.... This explains why there is such an outcry on the part of the Chinese public to see China given both emergency assistance and a long-range aid program. I am sure that in whatever form or language this desire may be expressed, you will regard it with understanding and sympathy....

(The Department of State, 1949: 372-3)

Secretary of State Marshall replied in a very favorable tone, indicating that an economic and financial aid program was being prepared for presentation to Congress. But American officials doubted the Chinese Nationalists' ability to initiate an ambitious and sincere land reform. Ambassador Stuart commented on the situation on November 24, 1947:

...The Communist organizers have a fanatical faith in their cause and are able to inspire their workers and to a large extent their troops and the local population with belief in its rightness, practical benefits and ultimate triumph....As against this, the Chinese Government employees are becoming even more dispirited, defeatist, and consequently listless or unscrupulously self-seeking....This is all that such monetary aid can do unless there is also among the Kuomintang leaders a new sense of dominating purpose, of sacred mission, of national salvation, expressing itself in challenging slogans, arousing them to fresh enthusiasms, leading them to forget their personal fears, ambitions and jealousies in the larger, more worthwhile cause....True, it has had incessant foreign and domestic conflicts, but making all allowance for its difficulties the record to date has been extremely discreditable....American aid could be based on the desire to help the populace in government territory to have the twin benefits of the freedom essential to democracy and economic welfare which is the only protection against Communist penetration....

(The Department of State, 1949, 376-379)

Seeking the encouragement and sympathetic support of the U.S., the Chinese Embassy in Washington handed the Department of State

a memorandum, requesting American aid with some indications of Chinese Nationalist intention to initiate domestic reforms. It stated that:

The Chinese government fully recognizes that, in order to deal with the present and prospective situation in China, a comprehensive and carefully prepared program is needed in which external aid and internal measures of self-help are closely integrated. The immediate need is for emergency aid and action to check the inflation and prevent a breakdown....*But it is also clear that the time has come for China to embark on a program of fundamental internal reform.* The program should cover currency and banking, public revenues and expenditures, the armed forces, foreign trade, *land policy and rural conditions*, rehabilitation of essential industries and communications and administrative methods....As a result of China's sufferings and losses during eight years of war and the subsequent Communist rebellion, China can not carry out such a program unaided. The Chinese Government, therefore, in keeping with a long history of China-American cooperation, hopes it may count upon American material and technical assistance in carrying out this program" (underlining added).
(The Department of State, 1949:374)

In late 1947 and early 1948, in discussions with Chinese representatives, the Department of State clearly stressed again the importance it attached to the execution by the Chinese government of "rough and ready" measures of financial, economic and administrative reform. The immediate preparation of such measures on the part of the Nationalist government was pushed with the expectation of American aid. On January 28, 1948, the Chinese Premier Chang issued a widely publicized statement expressing the Chinese government's determination to undertake sweeping reforms. There were 10 domestic reforms proposed in his statement. The ninth reform was concerning agricultural and rural change, stating that "improvement of agricultural production and rural conditions

and land reform through the adoption of such recommendations of the China-U.S. Agricultural Mission as are suitable for early introduction." This statement did lend some encouragement to the American Administration and the Congress in support of the hope that a program of U.S. aid might be augmented sufficiently by the Chinese themselves so that a basis could be laid for economic improvement and political stability. With mixed feelings about China's domestic future and the capacity of the Nationalist government to carry out sweeping socioeconomic reforms, the President requested a total of \$570 million in aid to China over a rather short period of 15 months. The China aid program was regarded by the Department of State as a measure which might become either the first stage of larger and deeper commitments, or the conclusion of large-scale U.S. aid to the Chinese Nationalist government. These alternative possibilities were pointed out by the Secretary in testimony before Congress and subsequently by the U.S. Embassy to officials of the Chinese government.

The China Aid Act was passed by Congress on April 3rd, 1948, reducing the total aid to only \$275 million in economic aid and another \$125 million special grant to the Nationalist government, and for only one year. The Congress particularly stressed, in section 407 of the Act, providing for a program of assistance for rural reconstruction and reform. This section authorized the Department of State to conclude an agreement with the Chinese establishing a Joint Commission on Rural Reconstruction in China to be composed of two Americans and three Chinese for carrying out rural reform. This signified the most important step of U.S. involvement in China's agricultural development strategy. The following events, furthermore, highlighted the concerns of the U.S.

on land reform issues in China. After the China Act was passed, the State Department undertook a series of negotiations and conferences on more specific Chinese commitments in the bilateral aid agreement in respect to various reform measures. The Embassy in Nanking was directed by the Department to make intensive efforts on an informal basis to persuade the Chinese Nationalist government on concrete policies in the implementation of the aid agreement.

Eight policy actions were instructed by the Department to the Embassy in order to encourage the Chinese Nationalists to take immediate action. Under the item of agricultural improvement, the Chinese government was urged to undertake "implementation of recommendations of the Joint U.S.-Chinese Agricultural Mission, with special reference to enforcement of reductions in rental and interest rates". On May 22, 1948, Ambassador Stuart, during a conversation with President Chiang, handed him a memorandum specifically dealing with the problems of Chinese domestic reforms. This memo, though not necessarily an official document, covered many of the points in the State Department instruction mentioned above, but was directed specifically toward the ten-point reform program in Premier Chang's statement of January 28, 1948. On the issue of agrarian reform, it was pointed out that:

....If there is any single area where reform in deeds and not in words is most necessary any most sought by the people, it is land reform.

The Land Law of April 29, 1946, contains a carefully considered program regarding limitation on land ownership, land redistribution, and of utmost importance, control and reduction of rent and taxes. Subsequent regulations dealing with particular aspects of land reform have been contained in such measures as....One hears on all sides that reforms have not yet been carried out, and the special investigations of the Executive Yuan have reported on various occasions regarding the non-implementation of these measures.... Successful policies which have related land and agrarian reform to

the problem of defense seem to have applied in the 10th Administrative Area of Hopei Province, which might merit extension to other areas....
(The Department of State, 1949:1093)

On August 5, 1948, under section 407 of the China Aid Act, an exchange note between the two governments was signed, providing for the establishment of a Sino-American Joint Commission on Rural Reconstruction (JCRR). The JCRR was given the overall authority for formulating and carrying out through appropriate Chinese government agencies and international or private agencies in China coordinated programs in reconstruction in rural areas. The JCRR came into being in October, 1946, in Nanking. Two American commissioners were appointed by President Truman and three Chinese commissioners were assigned by President Chiang⁽²⁾. All five original JCRR commissioners were firmly convinced that some type of land tenure change must be done in order to save Chinese agriculture and its attached rural population. Upon accepting the chairmanship of the Commission, Chiang Monlin considered the matter so critical that he requested and received approval from President Chiang to back land reform on the mainland on the eve of the Nationalists' collapse in 1949⁽³⁾. At the point when the JCRR began to fulfill its mandate, the position of the Nationalists was extremely precarious. The historical move made by President Chiang to carry out land reform, understanding that it would endanger his landlord base, truly revealed Chiang's desperation. But this decision came too late

(2) The Chinese members were Dr. Chiang Monlin, Chairman, Dr. James Y.C. Yen, and Dr. T.H. Shen; while the American members were Dr. John Earl Baker and Dr. Raymond T. Moyer.

(3) Letter from former American commissioner, Dr. Raymond Moyer to Gary Olson on December 11, 1971 (See Olson, 1974:57).

to save Chiang's "mandate of heaven" to rule the mainland. As Anthony Y. C. Koo has observed:

When the Chinese Communists swept across the Yangtze River in April, 1949, JCRR was more than even convinced that, in order to meet political and military crises, it was necessary to buttress military action with a positive program of social reform (Koo, 1970:39).

Rent reduction was attempted in the southwestern provinces and some limited progress was realized in certain districts of Fukien and Szechwan provinces. From these experiences, it became absolutely clear to the JCRR people that redistribution of land ownership would be a prerequisite to any real rural reconstruction (Montgomery, et al, 1964:16). However, the military situation worsened and the JCRR was forced to flee to Taiwan in 1949. Wolf Ladejinski, formerly a major advisor to Japan's land reform, then appointed as a land advisor on the mainland, declared shortly before he left for Taiwan that "mere advice on the technical side is not enough". To him, only a major U.S. effort on land reform policy would win over the Asian peasant (*New York Times*, November 19, 1949, p. 4).

Some U.S. officials believed that a golden opportunity had been lost by not being able to persuade President Chiang earlier to take progressive action on land tenure problems. Paul Hoffman, then director of the Economic Cooperation Administration, observed after the fall of the mainland that:

If in 1945, we had, in addition to supporting military equipment, helped the Chinese government with a rural reconstruction (of the type we started in 1949) and if the Chinese government had initiated some desperately needed land reforms (as well as other reforms) I am convinced China would have been saved from Communism (*New York Times*, Feb. 3, 1952: p.7).

Whereas this kind of judgment is somehow speculative and begs questions concerning the overall effectiveness of land reform in arresting the enormous rural support elicited by the Communists, it nonetheless highlights the instrumental importance ascribed to land reform by U.S. officials. A study conducted by AID of JCRR activities also concluded that if only the lessons learned later on Taiwan could have been applied on the mainland in the 1930's, a far different Chinese history would have followed (Montgomery, et al, 1964:1). Unfortunately, history could not run backward.

Once President Chiang was forced to retreat to Taiwan, neither he nor the U.S. government could afford again to lose the support of the rural sector on this tiny island. This intention was shown in the organizational change in JCRR soon after its removal to Taiwan in 1949. A new division on land tenure reform was established along with four other divisions. A rent reduction program was initiated as a continuation of the JCRR effort on the eve of its retreat from the mainland. JCRR was responsible for the implementation and especially financial assistance of this program. Particularly after 1950 when the Korean War broke out, U.S. aid to Taiwan became more steady and assistance for land reform was thus more active. As discussed in the previous sections, U.S. aid strategy during 1950 was mainly economic and social stabilization. Land reform was considered as the major instrument for political stability and security. Dr. Raymond Moyer confirmed this view when he said:

The almost universal support by the U.S. for a "radical program of land reform on Taiwan undoubtedly had behind it a substantial element of concern that there be an internal situation on Taiwan keeping down "unrest". The important U.S. military situations on Taiwan entered in (Olson, 1974:62).

JCRR pressed for a three-step process, going beyond rent reduction to the sale of public land and culminating in the "land-to-the tiller" program to transfer private land.

U.S. support through the setting up of a joint commission played a critical part in the initiation and the success of the whole process of land reform. The device of JCRR permitted Americans to "press" their viewpoints effectively and at the same time provided an excellent base from which the progressive Chinese commissioners could be much more effective (Gittinger, 1961:202). In the early 1950s, U.S. foreign policy was getting tougher in the face of the growing threat of the Soviet Union and that deepened its commitments in Taiwan. Also, its agrarian strategy to pursue land reform in Taiwan was much firmer. U.S. advisors and technicians had been deeply involved in all aspects of land reform since September 1951. Had the Chinese been tardy in responding, a forceful U.S. initiative would have followed. Former SCAP Agricultural Division Director and then JCRR commissioner Raymond Davis (1952-1959) reinforced this view by saying that "If there had been reluctance on the part of the Chinese, I would have worked hard on my colleagues in JCRR to get them to see the importance of such a program" (Olson, 1976: 62). However, up to this moment there was no doubt in the Nationalist leaders' minds about the necessity and desirability of "pacifying" the peasantry in Taiwan. Washington was fortunate that the Nationalists' interests corresponded so closely with its own and that the latter eventually perceived the advantages of adaptability. Nevertheless, the U.S. had used its foreign aid to realize U.S. foreign policy objectives in Taiwan.

All the above discussion does not intend to play down the "willingness" to carry out land reform on the part of the Nationalist

elites. In fact, as Moyer pointed out: "I never exerted the pressure I conceivably might have in order to get land reform, but this was never needed. Both sides wanted it." T.H. Shen also stressed the total agreement on land reform within the JCRR (Olson, 1974: 67f).

On the other hand, it is doubtless that the long pursued U.S. foreign policy objectives on land reform in China since the War had a great impact on the Nationalist elites' determination to carry out land reform in Taiwan. Without the U.S.-backed JCRR and its financial and political support, the land reform in Taiwan would probably not have been made in such a short period of time, nor so effectively.

The U.S. and South Korea's Land Reform

U.S. involvement in South Korean land reform, compared with Taiwan, was much more direct and physical from the end of World War II. As early as 1944, before the war ended and the American Military Government moved into South Korea, Dr. Arthur C. Bunce, then economic advisor to the U.S. Government on Far Eastern issues, had already recommended land reform in Korea (Bunce, 1944: 86). He proposed an immediate confiscation of Japanese-owned land by the state, the reduction of payments on irrigation facilities, and a compulsory reduction in land rent. A longer range program to be followed would "remove the stranglehold on the farmers of a parasitic landowning class." The alternative methods suggested for accomplishing this ranged from confiscation by the state to a gradual land holding tax with owner-operators excepted.

Given the great inequality of land holdings in South Korea⁴, it had been one of the hot issues discussed among those interested in Korean affairs toward the end of the war.

In 1944, again, Rhee Synman, then head of the Korean Commission in Washington, announced his post-war economic charter of which land reform was a part. His proposal was "restoration of lands, breakup of the large Japanese-owned farms, and redistribution of the land among the people in ten to twelve acre plots" (Oliver, 1944).

Among the Korean independence elites, various land reform strategies were advocated, differing in terms of their political as well as ideological stands. Drastic reforms in land holdings were championed by the leftist groups in exile. The redistribution of Japanese-held land was also advocated by the middle and rightist groups whose programs included the distribution of Japanese-owned farm land to the tenant occupants. However, the rightist groups were usually silent in regard to the redistribution of land held by Korean landlords (McCune, 1948). The above cited proposal by Rhee was also rather moderate in its approach to redistribute Korean-owned lands⁽⁵⁾.

