

RETROSPECT ON AND DOCUMENTS OF LAND REFORM IN JAPAN*

It cannot be denied that the Japanese land reform, like the new Constitution, was promoted by the Occupation Forces. Although there had been some tepid desire for a land reform within a part of the Japanese government, solely the Occupation Forces could overbear the opposition opinions of both the Japanese government and the victorious Allied countries. However that may be, the success of the forceful implementation of the land reform means that the conditions for the reform were already matured. Nevertheless it could not have been put into effect except by the Occupation Forces.

I. THE ROAD TO LAND REFORM IN PRE-WAR PERIOD

1.

Disputes over agricultural land, and in particular peasant riots arising out of tenancy disputes, occurred with frequency and violence in the Taishō period (1912-1926), and this fostered a desire for reform and/or improvements among the officials of the Ministry of Agriculture and Forestry. (See Table 1.)

Feeling in favour of a reform of the landlord system was heightened at the Ministry of Agriculture and Forestry on the occasion of the Rice Riots (1920), and under Tadaatsu Ishiguro (then Head of the Department of Agrarian Administration and later Minister for Agriculture and Forestry), who considered land reform his life-long problem, a number of able young officials were trained. Again, the tradition was established that in some sense or degree it was the task of the Minister to concern

*The Editorial Board is solely responsible for this annotation and compilation.

himself with the problem of land reform, and it was the expectation of the lower officials also. In this there was a responsible susceptibility for agrarian policy and a sympathy for the peasantry; such attitude was derived from nationalistic sentiment and a feeling of the élite. Further, we may say that the government, too, although it regarded labour movements as manifestations of subversive ideology and repressed them with severity, went so far as to proffer a reformist sympathy to the tenancy problem. Towards the end of the Second World War even the military fascist government was

Table 1. Numbers of Tenancy Disputes and Labour Disputes

	Tenancy Disputes	Labour Disputes
1921	1,680	896
1922	1,578	854
1923	1,917	647
1924	1,532	933
1925	2,206	816
1926	2,751	1,260
1927	2,052	1,202
1928	1,866	1,021
1929	2,434	1,420
1930	2,478	2,289
1931	3,419	2,456
1932	3,414	2,217
1933	4,000	1,897
1934	5,828	1,915
1935	6,824	1,872
1936	6,804	1,975
1937	6,170	2,126
1938	4,615	1,050
1939	3,578	1,120
1940	3,165	732
1941	3,308	334

Sources: Nobufumi Kayō (general editor), *Nippon Nōgyō Kiso-Tōkei* (Basic Statistics of Japanese Agriculture), p. 107; Committee for the Compilation of Source Material for the History of the Labour Movement, *Nippon Rōdō-Undō Shiryō* (Source Material for the History of the Labour Movement in Japan), Vol. X, 1959, pp. 440-441.

forced to give consideration to land reform as a radical counter-measure to the agrarian problem, in order to increase food-production and raise productivity. In this connexion it need hardly be said that the overwhelming majority of Japanese soldiers were of peasant stock, and that the simple agrarianism lurking in Japanese militarism was at work here.

2.

Government designs for tenancy legislation begin with the Research Committee for Tenancy Institutions set up in 1920, but regarding actual legislation we have the "Kosaku-hō Kenkyū Shiryō (Source Material for the Study of the Law of Tenancy in Agriculture)," the compilation of which was due to the personal initiative of the Secretary, and the report of the above Committee, "Kosaku Chōtei-hō (the Tenancy Conciliation Law)."

Although the "Source Material for the Study of the Law of Tenancy in Agriculture" (1921) did not come to completion, it is worthy of note as the most clear indication of the intention to draw up tenancy legislation at this time. In regard to the firm establishment of the cultivator's right this work was the more drastic in comparison with the later Tenancy Laws. For this reason, however, it was gradually weakened in the course of survey by the pressure of the landlords, both within and outside the Committee, and thereafter tenancy legislation was concentrated on two lines of development; the establishment of cultivating proprietors and the adjustment of tenancy disputes.