(4) There was more tenancy in the South than in the North. Grajdanzev made an estimate that in the Russian occupation zone, "a quarter of the farmers are owners; in the American zone only 14 percent; the part-tenants in the Russian zone are 45 percent; in the American zone over 55 percent". Also, as would be expected because of geographical considerations, the farms in the north are larger than in the south. (See Andrew J. Grajdanzev, "Korea Divided", *Far Eastern Survey*, Oct. 10, 1945, p. 282).

(5) Before the Republic was established, the Rhee-sponsored land policy was recorded to include "distribution of farm land to present tenant occupants, with liberal provision for payment over a twenty year period, and with compensation to present owners." (See Oliver, 1947).

As mentioned earlier, it was American opinion that Korea should embark on a redistributive land reform to resolve the agrarian problems. But the American Military Government (AMG) did not have any clear guidance from Washington on the administration of liberated Korea. Only two general negative objectives were given to guide the AMG in Korea: first, to prevent the Soviets from invading the South; second, to prevent the South from being ruled by "leftists". In other words, the American Military Government was expected to "form a bulwark against communism and the leftist movement" (Meade, 1951:52). No specific policy was clarified as to how to run the Korean domestic scene, including land reform. This to tally anti-communist rightist bias which led the American Military Government's original land reform policy was questionable in face of internal political change in post-war Korea.

Meanwhile, during the interval between Japan's surrender and the arrival of the American Military Government, the situation in Korea was extremely confusing. The Japanese, concerned about possible anti-Japanese riots in Korea, had hoped to create a pro-Japanese atmosphere before their evacuation. The Japanese government-general under General Abe took immediate steps to form and turn over powers to a transitional Korean government. (Cho, 1967:65-67; Henderson, 1968:113-115). After approaching several Korean nationalists without success, the Japanese, in desperation, turned to Lyuh Woon-hyung, a well known left-wing nationalist, to assume authority in Korea⁽⁶⁾. On August 15, Lyuh laid down five

(6) It was speculated that the reason why the Japanese asked the help of a left-wing leader at this critical moment was, in addition to Lyuh's reputation, they thought Soviet troops would occupy the capital. Also, the Japanese thought that the U.S. would occupy only the areas in the extreme south and that the rest of the peninsula would be in the hands of the Soviets (See Cho. 1967:67).

conditions for his consideration of the Japanese offer. He demanded the release of all political prisoners, the turn over by the government-general of sufficient rice stocks to feed the Korean people for three months, freedom of speech and the press, and non-interference with Korean political movements and with organized laborers and youths. His conditions were accepted with the understanding that the existing government structure would not be dissolved and that the Japanese and their property would be protected.

On August 16, Lyuh organized the Committee for the Preparation of Korean Independence (CPKI) with himself as Chairman. This Committee was to include rightist and leftist nationalists and Communists. The rightists refused to join on the grounds that Lyuh should support the Korean Provisional Government in exile. In fact, CPKI was mainly controlled by leftists, and became the strongest political force on the eve of the American occupation. It soon organized people's committees and security committees throughout the peninsula.

It was reported that a total of 135 local committees had been established to maintain order and initiate various kinds of reform. Most were formed spontaneously by groups of prominent local citizens in order to replace the Japanese with a temporary administration, release local prisoners, oust former collaborators, and provide for coming land reforms. In a revolutionary period, in which Communist groups or leftist revolutionary or workers' committees existed, initiatives for social and economic change were begun by them. Elsewhere, farmers' organizations took hold. More and more were motivated by desires to lower rents and redistribute land. Those local committees controlled most rural areas from August into November and even December. Beating of rightists, occasional

killing of Japanese police, extortion of taxes, and interventions against landlords in landlord-tenant disputes did take place (Henderson, 1968:119).

The committees in North as well as South Korea selected representatives for a Provincial National Assembly on September 6, held in Seoul. With approximately one thousand delegates, who represented various groups and professions throughout the country, this Assembly declared itself the People's Republic of Korea, two days before the American troops arrived and claimed jurisdiction over the whole nation. As would be expected, a tight leftist-controlled core had prepared all plans. The Independence movement, however, was still the source of legitimacy. The Republic adopted a surface coating of the Korean Provisional Government, Rhee Synman was appointed President, Lyuh himself Vice-President. Several rightist and moderate nationalists were included in the Cabinet, but they were abroad and out of touch. In their places, almost all vice-ministers and other ministers were Communists and extreme leftists. Rhee was not in Korea and he would not accept this list. Under the circumstances, propertied Koreans now came to realize that confiscations were starting and People's Court procedures would probably follow once the People's Republic became sovereign.

When the American occupation forces arrived in South Korea on September 8, they were surprised by, and unprepared for, the existence of the *de facto* government of the People's Republic. The popularity and authority of the Republic made the American Military Government hesitant to reject it right away, being afraid chaos would result. Until President Truman made a statement on September 18, regarding this issue, the American Military Govern-

ment had no clear-cut policy toward the Republic. He stated:

The assumption by the Korean themselves of the responsibility and functions of a free and independent nation...will of necessity require time and patience. The goal is in view, but its speedy attainment will require the joint efforts of the Koreans and the Allies....(Department of State Bulletin, September 23, 1945).

On October 10, the American Military Government governor, Commander General Hodge, reasserted that the American Military Government was the only government in Korea south of the 38th parallel. Meanwhile, the Republic was further weakened by a split of the right and left wings within it. The Republic was denounced again by the American Military Government as unlawful if it continued to operate as a government. This threat was effective, and the influence of the leftists subsequently declined as the conservative groups were strengthened by the influx of Korean leaders from America and China (Cho, 1967:72). The non-recognition policy reflected American's fundamental attitude toward Korea after the war. The U.S. was not ready to grant Korean independence at the expense of its own national interest, affected by the world war consensus. The American Military Government was confronted with a leftist Republic. The American authorities viewed the People's Republic as a front organization for communist activities. Fundamentally, the objective was to keep South Korea out of the hands of any potential political enemy.

To create a counterforce to the Republic, the American Military Government encouraged the formation of political parties, particularly the conservative, rightist, and moderate. The *New York Times* reported on January 5, 1946 that the conservative groups had "fallen far behind liberal as well as radical factions" and that the Republic continued to gain strength in rural areas. The land reform

issue apparently became more and more crucial to the political scene in South Korea.

In face of great demand and high enthusiasm among the rural population, the American Military Government, in order to compete with the Republic for political legitimacy in Korea, declared its land policy on October 19, 1945. The bold proclamation read:

The program of Military Government included taking over all Japanese property as rapidly as possible for the benefit of the Korean people, relieving labor from the conditions of absolute servitude under which it had existed for the last forty years, returning to the farmers the land which had been wrested from them by a fair and just proportion of the fruits of his sweat and labor, restoring the principles of a free market, giving to every man, woman and child within the country equal opportunity to enjoy his fair and just share of the great wealth with which this beautiful nation had been endowed.

However, this forceful language was not translated into action for at least two years. By February 1946, the American Military Government had initiated the eventual sale of agricultural land formerly owned by the Japanese. A Homestead Act was then proposed to permit tenants to receive title to the land by "the payment of a sum of 3.75 times the value of the annual production, that is, 25 percent of the crop for 15 years" (Lee, 1971:64). This proposal had received wide support but its execution was postponed by the American Military Government. Instead, by Ordinance No. 52, the New Korea Company was formed to manage all Japanese properties, including farm lands. This ordinance made clear that the American Military Government was to be exclusive owner of the New Korea Company, through its transferred capital stock from the Oriental Development Company. No actual disposition of Japanese-owned land was ever undertaken. The only thing that

happened to the Korean tenants was to have a new landlord, the American Military Government. The whole question of land reform remained unsettled.

Challenged by the fact that the Russian zone in the North had initiated a collectivist land reform, in a Seoul press conference on September 4, 1946, Dr. Bunce, economic advisor to the American Military Government, defended it by saying that the Koreans preferred to wait for the establishment of a Provisional government before proceeding with land reform. He said:

The State Department realizes that the old land tenure system in Korea has to be change...and we have discussed and considered various types of land reform. We have not put any of them into action, because in our public opinion poll, 70 percent of the farmers said they would rather wait until we had some sort of provisional government to handle the reform, rather than have the Americans do it in cooperation with the Koreans (Meade, 1951:227).

It was true that the U.S. had realized the importance of land reform in South Korea. In early 1946, Edwin Pauley, as President Truman's representative, toured both Korean zones. After noting the reform being undertaken in the north and the stagnation in the south, he warned that drastic measures might be necessary if the tenant farmers were to be diverted from communism in South Korea. Truman concurred with Pauley's assertion and replied that he would encourage the American Military Government to execute reforms, including land redistribution (Olson, 1974:43).

It was also true that the American Military Government thought land reform was a long-range problem that the Koreans would have to work out for themselves. More importantly, the American Military Government did not want any leftists in the South to have access to the land reform. Only safe Koreans would be allowed to

implement their own land reform. In late 1946, a Unification Committee, formed by a coalition of socialists, declared seven principles for the future government. Given the national mood at the time, these seven principles could be considered to represent the general aims of the majority of the Korean people. On land reform, it was promised to the tenant farmers that:

We will give to the farmers land which will be seized with or without conditions or with small compensation. The farmers will be given land at no cost (Meade, 1951:157).

Aggravated by the leftist appeal to the tenant class, the American Military Government pursued an alternative counterforce by forming the Interim Legislative Assembly and hoped it would assume the reform responsibility. The American Military Government had urged the Assembly to give priority to land reform in their legislation program. Also, in order to dispel rumors concerning land redistribution by the American Military Government, Brig. General Helmick, then acting Military Governor, stated that "Military government will not confiscate farm land owned by Koreans for redistribution. If a land reform is enacted by a Korean Legislative Assembly while military government is in power, land owners will receive adequate compensation" (McCune, S 1948:17).

But this American Military Government-backed Assembly was predominately representative of the landlord class and thus understandably reluctant to initiate any type of land reform which might jeopardize their interests. Table 6-1 shows that the majority of the Assemblymen were either rightists or moderates.

To those conservative Assemblymen, even a measure to distribute the former Japanese holdings among the tenants would endanger their positions (McCune, G, 1950:130; McCune, S., 1948:17).

TABLE 6-1: POLITICAL COMPOSITION OF THE INTERIM ASSEMBLY OF KOREA, 1947

	Elected	Appointed by American Military Government	Total
Rightist	38	17	55
Moderate	1	15	16
Leftist	2	12	14
Vacancies	4	1	5
	45	45	90

Source: Cho, 1967:132.

A study team headed by Dr. Bunce was sent by the State Department to Korea in 1946. The group was encouraged by the American Military Government to examine land reform. A Land Reform Drafting Committee was therefore created, directly responsible to the Military Government. Several proposals emanating from its Land Reform Subcommittee were soundly beaten back in the Assembly (Olson, 1974:44). At this point, the American Military Government found itself in a tenuous position on the subject of land reform. To be sure, the Assembly was not enthusiastic about land reform bills, not even ever some moderate proposals drafted by U. S. advisors.

Meanwhile the delay and inaction of the American Military Government on land reform caused growing rural instability and riots. Finally the fierce agitation for land reform, and the demand for ultimate disposition of Japanese property to Koreans forced the State Department to stress that a major objective of the American Military Government was:

land reform which will reflect the wishes of the Koreans and their desire to replace wide-spread tenancy with full ownership of the land by the individual farmer. The delay in uniting the country has made it essential that we proceed in South Korea with solution of urgent social and economic problems along lines which embody the will of the Korean people (Meade, 1951:207).

It was clearly perceived by the U.S. that land reform was essential to achieve stability and must be carried out under its control since the Interim Government was too conservative to enforce a land reform. The American Military Government then went ahead to redistribute the Japanese lands to the Korean tenants. As pointed out earlier, the New Korea Company owned the Japanese lands that amounted to 15.3 percent of all farm land in South Korea. It consisted of approximately 550,000 acres of paddy fields and 150,000 acres of dry fields (Lee, 1971:67). On March 22, 1948, the American Military Government, under new military governor Major General William F. Dean, abolished the New Korea Company and, to sell the land, established the National Land Administration. It was not a great surprise to the Koreans, as it had been widely rumored that if the Assembly would not redistribute the Japanese-owned land, the American Military Government would dispose of them (Mitchell, 1949:144).

According to C. Clyde Mitchell, the major designer of the plan, two essential objectives would be fulfilled by this move. First, if the land under American Military Government control was distributed, it would constitute a strong impetus for action by the new Korean Government. It was believed that if a significant proportion of tenants acquired land under the sale, the new government (conservative in nature) would be forced to be moderately impartial in distributing Korean-held land. Second, relative to overall U.S.

foreign policy, it was countercommunist in ideology. Mitchell was recorded to say that "we could steal a tremendous propaganda march on the North Korean communists structure if we really produced an agrarian reform" (Olson, 1974:47). At this moment, the Americans apparently feared that a situation similar to that on the Chinese mainland might ensue. Truly, the land sale proved to be an important tactical move in the battle against the leftists within and without.

What was the reaction of the Interim Government to this drastic American Military Government move? Opposition, of course. Also, one source suggested that tremendous pressure was exerted on General Dean from Washington, the Middle West (via Capitol Hill), and the Madison Avenue lobbyists for the Rhee forces (Olson, 1974:47).

When the sale plan had almost reached the point of no return, the American Military Government received a cable from Washington suggesting strongly that the entire land redistribution be delayed again until a new Korean government could be elected (Olson, 1974:46). One of the reasons for postponement was "so that the new government would start the game with a big "kitty" in their hands, the ex-Japanese lands." But this reasoning was not accepted by the American Military Government on the scene. Mitchell voiced his disagreement with the delay on the grounds that "Rhee and his henchmen", including many landlords, were totally opposed to agrarian reform of any sort. A postponement would result in a politically explosive situation in South Korea (Olson, 1974:46). Without further objection from Washington, the American Military Government land sale was carried out on April 3, 1948.

The leftist groups certainly did not appreciate this alien inter-

vention in their struggle for support of the peasantry. With the commencing of the land sale, the leftists urged a peasant boycott. But, the tenants were zealous in their desire to become land owners and would not be dissuaded. Perceived self-interest and the attraction of land overwhelmed the leftist pleas. As a result, the leftists' appeal registered a sharp decline in the countryside. It appeared also in high farmers' participation in the election to the National Assembly on May 10, 1948. The Communist obstruction failed again.

By the end of May, 1948, the National Land Administration had succeeded in distributing 76 percent of the total ex-Japanese land, or approximately 687,246 acres. Of the 587,974 farm units to be distributed, 448,713 had been transferred by sale, deed, and mortgage. By mid-1948, the number of owner-operator had risen by 126 percent over 1944 totals, while the number of tenants had decreased by 56 percent compared to 1944 figures (The Department of State, 1945 48, p. 31-31).

In retrospect, one can clearly see a significant change in American foreign agrarian policy in the Far East. In Japan, an American-controlled land reform was underway. On Taiwan, an American-financed JCRR was established to carry out agrarian reconstruction, including a tenancy reform, and here in Korea, a completely American-dominated land sale was enacted. The sale generated great support and enthusiasm among the new as well as prospective small land owners. In their appeal for electoral votes, almost all candidates felt compelled to speak out in support of the further redistribution of private land held by the Korean landlords. In this aspect, the American-controlled land sale did move the Korean governing elites toward the future realization of land redistribution.

However, land reform initiated by the Americans was not to be

completed by the Koreans until almost two years later, when President Rhee finally revised and approved the Land Reform Bill submitted by the National Assembly on March 25, 1950. The American influence on land reform in South Korea, compared with Taiwan, was much more direct and physical. Another significant difference between Taiwan and South Korea in American involvement in land reform was that the U.S. was reluctant to initiate land reform in fear of jeopardizing its allies with the Korean landed class and the rightists in the initial occupation stages. In Taiwan, this concern was nonexistent because the Nationalists had few ties with the local Taiwanese landlord class. Consequently, not until massive political chaos detrimental to U.S. interests appeared imminent did the American Military Government take the initiative in South Korea. Also, the American Military Government felt the land sale was more manageable then.

From the above discussion of American's involvement and influence on land reform in both Taiwan and South Korea in the post-war period, one can clearly see the structural relationship between the behavior of a core and a peripheral state. As one aspect of the world system theory applied to assess the external dimension of land reform policy in Taiwan and South Korea, Proposition 4a has been largely supported by the evidence.

Proposition 4b: U.S. aid in the form of agricultural surplus sales can be used as a political instrument by the recipient government to carry out anti-agricultural strategies.

In addition to capital assistance, technical advice, and policy influences, U.S. aid impacts on the recipient nations' agricultural strategies also involved agricultural surplus commodities sales since

1954. The objective of Public Law 480 in 1954 most emphasized by its proponents was the disposal of U. S. farm surpluses, which were accumulating at the rate of almost \$3 billion per year. Also stressed as objectives of the act were assistance to economic development in the recipient countries and the stimulation of permanent export markets for U. S. farm products. Without doubt, as part of national interest and foreign policy, this agricultural surplus disposal was intended to solve the embarrassing problem of American farm surpluses (Davis, 1958:1484-5).

As Harry G. Johnson, in his book, *Economic Policies Toward Less Developed Countries* frankly points out, aid in the form of surplus agriculture virtually enables U. S. domestic problems to be shifted to the world market under the guise of charity (Johnson, 1968:4). It had certainly reduced the storage problems for the U. S. government and the pressure of surplus stocks on domestic commodities markets. Even five years after the enactment of the act, the deepest concern of surplus disposal still held. The State Department, which was in charge of the aid program now including the surplus agricultural "aid item", was instructed by the Chairman of the Committee on Agriculture of the House, Harold Cooley as follows: "We are primarily interested in getting rid of these surpluses and we don't care how you do it and under what authority. We have told you we want the commodities sold for dollars first and then for foreign currencies or then donate them" (Hearing before the Committee on Agriculture, House of Representatives, Extension of P. L. 480, July 15, 1959).

The surplus sales were built up as part of a farm support policy in the U. S. The advocates who spoke for farm groups knew exactly that these disposal programs were essential to maintain the

existing farm policy; "their motives are not wholly altruistic" (Schultz, 1960:1019). Title I of P. L. 480 required the surplus be purchased in local currency, then use the further generated local currency be used for development objectives agreed upon between the U. S. and the receiving nation. It was supposed to generate local currency and contribute to the formation of new capital. However, 30 percent of the money was reserved for U. S. expenditures not directly associated with the recipient country's economy. For example, the funds were used for Embassy expenses, procurement of housing for military personnel, and so on. Of the remainder, not much more than one-fifth was immediately put to use—the balance remaining on deposit in U. S. accounts (Davis, 1958:1485).

What the above facts show is that PL 480 was used as an instrument of domestic as well as foreign policy of the U. S. to fulfill its own objectives. The U. S., as a foreign trader, exchanged with the recipient government for what it wanted. The resources used for exchange were surplus agricultural commodities from the U. S. that the receiving Third World nations could not afford to turn down due to their food and foreign exchange shortages. What U. S. got in return was a stable exporting market for domestic agriculture, pacification of the domestic agricultural sector, and a further dominance over aid uses in the recipient nations. But what did the recipient nations get? Did they really benefit from PL480, which had been promoted by the U. S. to assist in development?

There has been considerable discussion of the effects of the PL480 on recipient countries. One cannot deny that it had eased food shortages and famine in some recipient nations at least in the short run. It also accustomed the receiving peoples to unfamiliar but valuable new foodstuffs such as dry skim milk and soybean

products, and thus improve their nutritional status (FAO, 1962). It furthermore could halt the decline in consumption of several products and increase consumption of other agricultural products (Goering and Witt, 1963). Moreover, under Title II, the surplus sale could be used to finance food-for-work projects related to local development, such as roads, irrigation and other construction works.

At the macroeconomic level, a FAO estimate reported that two thirds of the surplus agricultural products offered to the recipient countries contributed directly to the formation of new capital, which was crucial to initial economic development, while the remaining one third led to increased consumption. But a further FAO study corrected this estimate and presented a more moderate figure, concluding that food aid for development alone could not be expected to amount to more than one fifth of the total capital aid required by Third world nations. However, another study in Israel argued that PL480 was virtually as effective as equivalent dollar aid (Kahn, 1962).

The above arguments demonstrating the positive effects of PL480 on the recipient Third World nations are well taken in their own right. On the other hand, the operation of the PL480 has also been widely criticized for its depressing effects on the domestic agricultural sector in the recipient countries. The use of PL480 imports was likely to cause a fall in the relative price of commodities imported and even of competing locally produced products. Therefore it had significant negative income effects on the farming sector and consequently reduced farm savings and investment (Schultz, 1960; Fisher, 1963; Falcon, 1963; Beringer, 1963).

Another related effect caused by the declining prices was to force farmers to shift out of food grains into cash crops, working

against most Third World nations' urgent objective of food self-sufficiency (Beringer, 1963) Even more serious, PL480 has been attacked for its conscious intention not to stimulate the recipient's domestic agricultural production, which might compete with U.S. farmers for world markets (Davis, 1958:1489).

It is difficult to generalize the impact of PL480 on domestic agriculture for all the recipient countries. It has to be done case by case.

The following discussion will present an example of to what extent U.S. aid through PL480 surplus has affected Taiwan's and South Korean domestic agricultural policies. In other words, the discussion will concentrate on the exchange dynamics between U.S. agricultural surplus imports and the two governments by examining the policy impacts of the imports had on the two governments. To an extent, it is our intention to argue that through the use of PL480 agricultural imports, the governing elites in Taiwan and South Korea with a pro-industrialization bias could effectively retard progressive strategies for the domestic agricultural sector.

As demonstrated in Chapter 5, both Taiwan and South Korea received a considerable amount of PL480 surplus imports during their aid period. The ready availability of U.S. agricultural surplus imports had in fact played a crucial role in encouraging both governments to emphasize industrialization at the expense of agriculture.

Public Law 480 Surplus Imports in South Korea

As indicated earlier, the PL480 surplus sale has been one of the major components of U.S. aid to South Korea during the aid period. It accounted for almost one-third of total economic aid. Up to 1976,

when American concessional assistance was terminated, of a total of over \$5.5 billion in loans and grants, about \$1.7 billion came from PL480 surplus import sales in South Korea.

During the Rhee period, a total of \$242.6 million worth of surplus was imported into South Korea. The balance of \$1467.4 million was imported during the Military government and the Park period. In other words, PL480 surplus imports had been growing rapidly after 1960. As indicated more than once, the Rhee government has been criticized for mismanaging PL480 assistance and depressing domestic farm prices. The imports were intended to offset the food shortage, but surplus commodities were not imported according to accurate demand and supply conditions of Korean domestic agricultural production. When the shortage of domestic grain is compared to the actual amount of PL480 grain imports in 1958-1962, it shows that grain imports exceed the real domestic shortage by an average of over 1.8 million suk (suk: 180.5 litres) per year (Chu, 1963:232; Shin, 1969:135). Table 6-2 clearly shows this fact.

TABLE 6-2: IMPORTS OF FOREIGN GRAIN OF
SOUTH KOREA, 1958-62 (1,000 suk)

Year	Estimated Food Shortage	Actual Imports	Imports Exceeding Requirements
1958	4,388	6,465	2,077
1959	518	1,890	1,372
1960	330	3,512	3,182
1961	3,033	3,980	947
1962	3,157	3,689	1,532
Average	2,085	3,907	1,822

Source: Ministry of Agriculture and Forestry; cited from Chu, 1963:232.

There was no evidence to prove that the constant excess of PL480 surplus imports had been pushed by the U.S. aid mission or U.S. government, although the U.S. was definitely more than willing to provide this type of aid for its own self-interest of surplus disposal. On the contrary, some evidence has shown that it was the Korean government that urged the excess of surplus imports. New estimates of rice production issued by the Park government after the military revolution, indicated that the Rhee regime intentionally understated the domestic rice harvests regularly by as much as 30 percent in order to try to maximize the imports of U.S. surplus commodities under the aid program (Bank of Korea Bulletin, July, 1965; Cole and Lyman, 1971:79, 284f).

The motives of the Rhee government to follow this policy could partly be explained by its anti-agricultural bias and political self-interests. As to the former, the first minister of agriculture under Park, in criticizing Rhee's farm price policy, said:

It had not been willing to take direct measures to support farm prices at higher levels. Instead the Government had followed an import policy which had had the effect of substantially weakening the competitive position of Korean grains in the domestic market (Wideman, 1974:307n).

It would not be a mistake to assert that in Rhee's view the surplus imports might be the easiest and most effective way to fulfill the domestic food need without devoting itself to any difficult agricultural programs. The Rhee government also had pursued the objective of price stabilization by means of a low grain price policy. What other more powerful policy instrument to depress the local grain price than importing a tremendous amount of foreign grains to compete with the domestic products? The surplus imports were a part of the U.S. aid program in which a large portion was given

as grants, or at most, on a long-term deferred payment basis. Rhee, of course, would not give up this cheap and effective mechanism to reach his political goal.

PL480 also had been used by the ruling elites under the Rhee government as a political favor to reward their henchmen. Since the surplus imports were sold in the Korean domestic market, it was easy for Korean officials to manipulate supplies. The impact of these excessive surplus imports have been proven more harmful than helpful to Korean development, especially for its agricultural development. It caused a steady drop in domestic farm prices and, in turn, adversely affected agricultural production and, finally ravaged the rural economy in South Korea. The Director of the Korean Agricultural Research Institute, Chu Suk-kyun, even further concluded that, though the Rhee regimes "undemocratic, bureaucratic, and inconsistent policy" for agriculture was the indirect cause of stagnation and depression, the dependence on foreign aid might well be called the direct cause. (Chu, 1963:230). In 1959 and 1960, the last two years of the Rhee regime, the grain price index was only 60 percent of non-agricultural products (Chu, 1963:230). Agricultural production relapsed into stagnation and deterioration. The rate of increase of agricultural production was 1.5 percent as against 2.99 percent population increase in the 1950's. Meanwhile, the imports of grains increased rapidly and constantly.

The Oregon Advisory Group, based on a study of the changes of price and consumption of Korean rice in 1956-1960, also concluded that the large scale wheat imports had weakened rice prices and led to a rice "surplus" as consumers had shifted their consumption away from rice toward wheat products and other rice substitutes which had become available in substantial quantities. The Korean farmers,

as a result of falling prices for their grain products, were less well off than they otherwise would have been had these imports been absent from the market (Oregon Advisory Group Report, 1961:198-203). Moreover, PL480 assistance in the long run was proven harmful to the realization of food self-sufficiency and an eventually self-reliant economy in South Korea.

A similar but rather politically motivated impact assessment of PL480 imports was made by General Park after the success of the coup. General Park's criticisms are worth noting at length:

Some \$314,110,000 worth of U.S. surplus farm products...accounting for 30 percent of the annual total of aid receipts. The import of surplus farm products, perhaps the only solution to supplement out food shortage, estimated at average of 3 million sok per annum, depressed domestic grain prices and drastically reduced the income of farmers. We know very well how this demoralized farmers and what a staggering blow it dealt to the rural economy. But, this is not all we have to say about the import of surplus farm products. The extreme impoverishment of the rural community naturally depressed the purchasing power of farming families, stultified the domestic manufacture of consumer goods, and obstructed the development of medium and small enterprises. The former regimes should have been mindful of this and enforced elastic and effective policies.