In 1924 the document entitled "The Tenancy Conciliation Law" was distributed with a view to coping with these frequently-occurring disputes. It need hardly be said that this law, which looked for the final settlement of all tenancy disputes, operated in the interests of the landlords. Legal assessors (*hanji*) were appointed to the member of Conciliation Committees, and at the same time a Tenancy Officers

(*Kosaku-kan*)¹ system was set up at the level of Prefecture with the duties of assisting and co-operating with the Committee. It is to be noted that these Tenancy Officers played a very great role in the implementation of the land reform after the war.

The price of land and the price of rice fell after the First World War and the economy of the landlords was straitened. Against this background the Tanaka Cabinet issued an order for the establishment of cultivating proprietors in 1926, but since in practice it was the embodiment of a "free establishment formula" under which transactions in land cultivated in tenancy were left to the discretion of the landlord and tenant concerned, its results were extremely limited. Nevertheless it possessed significance in that it struck out the line of policy aiming at the dissolution of the tenancy

1. By "Tenancy Officers" is meant officers established at the time of the coming into force of the Tenancy Conciliation Law in 1924 for the purposes of assisting the members of the Tenancy Conciliation Committees, two of whom were appointed to the Ministry of Agriculture and Forestry and one of whom was appointed to each Prefecture.

These officers were established as a result of the efforts of Tadaatsu Ishiguro (then Head of the Department of Agrarian Administration), the progenitor of the Tenancy Conciliation Committees. Personnel administration in respect to these officers was in the hands of the Ministry of Agriculture and Forestry and they were under the direct control of the head of the Department of Agrarian Administration, but in regards to the status of the Tenancy Officers attached to each of the Prefectures an anomalous arrangement was in force under which these officers were included among the personnel of the Ministry of the Interior. Consequently, even when political pressure was brought to bear for the transfer of these officers on the grounds that they were the possessors of a progressive ideology, their remuneration and powers were equal to those of departmental heads in the Prefectural administrations and they were quite safe so long as these requests remained unapproved by the head of the Department of Agrarian Administration at the Ministry, and perhaps as a reflection of the nature of their duties they possessed in common a special type of personality. In appreciation of them Tōbata goes so far as to say that the position of a Tenancy Officer was a very honourable and special one, and that if it had not been for them the Japanese land reform would have taken another ten years.

system and the establishment of cultivating proprietors.

On the other hand, legal prescriptions for the provision of a radical solution of tenancy disputes, that is, for the firm establishment of the cultivator's right, constituted a challenge to the interests of the landlords, and as a result of the resistance offered by the landlords they made no progress at all. In 1927 the Agricultural Tenancy Draft Law was passed over when the Cabinet of Seiyūkai Party led by Prime Minister Tanaka was formed, and the Agricultural Tenancy Bill put forward in 1931 at the time of the Cabinet of Minseitō Party under Prime Minister Hamaguchi also failed to pass into law. Even the Agricultural Land Bill proposed in 1937, a bill which conceived tenancy relations in terms of paternalism and the spirit of mutual yielding and mutual aid, failed to pass the Diet and became a dead letter.

Shortly after this the China Incident broke out, and the Agricultural Land Adjustment Law of 1938, which was produced in response to this new situation after a re-examination of the Agricultural Land Bill, was very much in the nature of war-time legislation, and in that it contained special legal provisions regarding the use, proceeds, and disposal of agricultural land which over-rode the provisions of the Civil Code it signified a definite turning-point for the landlords' rights of ownership. At length the Second World War broke out in Europe, and Japan making preparations for a world war found that further war-time legislation for agricultural land was necessary, and under the National General Mobilization Law of 1938 the Agricultural Rents Control Order, the Emergency Order for the Control of the Price of Agricultural Land, and the Emergency Order for the Administration of Agricultural Land, etc. were laid down. These three Orders, which were issued in the form of commands by the Emperor, all aimed at price control and the maintenance of agricultural production as a part of war-time economic policy and in no way sought

to take any direct measures in regard to the problem of land holding, but the development of the situation made inevitable, by indirect means as it were, some change of land tenure relations under the landlords.