But thoughtless former governments, knowing no day of peace, turned their face from agriculture, devoted their energy to tertiary consumer industry, and indulged in corruption and political strife. They cared little for the maintenance of grain prices at appropriate levels, improvement and expansion of farmland, propagation of improved farming techniques, improvement of seeds, timely release of farming funds, establishment of flood control and irrigation facilities, rationalization of the rural structure, and countless other urgent problems. They did some cheap service only to industries with which they had direct connections and played arbitrarily with agricultural policy matters. As a consequence, the rural communities became impoverished and farmers had to desert their farms to flock to cities.

The resultant discouragement of productive will and scattering of the labor force has brought about the explosive food crisis of today. Whatever else we may consider at this point, the most urgent and fundamental need is that the rural communities should have precedence over everything else. It is the top priority.

Whoever may take over power, national reconstruction will be in vain without the reconstruction of the perplexed farming villages. The talk of national economic rehabilitation is only an empty motto without it. We have to reject empty theorizations and classroom lectures and renew our resolution to fight the solemn realities.

Anyone who has ever taken a look at the rural problem will certainly renew such a resolution.

The sun that rises over Korea should not rise in the East Sea but in the mountains and fields of the country. From there alone we can find hope (Park, 1970:35-36).

But this adverse situation was not significantly changed by the succeeding Park government. In fact, PL480 was used even more actively after 1963 as a powerful policy instrument to carry out a squeezing agricultural strategy which has been discussed fully in Chapter 4. For example, in 1965, 669,000 metric tons of grains were imported through PL480 assistance and it increased to 2,115,000 m.t. in 1970 which accounted for one-fifth of total South Korean grain consumption. Even more, in 1972, one-fourth of South Korean grain consumption requirements came from imports which were 3,600,000 metric tons (Wideman, 1974:281). According to the National Agricultural Cooperative Federation (NACF), from 1961 to 1969, South Korean annual imports averaged 136,000 metric tons of rice, 111,000 metric tons of barley, 642,000 metric tons of wheat, and 40,000 metric tons of other grains. For the same years, Korean production averaged 3,611,000 metric tons of rice, 2,020,000 metric tons of barley, 320,000 metric tons of wheat, and 118,000 metric tons of other grains (Korean Agricultural Section Study Team,

1972:9). More than twice as much wheat as was domestically produced was imported from the U.S. Half of the barley imported, and more than one-third of the rice came from abroad. In this respect, the situation of dependence on grain imports in the existing government has obviously not been too much better than in the previous Rhee regime.

It seemed clear to the Park government that industrialization required the sacrifice of agriculture. The developmental policy followed has been the manifestation of this modernization ideology. PL480, again, became a convenient instrument for the Park regime to pursue its squeezing strategy. It permitted the Park government to import U.S. grain on very favorable terms. If it were not for this U.S. "largesse", the Park government would have had to think twice before spending its precious foreign exchange on foreign grain. It might also have been forced to allow Korean farmers to sell their crops through normal commercial channels. In effect, PL480 allowed and encouraged the Park government to take an industrial bias and at the same time to maintain its stranglehold on the country's grain supply and through it, the agricultural sector. It helped to hold down domestic grain prices, thus depressing the income potential of the agricultural sector and the wage demands of urban-industrial workers. That, accordingly, kept the cost of industrial products low for international competition. In other words, it was the government's intention to provide cheap food prices to feed its urban-industrial sector. U.S. agricultural circles were delighted to have South Korea as a fast-growing foreign market in the Far East. But the Korean agricultural sector had been pressed and exploited, and the deterioration of agricultural production reappeared, as had happened in the last 1950's.

Pressure from the growing food deficit on the balance of payments became heavier after 1966 as virtually free PL480 surplus imports were replaced by repayable credits. Moreover, 1970 was the last year for PL480 sales in local currency. Also, it was the last year for food-for-work (PL480-Title II) donation program. Therefore the burden on government to meet the balance of payments became greater. President Park was angry at this prospect and criticized his agricultural minister for "a wrong method of policy implementation" (*Korean Times*, January 17, 1973). To critics, it was not the implementation that was wrong, but rather the policy itself. As long as the government tried to keep its grain prices below market prices in order to feed the urban-industrial sector, the Korean farmers would not increase production⁽⁷⁾.

It is not difficult to realize that the money spent on grain imports every year could be more profitably spent in giving farmers decent prices. The possible drawbacks are that farmers would have added incentives to stay on their farms, stopping the flow of cheap rural labor to factories, and urban workers would then demand higher wages to pay for the increased cost of living.

All these consequences are not what the Korean government would have liked to see. By political-economic calculation, the Park government still preferred to import agricultural products rather

(7) Considerable research on profit maximization and price response of farmers has demonstrated that farmers in the Third World as in the developed ones, behave to a great extent as economic men, responding quickly to price fluctuations (Falcon, 1964; Kirshna, 1963; Hussain, 1964; Lipton, 1968). Also, in both Taiwan and South Korea, specifically, it has been shown that farmers are responsive to changing prices and highly motivated by the chance to make a profit (See Wideman, 1974; Cole and Lyman, 1971 for Korea; and Lee, 1971; Shen, 1964; Wang, 1974, for Taiwan).

than initiate any progressive and favorable policy for domestic agricultural development in the 1960's and even early 1970's.

Public Law 480 Surplus Imports in Taiwan

As in South Korea, Taiwan was a recipient of much PL480 surplus during the aid period. A total of \$349 million worth of PL480 surplus commodities were granted to Taiwan between 1954 and 1965, which accounted for about one-fourth of total U.S. economic aid. Even after the U.S. aid program was terminated in 1965, an additional \$37.1 million of PL480 surplus was sold in Taiwan as continuation of U.S. economic assistance, until 1968. Therefore PL480 surplus imports contributed a total of \$387 million of aid to Taiwan for 1954-68. Especially after the end of Defense Support in 1961, this aid instrument dominated the Taiwan aid program.

PL480 surplus sales went to support the Nationalist government and financed irrigation development, road construction, and more importantly, the whole operation of the JCRR in Taiwan. However, as in South Korea, PL480 surplus imports had adverse effects on Taiwan's agricultural sector, depressing farm prices and retarding some crop production. The case of Taiwan conformed even more closely to the situation where a country was rather self-sufficient in food supply as early as the mid 1950's, and the consequences of PL480 imports was additions to the level of consumption rather than to the level of investment in agriculture. The disincentive effects caused by the surplus sale was evident as the Nationalist government used PL480 imports to maintain a flow of food to urban-industrial consumers at less than competitive market prices.

Most PL480 imports into Taiwan took the form of wheat, corn,

cotton, and soybeans. Wheat and soybeans were produced in Taiwan in substantial quantities. Comparing the production levels for wheat, cotton, and soybeans after 1960 and onward, it is evident that a declining trend was observed, whereas the imports of these crops were increasing (Taiwan Statistical Data Book 1977:57-8). Even the JCRR acknowledged that PL480 had retarded the expansion of wheat, cotton, and soybean output in Taiwan (JCRR, 1963). Moreover, given competition at the margin between wheat and rice in the Chinese diet, PL480 wheat imports put some downward pressure on rice prices and, thereby, on rice production. Jacoby concluded his evaluation of PL480 operation in Taiwan by saying that:

The development effects per dollar of surplus commodities aid are adjudged to have been less than for other instruments of aid in Taiwan. U.S. surplus commodities do not appear to have added as much to domestic capital formation as did other forms of aid. Their linkage to productive investment was weak. Given Taiwan's strong international position in Agricultural production and her overall self-sufficiency in food, the case for continuing to supply large amounts of U.S. surplus farm products on concessional terms was not strong. The PL480 instrument was probably overused (Jacoby, 1966:209).

But what Jacoby failed to point out is the fact that the Nationalist government had been using PL480 imports as an effective political-economic policy instrument to carry out its squeezing agricultural strategy in the past two decades.

Summing up the above discussion on the policy implications of PL480 surplus imports in Taiwan's and South Korea's agriculture, one can clearly see a definite relationship between the two. Apparently, both governments had taken advantage of PL480 and used it as an effective political resource to implement their anti-agricultural sectoral strategies. Therefore Proposition 4b gains

considerable confirmation from the evidence for both cases of Taiwan and South Korea, though more so in South Korea.

Proposition 4c: U.S. aid with its focus on building a "capitalist" economy in the recipient nation, helps create an emerging private industrial sector intended to accelerate the industrialization process.

The belief in "capitalism" as the best model of national development for the Third World nations has been repeatedly reflected in U.S. aid strategy after World War II. As discussed extensively earlier, the cold-war consensus provided U.S. aid with a mission to establish capitalist development in aided countries to counter the Socialist "alternative". In Taiwan and South Korea, the U.S. had been exercising this strategy, though with the agreement of the governing elites. Moreover, the U.S. did not particularly favor the agricultural sector in its aid priority and allocations. A further perspective must be added in this connection which argues that the U.S. also stressed, as an integral part of its aid strategy, the creation of a private industrial sector, thereby pressing the national governments to strengthen their industrial sectors at the expense of agriculture.

In Proposition 3a, we have shown that the newly emerging industrial sector was in coalition with the government sector, resulting in the persistence of anti-agricultural policies in Taiwan and South Korea. The present proposition provides another interpretation of the formation of the industrial sectors in Taiwan and South Korea. It was U.S. aid strategy that encouraged, by means of aid leverage, the governing elites to foster the private industrial sector in Taiwan and South Korea in the 1950's and 1960's. As a result, the agricultural sector now has to deal with two other strong sectors rather than just its national government: the industrial sector

and the U.S. aid sector. The exchange transaction has been clearly imbalanced and unfair. The essence of power in an exchange process is clearly seen in this case.

Several aid impact evaluation reports all have concluded that the most important consequence of U.S. influence has been the creation in Taiwan and South Korea of a booming private enterprise system. But they failed to point out the policy effect of the creation of the private industrial sectors on the governmental agricultural strategies.

Schematically the causal relationship appears as:
 U.S. aid strategy favoring a private enterprise system for building "capitalism" → Influences on the indigenous government advising import-substitution and export-substitution industrialization strategies → Creation of native private industrial sectors → Coalition of the private industrial sector with the government sector → Insistence on an anti-agricultural strategy.

There is ample reason to believe that U.S. aid strategy in the postwar period has been determined by cold-war ideology to such an extent that American aid was mostly granted to friendly, non-socialist developing nations in order to maintain the capitalist world system.

Ironically, right after the war, neither Taiwan nor South Korea were very interested in creating a strong private sector. Especially in South Korea, a strong inclination toward a "state" socialist economy was observed during Rhee's early years. In Taiwan, on the other hand, Dr. Sun's Principle of Livelihood was, in fact, a mix of socialism, emphasizing controlling private capitalism by developing state capitalism, and free market economy. Therefore, ideologically, either governments was not purely capitalistic. Both lacked a policy incentive to build up a strong private sector. More-

over, as a result of the Japanese anti-industrial development policy during the colonial period, when both nations became independent, there was practically no influential private industrial sector in existence. Naturally, both national government took over all the Japanese-owned industries as government enterprises. The shortage of private entrepreneurs plus government control over new enterprises has made both Taiwan and Korea "socialist-like" economies during the early years following the war.

The following pages will present some illustrations of how U. S. aid influenced the Taiwan and South Korean governments to initiate policy actions favoring the development of private industrial entrepreneurs and capitalists.

The U. S. and Taiwan's Private industrial sector

Consistent with a capitalist model of development, U. S. aid to Taiwan at the beginning implicitly stressed the importance of the creation of a private industrial class for industrialization. However, the Nationalist government was rather reluctant, for political and ideological reasons, to transfer government enterprises to private ownership (Glass, 1963: 26-27). In retrospect, it was understandable and probably necessary to keep those "key" basic industries under government control at the initial development stages. Having an abundance of managerial talent to manage the government-owned industries, the Nationalist government, which withdrew from the mainland, could play the role of entrepreneur and producer of goods and services.

With the urging of U. S. aid officials, the Nationalist government, however, transferred ownership of four enterprises (cement, paper and pulp, agriculture and forestry trade corporation, industrial

and mining corporation) to former landlords in 1953 in part payment for lands taken during the land reform.

William Thomas, economic advisor for the State Department Taiwan Desk, and Richard Kirby, AID Taiwan Desk officer, in their interview with Richard Page, both revealed that the sale of public enterprises to private hands took place under American pressure (Page, 1969:27).

The Nationalist government was not predisposed to develop a competing private sector, and in the 1950's, it was still the biggest industrial entrepreneur on Taiwan. During 1957, the U.S. renewed its effort to emphasize private industrial enterprise for Taiwan's future development. In 1958, an Office of Private Enterprise was established within AID. An industrial Development and Investment Center and the China Development Corporation were established in Taiwan in 1959 by the Nationalist government, with AID pressure and encouragement. During the same year, the AID mission to Taiwan proposed to the Nationalist government that a comprehensive set of public policies be adopted in order to foster private investment and expand exports.

Meanwhile, under the import-substitution growth strategy, a new class of domestic industrial entrepreneurs emerged under government protection and fostering. That is, though the Nationalists would not allow the transfer of existing government-owned "key" industries to the private hands, a large number of new light industries, especially manufacturing industries, were established by private entrepreneurs. By 1958, before the export-substitution policy was followed, the share of total industrial output was already equal between private and public enterprises.