In this way the preconditions for land reform went on growing within the war economy, and in the implementation of land reform after the war they were also indebted to the presence in the Ministry of Agriculture and Forestry of moderate reformist officials who sought to make use of this opportunity and to change the social structure of rural society.²

For instance, the Agricultural Rents Control Order fixed rents at 1939 levels. And by the Emergency Order for the Control of the Price of Land of 1941 the price of land was frozen in the interests of the policy of establishing cultivating proprietors and the policy of low prices, while under the Emergency Order for the Administration of Agricultural Land, etc., the utilization of cultivated land was brought under control for the purposes of securing the maximum production of food. In this way restrictions were imposed on the freedom of landownership. The last legal measure which sought to make changes in the land system was the amendment of the "owner-farmer establishment provisions" by the Agricultural Land Adjustment Law, proposed in 1943. This arose out of fears for the future of the agricultural population due to the increasing demand for labour during the war.

At this stage in the war the government planners still had their blue print of their ideal post-war society. As important elements they considered that the peasant population should be set at 40% of total

2. Hiroo Wada, one of the administrative officials later concerned in the land reform, was put in prison for his socialist ideology, which was considered "contrary to the National Policy," and the post of the head of the Department of Agrarian Administration was subject to supervision by the Higher Special Police. This much is clear from their frank declarations that they consciously attempted to carry out a policy of reforming the landlord system.

population, and that these peasants should be given sufficient land to assure them of economic stability, it would be possible to be assured of efficient cultivation by owner-farmers alone, bound by the ties of ownership to their land, as well as of a robust ideology, a high rate, and a source of supply of healthy recruits for the armed services.

As an accompaniment to this amendment of 1943 a marked increase was made in the funds to be used in the purchase of land by tenant-cultivators who owned areas of land less than the Optimum Size of Holding (the area of the Optimum Size of Holding differed according to region and type of land). When the amendment was prepared in the Ministry of Agriculture and Forestry in 1941 it included powers of compulsory purchase in respect to the total area of land owned by absentee landlords and in respect to the total area of land in excess of 5 *cho* owned by landlords living in the villages (the same provisions as those of the first Land Reform proposals of 1945), but when the amendment was put into effect in 1943 these provisions were deleted.

3.

The occasion for a transition from rents payable in kind to rents payable in money was afforded by war-time food policy. The war-time government set up the dual price system for rice—a landlord's price and producer's price. In the interests of raising food production it was decided not to move the basic price of rice paid equally to landlords, tenants, and cultivating proprietors, but

instead to pay large sums in supplementary subsidies given to cultivators alone. This policy got under way in the rice-year 1941, and the gap between the landlord's price and the producer's price widened as the war developed. (See Table 2.) On the other hand, under state control of food based on Orders issued in 1940 and the Food Administration Law of 1942 all rents paid in rice to absentee landlords, and all rents paid in rice to landlords living in villages minus their rice retained for domestic consumption, were placed under state control, and measures were also taken to see that the forwarding of these rents was carried out by the tenants themselves. Towards the end of the war the landlords were under a considerable stimulus to sell their land because of this kind of differential treatment under the deliveries system, and it was also a fact that being a landlord was in process of becoming less profitable than it had been before.

In July, 1945, an attempt was made by agricultural officials to encourage the development of owner-farming system and of payment of rent in money by means of compulsory alienation of land which the government organ could employ under certain conditions. This proposal, however, was withdrawn by the Minister of Agriculture and Forestry, T. Ishiguro, at the cabinet council.

4.