To American aid policy makers, the purpose was to create in

Taiwan a "showcase" of the achievement possible in a free capitalist economy. Around this time, the concept of developing Taiwan into a successful "model" for future mainland development under free economic institutions also became increasingly appealing to the Nationalist leaders. A dual goal of development and recovery for mainland China was proclaimed by the Nationalist leaders. The Nationalist government, in 1960, then announced a 19 point program, in response to U.S. demand. It included actions to encourage saving and private investment, unification of foreign exchange rates, liberalized exchange control, tax reform, the sale of government enterprises to private owners, and holding military expenditure at the 1960 level. AID, in return, considered an additional loan program of \$20-30 million conditioned upon a prompt implementation of the program.

Also, in its third four-year plan for 1961-1964, the Nationalist government anticipated an "accelerated economic development" through expanding industrial sectors in the plan period. An export-substitute industrialization strategy was advocated. To create a strong and growing private industrial sector, a Statute for the Encouragement of Investment was promulgated, offering tax and other incentives to investors, domestic and foreign.

It has been shown that all points of the program were discussed between the Nationalist government and the U.S. AID mission, and most of them were ultimately implemented. (However, the Nationalists did not hold military expenditures to the 1960 level. As a result, the amount of promised loans was reduced to \$20 million, essentially a partial reward for incomplete performance). The climate for "free" capitalist economic growth was thus brought about by U.S. aid leverage in Taiwan.

In the following years, numerous industrial districts (zones) had been planned throughout Taiwan to meet the need of growing manufacturing plants. Foreign investors from the U.S. and Japan were expected to pour into Taiwan in the 1960s. The Nationalist government further restricted the expansion of public enterprises, gave new private industries tariff protection, and arranged low-interest rate loans from the Bank of Taiwan. A strong emphasis on export expansion was upheld from 1960. American aid-financed technical assistance was provided to improve the quality of manufactured products. Trade missions were dispatched to foreign areas. In 1965, a tax-and-duty-free industrial processing zone was established in the harbor of Kaohsiung. During the aid period, 1951-1964, for example, the number of profit-seeking firms outside of agriculture increased rapidly from 68,000 to 227,000; the number of business corporations rose from 1'000 to 11,000.

These increases gave Taiwan a high ratio of private enterprises to population in comparison with other Third World nations. By 1966, when U.S. aid was terminated, private industries contributed more than 60 percent of Taiwan's total industrial production, and their annual growth rate was triple that of public industries, 21.9 percent vs. 7.0 percent. In the manufacturing sector the difference was even more pronounced as private industries' production jumped from a 1952 base of 100 to a 1966 level of 1046.4, while public industries increased from 100 to 313.1. According to Jacoby's report to AID, effective encouragement of private enterprise was a key to the success of U.S. aid to Taiwan. In his words, American aid fulfilled its national strategic goal because "it did not build socialism" in Taiwan (Jacoby, 1966:92, 245).

This new industrial class created by U.S. aid was mainly native

Taiwanese. The socio-political implication was significant. The class has attained income, position, and prestige with the growing economic and political power. They were gradually able to have some say in shaping the Nationalist government's policies toward economic development, commerce, and foreign trade. To a great degree, they shared a mutual interest with the Nationalist elites in stressing industrialization at the expense of the agricultural sector. The coalition between the Nationalists and the new class was naturally built up as the new urban-based industrial class grew and could provide executive and managerial skills to the Nationalists and in return they were rewarded by favorable policies. The unique political economic context of American aid in Taiwan provided a direct acceleration of the emerging coalition of this new Taiwanese industrial sector with the Nationalist government.

The U. S. and South Korea's Private Industrial Sector

As in Taiwan, the emergence of South Korea's private industrial sector was also significantly affected by U.S. aid strategy. The Korean economy, after its inauguration in 1948, was more or less socialist. The Nathan Report had strongly advocated the return and strengthening of a free market economy in South Korea. The Mission recommendation on this particular aspect was certainly supported by U.S. aid authorities. With its aid leverage and other political pressures, the U.S. had finally persuaded the Rhee government to accept the necessity of a change in Korean political economy. The new policy line was a chief factor in bringing about the modified economic clause in the 1954 Constitutional Amendment. But the indifferent attitude of Rhee toward creating a competing private

sector had not changed.

Nevertheless, in spite of the Rhee government's relative indifference to the private sector, its mere tolerance of U.S. efforts to push forward industrialization did permit an increasing rate of private industry in the 1950's. As in Taiwan, a large quantity of U.S. aid dominated the post-war Korean political economy. Though not as an explicit policy, the U.S. aid authority had favored "import-substitution" growth as the Korean industrialization strategy, along with stress on private industries. Evidence of the special emphasis placed on growth of the private sector in South Korea appeared in joint U.S.-Korean economic aid agreements signed on two separate occasions, 1954 and 1956. In these agreements, the U.S. urged procurement of aid-financed imported commodities and materials through private sources rather than government agencies. Also, U.S. aid officials recommended the sale of government-owned monopolies to private hands. However, U.S. recommendations went unheeded until the Park government came into power in 1961. Nevertheless, with U.S. aid, many private industries were rehabilitated and expanded, including cement, textiles, ceramics, and food processing.

Aid also was the financial source in such new industries as glass, industrial chemicals, electrical machinery, rubber, paper and fertilizers. As was being done in Taiwan, the U.S. stressed its desire to expand the Korean private industrial sector particularly after 1958. The U.S. Operations Mission to Korea began a strong drive. Development Loans since 1959 steadily increased the market share of private industries, although toward the end of the Rhee regime, the government was still the major industrial entrepreneur in South Korea.

The year 1961, when the military government took power, was marked by the establishment, with U.S. aid support and urging, of the Economic Planning Board, and by the adoption of an ambitious first Five Year Plan. The U.S. also assisted the Park regime to induce foreign private investment in the Korean industrial sectors. In 1962, the statute for Inducement of Foreign Capital was enacted. By the end of 1970, 29 percent of foreign capital was public loans, while the remaining 71 percent consisted of mainly commercial loans and some direct private investment (7 percent) (*Korean Times*, Jan. 24, 1971).

Commercial foreign loans as well as private investments, have gone mostly "where the business is": into the manufacturing industries, particularly the labor-intensive ones where the investor can profit most from low wages, and obtain a return on his investment within a relatively short period. As of June, 1971, 51 foreign firms had invested \$50 million in electronics and electrical equipment and \$37 million in petroleum, while chemical fertilizers, textiles and garments had attracted \$20 million each (*Far Eastern Economic Review*, Aug. 28, 1971). Direct foreign investment has been increasing yearly. By the end of 1970, a total of \$225 million was invested in South Korea, of which 58 percent was American and 31 percent was Japanese (*Korean Times*, Jan. 24, 1971). But it is expected that Japanese capital will soon take the lead (*Far Eastern Economic Review*, Aug. 28, 1971: 71). In summary, most of the available capital was invested in profitable industries by private, profit-oriented investors, both Korean and foreign. As a result, a onesided expansion of the industrial sector emerged. Furthermore, the U.S. aid mission directed its activities to assist the Park government in its plan to induce private Korean investors by furnishing

capital, management and technical know-how for the growth of Korean private industrial enterprises.

In particular, Development Loans contributed to expanding the scale and the financial power of the private industrialist, especially those who already existed and had political connections, as discussed at length in Chapter 4. For example, as of September 1966, in U. S. extended development loans totalling \$258 million to Korea and 60 large manufacturers were the direct beneficiaries of those loans (USIS, 1966).

Why would the U.S. aid authority make special efforts to develop the manufacturing export industries in Taiwan and South Korea in the post-war era? There are two major possible reasons. The first reason is probably because American's past industrialization experience had succeeded in this pattern. The most convenient policy advice the U.S. aid authority could provide would obviously be its successful developmental experience, which also has been geared to influential development theory in the 1960's. The second reason, according to world system theory, is due to the effect of the international division of labor in the world capitalist system. The U.S., acting as a core state in the capitalist world economy, has expected to gain from trade with Taiwan and South Korea by creating a foreign market for American capital goods and industrial raw materials. Moreover, the imports of manufactured goods from Taiwan and South Korea to American markets were much cheaper than if they had been produced domestically or by other developed nations. In other words, the U.S. again would benefit from this "unequal exchange" (Emmanuel, 1972; Amin., 1976). We believe that the combination of the two above incentives has motivated the U.S. to stress the capitalist path of industrialization by means of

creating an expanding private manufactured industrial sector in both Taiwan and South Korea.

In conclusion, U.S. aid, with the image of creating a capitalist economy in both Taiwan and South Korea, forcefully influenced both governments' economic policies to create private industrial sectors. On their part, both the Nationalist government in Taiwan and the Park regime in South Korea in the 1960s, tolerated and later accepted U.S. aid strategies. As a result, in both nations, an influential private industrial sector emerged, and worked with the existing regime in pressing industrialization policies at the sacrifice of agriculture.

CHAPTER VII

CONCLUSIONS AND IMPLICATIONS

In this concluding chapter two objectives will be pursued.

The first objective is to summarize the preceeding chapters particularly chapters IV and VI. The propositions presented and evaluated will be discussed in the light of the macro exchange model suggested in Chapter I. The emphasis is to match the model with the data already presented. By so doing, the utility and ability of the model to provide theoretical explanations will also be evaluated. It is important to note that the major intention of this dissertation is not to assert "causability" of agricultural strategies adopted in post-war Taiwan and South Korea. Rather, it aims at offering some plausible "explanations", deduced from the macro exchange model, for undertaking the strategies that both governments have preferred and implemented. Thus, the extent to which the exchange model can provide adequate and sound explanations for each case will be examined in this concluding chapter.

The second objective will be to suggest some policy implications, also drawn from the exchange model, for agricultural strategies in Taiwan and South Korea. The focus will be on the model's prediction power, its ability to suggest possible alternatives for future agricultural development in Taiwan and South Korea. By implication, the developmental experiences of Taiwan and South Korea should also shed some light on other Third World countries' problems.

The Undertaking of Agricultural Strategies in Light of the Macro Exchange Model: The Cases of Taiwan and South Korea

This dissertation has explored the relationship between government agricultural strategies and their three broader settings: agrarian, national, and international. Diagram 1 on page 21 illustrates the importance of looking for explanatory factors by situating those agricultural strategies in the broader politicoeconomic setting.

Furthermore, in Diagram 2, page 35, a macro exchange model was suggested to interpret the above relationship. It suggests that strategy formation and implementation in agricultural development can be explained in terms of an exchange process between the government in question and other sectors involved.

A detailed account of the emergence and change in government agricultural strategies in Taiwan and South Korea after World War II was presented in Chapters II and III respectively. The description of the agricultural strategies was not written with the theoretical model clearly in mind. However, chapters IV and VI where a total of 4 propositions were presented on the relationship between government and involved sectors in the process of agricultural strategy formation were written with Diagrams 1 and 2 in mind, the propositions being examined in terms of the concepts in the macro exchange model (Diagram 2). In short, the exchange model in Diagram 2 serves to organize as well as to interpret the data.

Two major government strategies for agriculture are identified during the post-war period in both Taiwan and South Korea. They are 1) land reform in the early 1950's and 2) the post-reform squeezing policy in the 1950's and 1960's. For convenience of presen-

tation, the following summary will be divided into these two phases of post-war agricultural strategy. For each strategy the related theoretical propositions will be recast in terms of the exchange model.

Land Reform

Decisions on land reform in Taiwan and South Korea are explainable in terms of the exchange transaction between the indigenous government and the following three sectors: tenants (sharecroppers), landlords, and the American government. The exchange relations between government and each sector are specified in Propositions 1, 1a, 1b, and 4a (pages 37-38).

1. Government-tenant Relations

Proposition 1 specifies the exchange between government and tenants in deciding on land reform. If the regime perceives that the existing sharecropping and tenant system is a political threat to its power position, it is likely the regime will launch land reform. As the evidence from Taiwan and South Korea has shown, the crux of this proposition is how the regime *perceives* the connection between the tenants and political instability, and not what actually has happened to that connection. In other words, as long as the existing regime believes the failure to solve tenant problems threatens its political legitimacy, it will initiate land reform, whether or not political revolt and instability exists in the countryside.

In the case of Taiwan, the exchange process was nonparticipatory on the part of the tenants, for they were not involved in demanding reform of any sort. As discussed at length in Chapter IV there was very little indication of political unrest in the Taiwanese countryside. The 1947 violence was largely a urban phenomenon without

any conspicuous participation by the rural sector. In short, the post-war reality in Taiwan did not show a direct connection between the rural tenants and socio-political instability. But the Nationalist regime, upon arriving in Taiwan, perceived things differently.

The embarrassing experience on the mainland had made the Nationalists finally realize that the countryside was the crucial battle field they had lost to the Communists. Therefore, immediate action in Taiwan's rural sector was conceived to be a "must" to safeguard their political future on this island, even though the Taiwanese countryside was not the actual source of violence. To the Nationalists the tenants in Taiwan were perceived as the potential forces of socio-political revolution, appealed to by the Communists on the mainland. Also, the Nationalist government had foreseen the great costs if they failed once more to initiate any significant reform of the land tenure system on Taiwan.

In other words, the decision on a series of land reform programs in Taiwan was because of the fear and *perception* by the Nationalist government of *potential* rural instability in the tenure system that could threaten its political legitimacy. By doing so, the Nationalists believed that they would be avoiding a potential political crisis.

The case of South Korea presents another aspect. The decisions of the American Military Government (1945-1948) on land sale (1948), and later of the Rhee regime on land redistribution (1950), were basically because of the realization by the existing rulers of *actual* and visible rural unrest and violence in the Korean countryside. As indicated in Chapter IV the *de facto* post-war Korean government, the leftist dominated People's Republic had raised the tenants' enthusiasms on the hope of eventual land reform. Intervention

against local landlords took place with the Republic's encouragement. Under this circumstance, delay and inaction on land policy by the AMG caused growing rural unrest and riots. Even the AMG admitted the rural political situation was more precarious than ever since the occupation began. Finally, the AMG, despite the reluctance of the Korean Interim Assembly, was forced to sell Japanese owned land to Korean tenants in March, 1948.

Between the completion of land sale and the inauguration of the Rhee government in August, 1948, the Korean countryside was relatively more stable than before. However, the expectation of further redistribution of Korean landlord-owned lands was not realized in Rhee's first two years in power. During this period, frustration in the rural areas built up again. Social and political instability throughout the whole nation was very visible and serious, particularly in the countryside. Some armed revolts occurred. Communist guerrillas were the major backing forces. Like its predecessor, the Rhee regime believed a connection existed between the Communist threat and rural unrest. In March 1950, President Rhee finally signed the land reform bill, hoping to end the political threat to his regime. Korean tenants, as a potentially radical social sector, once again, had forced, the existing regime to engage in exchange with them for political stability. This is one of the major differences in exchange relations between tenants and the regimes in South Korea and Taiwan. The Taiwanese tenants were not actually participating in forceful actions like demonstrations, violence and armed rebellion. But the sectoral resources being exchanged, potential or actual, were the same. Legitimacy and political stability for the existing regime; and private land ownership, socio-economic well being and status for the tenants.

In short, from the available evidence from Taiwan and South Korea, it is clear that both the American Military Government, the Rhee regime and the Nationalist government all considered land reform (including land sale) as an effective "counter-revolutionary" weapon to gain political stability and the political support of the rural population. This was the prime motivation for their decisions on land reform after W. W. II.

In balance, both cases support Proposition 1.

2. Government-landlord Relations

It is important to note, however, that even though the exchange relations between the regimes and the sharecropper sectors constituted a significant "precondition" to land reform in both Taiwan and South Korea, the actual political decision-making on land reform was largely in terms of exchange relations between regime and the landed class. That is the theme of Propositions 1a and 1b, which stipulate two additional conditions under which a regime is more likely to undertake land reform. The two conditions are:

1. when the landed class does not control the regime (Proposition 1a);
2. when the landed class has moved its political and economic interests to the urban-industrial center (Proposition 1b).

As the available evidence has shown, the two derived propositions do not necessarily hold true at the same time. It suggests that as long as one of two conditions is met, a regime is likely to carry out land reform.

In analyzing the above two Propositions, we have discovered that the nature of the relations between the regimes and the landlords was different the three incidents of land reform already mentioned and that difference specifies under which condition land reform was

undertaken.

Let us examine Proposition 1a first. In the cases of Taiwan and the AMG's South Korea, the ruling regimes were non-indigenous to the local political circle that they ruled. The Nationalist and the American Military Governments were both separated from the local landed class. Imbalanced power relations existed between the regimes and the landlord class. The exchange process engaged in by the two sectors was in fact a power struggle, though a mild one.

The Nationalist regime moved into Taiwan from the mainland after its defeat by the Communists in 1948. The new Nationalist elites had no vested interests in the land of Taiwan and were free from sectoral dominance and pressure from the landlords. Besides, Taiwanese landlords had never been powerful at an island-wide level. As documented in Chapter IV, only 66 landlords on the entire island, or .01 percent of all landlords, had farms of more than 100 *chia* (97 hectares), and the large owners possessed only 2.09 percent of the entire private farm area. In view of this evidence, it is obvious that in no way could the landlords have become a rallying point for opposition. The Provincial Assembly in which the local landlords were relatively influential lacked any sectoral ties with the central government, controlled completely by the Nationalist Party.

With the fear that the rural sector would be a revolutionary force and under the two above additional conditions, the Nationalist government decided to cut off its traditional sectoral coalition with the landed class. The Nationalists' focus was thus shifted to the tenants. In order to save their political future in Taiwan, a redistributive land reform was enacted.

As similar situation was observed in South Korea under the

American occupation. The American Military Government, as the Nationalist government in Taiwan, was separated from Korean landlords. The only influential sectoral agent for the landlord class was the American-established Interim Assembly. Its indifference to land reform was clear. However, since the American occupation force was the *de facto* ruler of South Korea, the opposition of the Assembly to land sale was not crucial enough to halt the whole action. The crucial separation from the landed class gave the American Military Government a free hand to carry out land sale in South Korea.

As the exchange relations between the regimes and the landlords were complete, the rewards achieved were, again, legitimacy and stability for the regimes, while the landlords incurred some costs and gained some rewards. Both Taiwanese and Korean landlords lost the ability to expand their social, economic and political influence. But both nations' landlords avoided the confiscation of their lands without compensation, which had taken place in Mainland China and North Korea under communism. For Taiwanese landlords, particularly, a peaceful transfer of economic interests was another important result.

On the other hand, Proposition 1b applies only to the 1950 land redistribution in South Korea. The American land sale generated much support and enthusiasm among the Korean farming population for further redistribution of Korean-owned lands, which influenced the elected officials and Assembly. The political climate for the seemingly inevitable land reform was right. In anticipation of the reform, many landlords sold a great deal of land to tenants prior to the reform. In fact, only 56 percent of the 1949 tenant farm land was actually redistributed in the reform. The shift in landlords'

economic interests had already appeared. Politically, the National Assembly still had fairly strong landed interests among its membership, but they recognized that sectoral support from the countryside should shift to the rural masses. Meanwhile, they also attempted to shift their political base into the urban-industrial sector, in light of the strong sentiment toward land reform in the population.

In chapter IV, a detailed discussion has been devoted to the rationale behind the negotiation between the landed and non-landed interests in the Assembly. It was also discovered that land reform was a major topic in the power struggle between the Assembly and the president to define who should be the ultimate decision-maker in Korean politics. Therefore, more was involved in the final decision on land reform in 1950 than the fact that the landlord sector had moved its economic and political interests from the rural to the urban-industrial centers. Nevertheless, this factor certainly helped lessen resistance from the potential landlord opposition.

3. U.S. Influences

The above analysis only illustrates the *domestic* factors affecting land reform strategy undertaken during the immediate post-war period in Taiwan and South Korea. Proposition 4a, on the other hand, introduces a world system dimension to the exchange relations; between the regime and a foreign actor.

As derived from world system theory, the U.S. is a core state in the modern capitalist world system, which can have a strong influence on periphery states' domestic development policies. Both Taiwan and South Korea became client states of America. A dependence relation existing between the indigenous regimes in Taiwan and South Korea and the American government. However, in the

exchange view of Proposition 4, a reciprocal exchange between the core state and the periphery states can also be observed.

The U.S., emerging as a capitalist core state after World War II, had a foreign policy directed to defending the capitalist world system against Soviet Communism. Cold war ideology determined America's national interests. Foreign policy emphasis was placed on agrarian reform in the Third World where the U.S. tried to establish allies. Land reform along liberal lines was considered to be a counter weapon to Communist appeal in the Third World's countryside. Simply stated, it is in the interest of America to keep potential allies stable politically by gaining rural loyalty and support.

In Chapter VI, length documentation supported the argument that the U.S. had long been involved in the land reforms in Taiwan and South Korea. It is shown that the American government had put pressure on the Nationalist regime to carry out ambitious agrarian reform on the mainland during and after the war to counter deteriorating rural conditions caused by the Chinese Communists. But the Nationalists were still unwilling to challenge their traditional ties with the landlords on which their power had long been based. No evidence is available to determine whether this "unwillingness" was indeed the result of their failure to realize the danger in not instituting land reform or of strong opposition from the landlord class. Nevertheless, the American-financed Joint Commission of Rural Reconstruction (JCRR) was set up in Nanking on the eve of the collapse of the mainland in 1948.

The JCRR was immediately given power to initiate an appropriate land reform program in China. After the JCRR moved to Taiwan U.S. foreign agrarian policy favoring land reform in Taiwan

was even firmer. Much evidence suggests that had the Nationalist government been tardy in responding, a forceful U.S. initiative on land reform would have followed in Taiwan. In fact, at that moment, a total agreement on the necessity of land reform in Taiwan was reached without any debate the Nationalist and American governments.

Compared with Taiwan, the degree of U.S. involvement in South Korean land reform was much greater and more direct. Under direct American occupation, the quick sale of Japanese-owned lands was possible. More important, the American Military Government determined what type of land reform was to be adopted and who would be allowed to do the job. The Americans did not want any leftists to have access to the land reform, blocking the Korean Communists. Only safe Koreans, favored by the American authority would be encouraged to implement the land reform. The Interim Legislative Assembly was established by the American Military Government in the hope that it would assume the reform responsibility. But the Assembly was indifferent to reform due to its landlord-oriented nature. The American Military Government finally realized that it must carry out land reform itself since the Assembly was too conservative. That it did in 1948.

In the 1950 land reform act under the Rhee government, the degree of American involvement is not clear. However, given the fact that American aid supported the Rhee regime, it seems reasonable to suggest that there must have been significant input from America on the Korean land reform decision in 1950.

In exchange terms, the existing regimes in Taiwan and South Korea gained strength from American support on land reform. What the U.S. gained from this exchange was the establishment of two

more forces of containment in Asia plus the maintenance of its prestige as a major power in post-war world politics. Meanwhile, the sharecroppers and tenants also gained the status of independent landowners and improved their social standing in both nations.

In summary, the land reform strategy can be more or less explained in terms of the following three exchange processes involving the regime:

<u>Sectors in the Exchange</u>	<u>Discussed in</u>
1. Regime \longleftrightarrow Sharecroppers (tenants)	Proposition 1
2. Regime \longleftrightarrow Landlords	Proposition 1a Proposition 1b
3. Regime \longleftrightarrow United States	Proposition 4a

In light of these propositions, a general theoretical hypothesis can be developed for further testing in other Third World settings. When the existing regime encounters political treat from the rural sector that is perceived to be related to the existing land tenure system, then a change in that system is possible. But this condition alone cannot guarantee the implementation of a land reform. At least one of the following three additional criteria should be met.

- A. the regime should be free from the dominance of the landlord class;
- B. the landlord should have alternative means to achieve economic, social, and political power, allowing them to shift their interests from the rural sector to other sectors;
- C. a core state (e. g. U. S.) should back up the regime in its land reform efforts.

Post-Reform Squeezing Strategy

With the completion of land reform, a policy of "squeezing" the

agricultural sector was adopted by both regimes, to further general economic growth. In both nations, two aspects of squeeze were apparent; a *production squeeze*, transferring increments of farm production to the non-agricultural sector made possible through low farm price policy; and an *expenditure squeeze* by means of taxes, forced savings, and high prices for agricultural input. For various reasons, this squeeze strategy had greater impact on national development in Taiwan than in South Korea. Some of the explanations can be found in various sections of Chapters II, III, IV, and VI. This dissertation has also indicated some of the reasons why this squeezing agricultural strategy was preferred by the existing regimes immediately following land reform, and why this strategy was maintained in effect without being challenged by the rural-agricultural sector.

From the exchange perspective, the policy of "squeezing" agriculture after land reform can be understood in terms of other exchange relations between the regimes and related sectors. The squeezing policy is more complicated than land reform since the exchange transaction involved more sectors: small landowner-farmers, ruling elites, the urban-industrial class, urban-working class, and the U.S. Not only had the number of sectors involved in the exchange increased, but also the quality of exchange reactions became more complex. Those relations are specified in Propositions 2, 3, 3a, 4b, and 4c (pages 37-38).

1. Government—Small Landowner-Farmer Relations

Proposition 2 concerns the exchange relations between regime and small farmers after land reform. It points to a pre-condition under which the existing regimes were able to carry out any agricultural strategy they chose.

Land reform in both Taiwan and South Korea has created the bulk of small landowner-farmers who benefited from the reform. Huntington's assertion about the politically conservative character of small land holding farmers has been examined in the context of Taiwan and South Korea.

Land reform transformed the *social* character of the rural sector from potentially revolutionary into fundamentally conservative. Though no direct *individual-level* evidence exists to prove that independent small landowners are more conservative than their tenant counterpart, it is commonly believed that they are more likely to be concerned with minor changes in commodity markets than with any major change in the institution of property.

Supporting, though indirect, evidence is provided by Paige's crossnational study of agrarian social movements in the Third World after W. W. II (Paige, 1976). The study concludes that very few significant social movements occurred under small holding systems in the Third World. This holds true for both cases of Taiwan and South Korea. No rural social movement was observed during the whole period under study. One plausible explanation for the conservatism of small landowners in the post-reform era is that as long as land ownership is equitable and living conditions bearable, any drastic and collective movement is not welcomed by them. Since the agricultural sector had just experienced much worse "exploitation" under Japanese colonial dominance, the small farm owners were satisfied with what they had after land reform. Consequently, they found any further radical change in government policy unattractive and costly. Rural political support for the existing regimes was manifested in post-reform electoral results.

In South Korea, Rhee's Liberty Party dominated the rural areas

after the reform, while opposition came solely from the cities. For example, in the 1956 presidential election and the 1958 National Assembly election, Rhee's candidates won rural areas but the opposition party carried the urban area. After the coup and a temporary favorable policy for agriculture, Park won 50 percent of the rural vote as against 41 percent for his rival. Even when the squeezing agricultural policy was in effect which did cost some rural votes, the rural southeast still supported the Park regime in the 1967 election.

This trend was also prevalent in the Taiwanese countryside. For more than 20 years, the Nationalist party has consistently won seats in the provincial assembly, county magistrate, county and city council elections in the rural areas, while the challenges have come from the large industrial cities.

Election results also provide some clues as to why the post-landreform regimes were impelled to meet the growing demands of the urban-industrial sector rather than help the rural-agricultural sector. Although it became clear that the squeezing of agriculture in the 1950's and 1960's moved resources from the agricultural sector to the nonagricultural sector, and that the gap between the two sectors was widening, the politically conservative character of the small farmers held them back from engaging in any significant movement to challenge the government's squeezing policy.

In balance, proposition 2 is supported by the available evidence from both Taiwan and South Korea.

2. Government-Urban-Industrial Class Relations

Proposition 2 only establishes a pre-condition for the possible unfavorable agricultural policy after the land reform. It does not provide adequate explanation for the actual implementation of the

unbalanced squeezing policy on agriculture in Taiwan and South Korea. Propositions 3 and 3a point to further interpretation of why that could have happened.

In exchange terms, propositions 3 and 3a both indicate exchange relations between the regime and the urban-industrial sector. Proposition 3 suggests the importance of regimes' "sectoral preference system" in engaging in exchange with various competing sectors. Proposition 3a suggests a coalition between the regime and the urban-industrial sector is the result of the pro-industrial ideology held by the ruling elites. In other words, Proposition 3 explains why the industrialization policy is preferred and adopted in the first place. Both regimes advocated an ideology of national modernization vis-a-vis industrialization of their economy. Then, Proposition 3a further explains why the unbalanced squeezing agricultural strategy persisted for the past two decades. It can be accounted for by the new coalition between the regimes and the emergent urban-industrial class which the regimes created after the land reform.

In order to examine the plausibility of Proposition 3, a documentation of the Nationalists and the Rhee and Park governments' ideological statements concerning economic modernization has been provided.

The Nationalists have long been criticized by the Chinese for their urban-industrial bias in past development efforts on the mainland. While this can be explained by the sectoral basis of the Nationalist Party during the mainland period, when it was supported by urban-commercial-financial-industrial interests, there is also an ideological explanation. This is reflected in President Chiang Kai-Shek's book, *China's Destiny*. He viewed industrialization as the basis of China's modernization. He interpreted Dr. Sun Yat-sen's *International*

Development of China in a way to support his pro-industrial view. Chiang's pro-industrial writing should be interpreted against China's reality. When Chiang wrote his book in 1942, China had already been facing very serious agrarian problems for years, but he devoted very little attention to the deteriorating rural sector in the entire book. After the Nationalists withdrew to Taiwan, this industrialization ideology was still the leading guidance for the regime's subsequent economic development strategies.

On the other hand, South Korean elites' modernization ideology differed between the Rhee and Park regimes. The concept of national modernization was overridden by concern from nation-building and internal political struggle during the period of President Rhee Syngman. After the Korean War, Rhee did put more stress on economic modernization than before, but still opposed any long-range economic development plan.

An ideology of modernization in terms of socio-economic development was not apparent in the Rhee government. However, for political reasons, the Korean industrial sector was given favor by the regime in the 1950's when the political economy was dominated by American foreign aid. The rural-agricultural sector was thus largely ignored.

On the contrary, President Park Chung-hee, in the 1960's, advocated an ideology of national economic modernization through industrialization. In his book, *Our Nation's Path*, for example, Park justified his military coup as a means to meet the task of modernization. An unbalanced growth doctrine was already apparent in his writing on the eve of his election as president. He recognized the instrumental role of the agricultural sector in Korean development. Though "agriculture first" was his campaign slogan in the

1963 election, Park betrayed that promise after 1964 by refusing an ambitious agricultural loan program. This changed orientation for unbalanced growth was officially upheld in the subsequent five-year economic development plans in South Korea under Park.

In conclusion, Proposition 3 received varying degrees of support in Taiwan and South Korea. The evidence in the Taiwanese case seems to support it more strongly. The evidence from the Rhee regime is not adequate to demonstrate the connection between Rhee's conception of modernization and his pro-industrial policy. However, Park's squeezing agricultural policy did have an ideological origin.

Furthermore, Proposition 3a identifies a pattern in the emergence of the private industrial class as a result of the pro-industrial development policies. Especially in the 1960's, this urban-industrial sector emerged as a strong and growing social and political sector in the overall domestic scene. For both Taiwan and South Korea, some direct evidence was available.

In Taiwan, the urban-industrial sector grew rapidly during the two phases of import and export substitution industrial growth in the 1950's and 1960's. This demonstrated both in its share in Taiwan's domestic product, and employment. More importantly, both the private industrialist class and the urban working class increased in size and in significance.

Evidence suggests that a sectoral coalition exists between the Nationalist regimes and the urban-industrial sector. As a result of its growth, the industrial sector demanded more resource allocations from the regime in excess of its contributions, through representation in various levels of political-economic decision-making. It is important to note that representatives with business, industrial, and professional sectoral origins have always been over-represented at

various levels of government. On the contrary, the agricultural sector has been constantly underpresented in proportion to its population distribution (see Tables 4-5 and 4-6).

In exchange perspective, it is suggested that under the circumstances just described, a coalition seems very likely to maintain the pro-industrial squeezing effects on the agricultural sector. It also explains why there has been no resistance or challenge to the current squeezing agricultural policy from the rural-agricultural sector in Taiwan.

As indicated earlier, though major industrialization efforts were not initiated in South Korea until the 1960's, the origin of the current industrial sector can be traced back to the political economy of the 1950's. Under the Rhee regime, a very obvious coalition between the Liberty Party and the domestic industrial-commercial class was established by both legal and illegal ways of allocating foreign aid and capital. This coalition trend has been even more evident since the national economic plans were adopted during the Park period. Under the circumstances, those private entrepreneurs established themselves as *Jaebol* (monopolistic capitalists) similar to Japanese *Zaibatsu*. Economically, the industrial sector became the leading sector in Korean economy, both in product and employment.

Like its Taiwanese counterpart, the Korean urban-industrial sector emerged as an influential sector politically through its direct and indirect involvement in the various levels of politico-economic decision making. At the national level, the secondary as well as tertiary sector was always over-represented in the National Assembly since the Korean War. Agricultural interests, on the other hand, had long been suppressed and sometimes even not represented in the National Assembly (see Table 4-7). As a consequence,

the nonagricultural interests in the key decision-making body have effectively upheld the squeezing agricultural policy.

Three important cautions should be noted regarding the evidence presented from Taiwan South Korea.

First, in discussing the influences of the non-agricultural sector on the political-economic decision making process, only provincial and local levels are discussed for Taiwan. This is due to the current political structure in Nationalist Taiwan. The highest legislative body in Taiwan is the Legislative Yuan, in which the overwhelming majority are Nationalist mainlanders, whose sectoral interests undoubtedly conform with the Nationalist central government. Therefore, the only valid evidence is at the provincial and local levels, where the actual exchange took place between the Nationalist regime and the domestic sectors.

Second, the measure of exchange coalition between the regimes and the industrial sector is rather indirect. No direct measures of coalition such as documents of Assembly hearing, debates on rural-agricultural issues are presented due to the unavailability of access to the information sources (if such sources indeed exist). Only indirect indicators of possible exchange coalitions between the regimes and the industrial sector are used to explain why the post-reform squeezing agricultural policy preferred by the regimes could be implemented effectively. What is suggested is not that the unequal distribution of sectoral interests in the various levels of decision-making bodies causes the squeezing agricultural policy, but that the constant overrepresentation of the industrial-commercial sectors as well as the under-representation of the agricultural sector that helps support the *status quo* to pursue further industrial growth at the expense of agriculture.

Only with this perspective in mind can policy modifications on agriculture in both Taiwan and South Korea in the early 1970's be comprehended. They involved tactical shifts of sectoral alliances, attempted by the regimes without harming the established coalition with the industrial sector.

Third, Government was in no way neutral in allocating resources to different sectors in the process of economic development. However, the regimes in Taiwan and South Korea have skillfully succeeded in minimally satisfying the agricultural sector, keeping it from any tendency to political revolt. They also successfully prevented any significant sectoral clashes between the urban-industrial and rural-agricultural sectors. It requires a relatively strong government to achieve this, and both the Nationalist and Park governments have demonstrated their character as "hard" states (Myrdal, 1969).

3. U. S. Influences

Taiwan and South Korea were strongly linked into the U.S. sphere of influence after W. W. II, as indicated in Chapters V and 6. Americans were involved in many aspects of the internal affairs of these countries, so it is reasonable to look for evidence of involvement in domestic agricultural policies.

Propositions 4b and 4c explore this international dimension of exchange relations involved in government agricultural strategy. Proposition 4c is directly related with the general Proposition 4, while Proposition 4b is more specific in one particular aspect.

Proposition 4c, as an extension of proposition 3a, brings America into the exchange transaction in support of government industrial sector oriented development strategy. Schematically, the exchange relation involving the U.S., indigenous regimes, and the industrial sector, appears as: U.S. aid strategy favoring private enterprise for

building industrial capitalism in recipient nations→influences on the indigenous government, advising import substitution and export-substitution industrial growth policies→creation of native private industrial-urban sector→coalition of the private industrial sector with the government sector→insistence on squeezing agricultural policy.

A historical account is provided examine American pressure, via aid, on the Chinese Nationalist government in Taiwan in relation to developing the private industrial sector.

In 1960, under American pressure and demand, the Nationalist government issued a nineteen point program for accelerating private industrial growth through the improvement of investment environment for both indigenous and foreign entrepreneurs. Also, in its third four year plan for 1961-1964, an export-substitution industrial growth policy was officially established and has been in effect ever since. American aid-financed technical assistance was provided to improve the quality of both production and trade skill.

A similar phenomenon was also observed in South Korea. Though U. S. pressure on the Rhee government was not effective, American aid did rehabilitate and expand many private industries.

After Park took power in South Korea, the American involvement in Korean industrial growth was much more direct and effective. The statute for inducement of foreign capital was enacted in 1962, and the U. S. aid mission directed its activities to assist the Park government in its plan to induce private Korean entrepreneurs by furnishing capital, management and technical know-how to the Korean industrial sector.

Several plausible explanations are provided as to why the U. S. has been so interested in influencing both governments to develop their industrial sectors.

First, it was the basic belief that capitalism should be the better model for Third World countries to follow for their national development. Since Taiwan and South Korea can be considered two peripheral states of the American world system, the pressure to advocate capitalism by fostering a strong private industrial sector seems predictable.

Second, the U.S. government feared that the large amount of American aid flowing to Taiwan and South Korea might create socialist states there. Therefore, vigorous efforts were focused on limiting state enterprises and nourishing the private sector.

Third, according to world system theory, the U.S., as a core state in the capitalist world economy, had an economic interest in creating manufacturing industries in Taiwan and South Korea, as part of the international division of labor within the world capitalist economy.

And finally, even the U.S. did not have a clear image of the future international division of labor, there was a clear image of industrialization as the best path for national development, the one of which they had the most experience and where they were best able to give advice.

As a result, the ever growing private industrial sector started to establish external connections with world capitalist cores through foreign trade. In a broader sense, there existed a coalition among the three sectors, the U.S., the existing regimes, and the private industrial class, which clashed with the interests of domestic agricultural sectors.

Finally, Proposition 4b points to another reason for American involvement in the post-land reform squeezing agricultural policy in

Taiwan and South Korea. That is the Public Law 480 agricultural surplus sales since 1954. It is clear that PL 480 served America's interest of surplus disposal and creation of foreign markets for American agricultural products. To the recipient regimes in Taiwan and South Korea, it was used as an effective and convenient politico-economic instrument to maintain its domestic grain needs without engaging in costly agricultural development programs. It also provided a large amount of cheap foreign grain to lower market prices in the cities. In this respect, the transaction actually involved not only the regime and the U.S. aid sector, who both welcomed the surplus sales, but also the domestic agricultural sector, who suffered loss, and the urban-industrialists as well as working class who enjoyed cheap food prices.

The disincentive effects on domestic agriculture caused by PL 480 were evident in both Taiwan and South Korea during the sale period. Again, the exchange relations between the regime and American aid were working against the interest of the rural-agricultural sector, helping the regimes effectively implement their squeezing agricultural strategies for years.

As documented in Chapter VI, Proposition 4b gains more confirmation in the case of South Korea than in Taiwan. More direct evidence of the Nationalist's use of PL 480 as a tool of its squeezing agricultural policy is certainly needed.

To sum up the above 5 propositions concerning the post-land-reform squeezing agricultural strategies in Taiwan and South Korea, at least four exchange relations can be detected in the following chart.

<u>Sectors in the exchange</u>	<u>Discussed in</u>
1. Regime \longleftrightarrow Small landowner-farmer	Proposition 2
2. Regime \longleftrightarrow Urban-industrial class (elites' ideology toward modernization)	Proposition 3 Proposition 3a
3. U.S. \longleftrightarrow Regime \longleftrightarrow Urban-industrial class (aid with a pro-industrial growth emphasis)	Proposition 4c
4. U.S. \longleftrightarrow Regime \longleftrightarrow Urban-industrialist and working classes (PL 480 agricultural surplus sales)	Proposition 4b

Finally, as to the research implications of this dissertation, it is hoped that the present study has somehow provided a useful basis for future comparative cross-national research on Third World agricultural strategies.

Policy Implications and Prospects

The foregoing summary highlights the relationship between two major government agricultural policies, land reform and post-reform squeezing policies, and the exchange dynamics which took place during the past three decades in Taiwan and South Korea. Following the works by Ilchman and Uphoff (1966), Waldman (1972), and Mamalakis (1969, 1972) which have tried to modify and extend Blau's original exchange model to public policy analysis, this dissertation explores the case of government agricultural policy in two nations. The utility of this macro exchange model has been demonstrated with substantial data and evidence presented to explain the origin, maintenance, and change in the agricultural strategies in Taiwan and South Korea.

In this final section, some policy implications will be suggested. This discussion hopes to serve as a continuation of our test of the exchange model's power of prediction and applicability for develop-

ment policy. Three issues will be particularly emphasized. First, what are the implications of "development" for the agricultural sector? In exchange terms, what has the agricultural sector gained from it? Second, what can we say about the national governments' performance in Taiwan and South Korea? In exchange terms, how well have the two governments performed in satisfying the various sectoral demands, while trying to modernize the nations as a whole? Were any better options available for the governments other than squeezing agriculture for national growth? Third, what will be the future of agriculture in both Taiwan and South Korea? If the answer to the first question is rather negative, than what can be done?

Can we expect the rural-agricultural sector itself to initiate any drastic change in its sectoral exchange position in the future? What caused the recent modifications of government policy for agriculture? How significant is that change? Does it imply a basic strategic shift in both nations' development ideology and policy?

Development or Exploitation for Agriculture?

Homans and Blau claim exchange theory is consistent with the rule of justice in social exchange. Homans states that as long as an exchange continues it is regarded as profitable by both parties, and therefore it should be considered "just". As Zeitlin criticizes, this bears a "dangerous resemblance to the tautological, functionalist propositions Homans vehemently repudiates" (Zeitlin, 1974: 68). Blau has extended this principle of the distributive justice of exchange by arguing that there should exist a commonly shared social norm or value that governs what is "just" and what is "fair" in social transactions between macro social units. He calls attention to the fact that the exercise of power should also be judged on the basis

of social norms of justice (Blau, 1964:228-9; 1971:65). But Blau fails to spell out *whose* norms or values really determine the rule of "justice" in exchange. Both Homans and Blau maintain a subjective interpretation of just or unjust exchange, noting that if exchange remains in effect, the involved parties must feel it is just, since no man or group stays a party to an exchange relation that fails to realize for them the required or expected proportionality of reward to investment. What happens when it fails? Individuals will anger, according to Homans and collective opposition to power will arise, according to Blau. In other words, the option to break off the exchange is always available.

Let us assess the exchange position of the small farmers during the past decades, under squeezing policies, in terms of these ideas. Upon the completion of land reform, the benefits and rewards received by the small farmers had indeed exceeded what they expected from the exchange. They therefore fortified the regimes' power and legitimized their authority. We have shown that, to an extent, the perceived just rewards of those tenants-turned-landowners contributed to the status quo over the post-reform period, even when the squeezing policies were in effect. To exchange theorists, as long as the "rewards" brought about by the squeezing policy still met the expectations of those farmers, there is no perceived exploitative relation. This condition clearly holds as applied to the two nations.

It was true that the farming sectors did not experience an absolute deterioration of living standards even in the squeezing period. It was also true that they have shown their dissatisfaction to the squeezing strategy by passively shifting their degree of approval to the regimes' authority, reflected in voting behaviour.

This phenomenon was more obvious in South Korea than in Taiwan. No radical movement was expected or detected, however.

Does this mean that the exchange relation established between the farming sector and the regime and other sectors has been fair and just, simply because no breakdown of exchange was apparent? What can we say about agricultural "development" in human terms?

The fact that the small farmers accepted the relationship should not blind us to the possibility that they may also have had little or no choice, and that they were therefore forced into it. The centralized control over the rural sector that was established by the central governments certainly helped account for the compliance of the small farmers. The back-up of American aid, insisting on pro-industrial growth, also helped deepen the unequal exchange relations for the agricultural sector.

This is not to deny completely the validity of the subjective criterion for judging a fair or exploitative exchange transaction. In order to know whether and to what degree they are exploited the small farmer must perceive subjectively the presumed service the regimes are rendering as well as the portion of the rewards the regimes takes for themselves versus the portion they leave for the farming sector. What is objectional, however, is the total reliance on behavioral indicators of fairness or justice to determine if in fact an exploitative exchange exists.

In the post-land-reform period, the imbalances and inequalities of power implicit in the exchange relations between governments and the agricultural sector are very clear, and they too should be considered as objective indicators of injustice.

In his comparative study of the exchange relationship between

lord and peasant in modernization process, Barrington Moore also argues that subjective notions of "fairness" and "exploitation" are not adequate (Moore, B., 1966:471-3). He maintains that an "objective" criterion is needed to determine if an exchange relation is just or exploitative. Gouldner further suggests that an exploitative situation exists as long as the transaction involved things of unequal value. Following Moore and Gouldner, an exploitative situation can be seen to have been applied to both Taiwan's and South Korean small farmers during the 1960's when the regimes' exactions increased and their relative contributions to the *welfare* of the villages declined. In this respect, even though the small landowner-farmers had improved their material condition after land reform and agricultural growth was increasing over the whole period, they were indeed exploited since the exchange transaction between them and the regimes involved things of unequal value.

If we accept the humanist notion of "equality" as an implicit goal of development (Seers, 1969; Dorner, 1971; Goulet, 1974; Berger, 1976), then what has been done to the agricultural sector cannot be justified as "development" in Taiwan and South Korea. Agriculture has been squeezed and exploited in the name of national modernization. That leads us to the second issue of how effectively the regimes in the two nations have used their unbalanced paths to economic progress, having squeezed agriculture.

A Successful Government Strategy?

Was there any other agricultural policy alternative available for the regimes, given the exchange relations which existed? How well have the regimes performed in national economic modernization as a whole?

First, let us review their growth record briefly. According to the World Bank, from 1950 to 1975, the GNP per capita of the developing countries (including People's Republic of China) as a group grew at an average rate of 3.4 percent a year. Both Taiwan and South Korea are among the six nations that had highest growth rates, over 5 percent a year. In a World Bank study, the ranking of eighty developing nations by GNP per capita remained remarkably stable between 1950 and 1975. Only Taiwan, South Korea, and Iraq rose outstanding in relative rank (Taiwan from 43 to 17; South Korea from 54 to 35) (Morawetz, 1977-20). All in all, both Taiwan and South Korea have undeniably been two of the fastest growing Third World nations, as Table 7-1 indicates.

The success of the overall economic growth in Taiwan and South Korea in the past three decades, to a great degree, has been the result of the regimes' management of their exchange relations with all the sectors involved, agriculture, industry, and foreign. More specifically, the two phases of unbalanced growth strategy were the direct consequence of the urban-industrial sectoral bias of the regimes' governing elites.

Can the urban-industrial bias be justified in terms of national development? Certainly, there exists economic literature advocating the necessity of that unbalanced growth for the Third World (e.g. Hirschman, 1958). As in so much reasoning of this type, the socio-political miseries are ignored, the rationalization being that "in time" the end will justify the means. The squeeze and exploitation on agriculture however is not justifiable in terms of just, equal national development. It can only be explained by political decisions on the part of the regimes.

In fairness, it should be noted that it is to the regimes' credit

TABLE 7-1: COMPARATIVE INDICATORS OF GROWTH
IN TAIWAN AND SOUTH KOREA

	GNP per capita (1974 U.S. dollars)		Annual Growth rate of GNP per capita (%)			Population (Million)	Annual Population Growth Rate			
	1950	1975	1950-60	1960-70	1970-75		1950-60	1960-70	1970-75	1950-75
Taiwan	224	817	4.8	5.9	5.8	16	3.4	3.1	2.0	2.9
South Korea	146	504	2.6	6.4	8.3	34	2.8	2.3	1.6	2.3
East Asia ^a	130	341	3.3	4.0	4.8	--	2.6	2.4	2.2	2.4

a: It include British Solomon Is., Fiji, HongKong, Indonesia, Khmer Rep., South Korea, Lao Peoples' Democratic Republic, Malaysia, Papua New Guinea, Philippines, Singapore, Thailand, South Vietnam and Taiwan.
Source: World Bank Atlas (1977); Morawetz, 1677: 13-19.

that they managed sectoral affiliations and coalitions skillfully.

There is one further common characteristic shared by both regimes in the 1960's, when the squeezing agricultural strategy prevailed. Both the Nationalist and the Park governments can be classified as "reformer states", in that social and economic progress took place without a basic change in the political structure, as opposed to "revolutionary states". There was no intention to bring about rapid, complete, and violent change in values, social structure, political institutions, and leadership (Hirschman, 1968). The essence of "reform-mongering" in a developing country is to structure the situation so as to influence the participants in the political exchange area. A reformer regime must not overwhelm a single opponent with an exhaustive set of demands, but should minimize its opposition by an apparently very limited set of demands. In other words, a reformer regime, if it is to be successful, requires a higher order of political skill than does a revolutionary one (Huntington, 1968:345). It has to engage in two-front or maybe multi-front negotiation and bargaining with a multiplicity of participating sectors. It also requires that the regime should be able to shift its sectoral affiliation at the right time. For both Taiwan and South Korea, the regimes have managed to set correct priorities in meeting their competing sectors demands over the whole postwar period. For example, in the early 1950's the Nationalist government and Rhee regime had given up landlord support in order to gain tenant loyalty, while in the 1960's the Nationalist and Park governments shifted their sectoral identification to the urban-industrialist class and left the rural-agricultural sector behind. Through the whole period, however their affiliations with America were always significant, close and unchanged.

In this respect, both the Nationalist and Park governments in the 1960's were successful in balancing changes in economic structure against changes in political institutions in such a way that neither was hampered. They were pretty much in command of the direction of socioeconomic change by means of government policy. In conclusion, given the limited exchange alternatives open to the regimes, government strategy undertaken so far for economic growth and social change has been effective and "politically" feasible.

What Can Be Done?

If the foregoing analyses of the nature of government strategy and its impacts on the agricultural sector are correct, we seem to face an inevitable dilemma in evaluating Third World agricultural development. The source of this assessment dilemma comes from the conflict between the means and ends of national development.

As the findings of this dissertation show, the end products of overall economic growth in both nations have been impressive, and the regimes have pretty much controlled the direction of their growth smoothly. They have also demonstrated the characteristics of "hard states" in embarking on economic development efforts, even though the nature of dependence on America is evident.

However, our analysis of the means that have been used to reach the end products has indicated that the agricultural sector did not share equally the fruits of national growth. We also have noted that a redefinition of development including the notion of equality is needed for the Third World.

In Taiwan, the agricultural sector has already fulfilled its "historical mission" during the imbalanced growth phase, while in the case of South Korea the story is different. Compared with

Taiwan, South Korean agriculture has been relatively backward. Throughout the import substitution strategy under the Rhee regime, much of agriculture's potential fuel for further growth was not fully realized. Accordingly, after export substitution was carried out, a tremendous burden fell upon the industrial sector, assisted largely by foreign capital, to continue to "pull" the sector along with it, despite the continuous drain of agricultural workers. This inevitably led to a certain distortion in the industrial sector. The simple reason is that, with agriculture's push not forthcoming, industrial exports have had to "run" even faster, beyond the point of efficiency and even forced a "premature" backward linkage type of import substitution (Fei and Ranis, 1977: 25-27).

The developmental problems confronted by South Korea are thus much more complicated than those in Taiwan. Nevertheless, Taiwan is already facing a deteriorated agriculture as a result of the squeeze. Agriculture will not again generate significant net exports and help food self-sufficiency. In fact, since the late 1960's, Taiwan has already become a net importer of food (JCRR, 1974). And this trend will increase in the future.

The question is therefore whether both governments are determined to "save" the agriculture sector from total "collapse" and to keep it from being detrimental to overall growth. In both nations, recently renewed efforts have been observed.

Can we account for the recent change of government agricultural policy in the exchange model? In terms of the way exchange relations have worked after the land reform, the agricultural sector has been put in a rather weak exchange position. It is poor economically and powerless politically. It is doubtful that changes in the regimes' agricultural strategies were caused by pressure

from the agricultural sector. Besides, the sectoral composition of both nations' politico-economic decision-makers further indicates that the agricultural sector will probably never be in a position independently and forcefully to press any significant change in government strategy.

The only plausible explanation of the recent change is that it should be seen as a tactical shift of the regimes' sectoral interest, for the time being, due to the objective deterioration of agriculture. As long as the regimes' tactical changes do not jeopardize the firmly established coalition with the industrial sector, opposition to halt the change will not be great. Once again, we have seen how reformer states have managed to shift affiliations among sectors to improve their own exchange position. How effective the recent change will be to develop agriculture without exploitation is still too early to examine.

If the agricultural sector itself is, indeed, powerless to improve its position by rural social movements or politicization in the exchange structure, can there be any alternative other than depending on the government's tactical realization of the importance of agriculture? One possibility would be a joint sectoral coalition between the agricultural sector and the urban-working class. As indicated earlier, the urban-working class had participated in exchange "against" its rural cousins during the import and export substitution phases. The inter-sectoral income differentials in Taiwan and South Korea are not so large that a class-based coalition is inconceivable. As the numbers of urban working class increase by rural migration to the cities, the increase in real wages will slow down. This can lead to a further decline of sectoral income differentials. Then the possibility of an inter-sectoral intra-class

coalition is likely to increase, and if it can lead to further decreases in income gaps between sectors (Mamalakos, 1972:111). Economic equality can then lead to political equality.

The possibility of this inter-sectoral front will also depend on another condition. As Lipton points out, it depends on whether urban trade union leaders take an "expansionist" view of their interests. They should not build a wall around the privileged urban employee elites and keep villagers from unionized urban jobs, relegating them to the informal sector. In an expansionist strategy, union leaders will seek to increase their membership with slowly growing wages: an expanding army rather than a walled garrison (Lipton, 1977:334). As more villagers take jobs, remittance flows to the rural sector would become positive on balance. Most significant, the political pressure of the joint front, as class consciousness increases, would be strong enough to influence government development policy in a more equitable direction. However, the validity of this prediction, based on the exchange model, must remain to be seen.

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