In the historical course of the ideology on land reform, it is apparent that the

Table 2. The Dual Price System for Rice and Changes in Rate of Rent from Irrigated Land

	Average yield per <i>tan</i>	Producer's price per <i>koku</i>	Income per <i>tan</i>	Rent per <i>tan</i>	Landlord's price per <i>koku</i>	Sum of rent per <i>tan</i>	Rate of rent
	<i>koku</i>	<i>yen</i>	<i>yen</i>	<i>koku</i>	<i>yen</i>	<i>yen</i>	%
1941	1.781	49.00	87.27	1.04	44	45.76	52
1942	2.172	49.00	106.43	0.97	44	42.68	40
1943	2.066	62.50	129.13	1.03	47	48.41	38
1944	2.009	62.50	125.56	1.01	47	47.47	38
1945	1.376	300.00	412.80	1.02	55	56.10	13
1946	2.218	550.00	1219.90	1.02	75	76.50	6

Source: Land Reform Records Committee, *Nōchi Kaikaku Temmatsu Gaiyō* (General Account of the Land Reform), p. 507.

proposals for agrarian reform had much to do with the reform which later took place. In the event, however, it proved impossible to carry out any reform up to the time of the defeat, and Shirō Tōbata, who was involved in these matters, remembers the circumstances of the case as follows.

Towards the end of the Second World War the position of the landlords was declining all the time because of the war economy. Under the cover of war-time policies for increasing food production the officials in charge of agrarian administration had deliberately carried out policies which would weaken the landlord system, their intention being to prepare the ground for land reform. As three forms of interference from the part of the government were put into effect the drawing up of the First Land Reform proceeded comparatively smoothly.

When the war had become more severe officials of the Ministry of Agriculture and Forestry, keeping contact with staff officers of the Army and Navy immediately after the American forces landed on Okinawa in April, 1945, judged that the war could continue for another three years, and they thought that the landlord system should have collapsed by the time the Americans landed on the main Japanese Islands. For they estimated that the American occupation policy would prove to be a colonial policy making use of the Japanese landlord system. This prediction was based on the American colonial policy in the Philippines which protected the landlord system, and on Japan's experience of using the landlord system as an instrument of occupation policy in Southeast Asia and in China. Further, the fact that the then Minister for Agriculture and Forestry, Tadaatsu Ishiguro, and the Vice Minister, Mototake Yukawa, were both specialists in the land question gave a spur to their proposals for reform. Thinking that the time was ripe, the head of the Agrarian Administration Department (Shirō Tōbata) opened up negotiations on his own with the Army and Navy, and other bodies, and more or less succeeded in persuading

them on the necessity of weakening the landlord system.

In the event, however, the proposals for land reform thus drawn up and presented to the Cabinet were, as we have noted above, set aside by the hand of Minister, Ishiguro, himself, a person whom one would have expected to have been an advocate of reform.

Thus in July, 1945, with defeat looming, the officials in charge of agrarian administration went forward to meet the cessation of hostilities in a state of irritation and uneasiness, their dreams of accomplishing their longed-for reform before the end of the war dashed. Yet their tenacity of purpose can be seen in the fact that all the documents relating to the reform of the land system have been preserved to the present day.

II. THE FIRST LAND REFORM

I.

When in October, 1945, the Higashikuni Cabinet fell and the Shidehara Cabinet took office, the new Minister for Agriculture and Forestry, Kenzō Matsumura, said on the day of his appointment, "The land question is that of establishing owner-farmers on a wide-scale, and although the Agricultural Associations, etc., were all run as 'government-made' bodies during the war, these should now be handed over to the peasants." In this personal statement of policy the Minister put new life into the ideology of reform, which seemed as though it might have been buried for ever. In addition to this, Hiroo Wada, who had been put in prison during the war, came back as the head of the Bureau of Agrarian Administration, and put ever greater expectations before the officials in charge of agrarian administration. Under Wada, there were Shirō Tōbata (Head of the Department of Agrarian Administration), Eiichi Sakata (Head of the Department of Special Products), Makoto Saitō (Administrative Officer), Keiki Ōwada (Administrative Officer), Katsumasa

Tanabe (Tenancy Officer), Tōkichi Isozumi (Technical Officer), and others, an array of able officials who produced a first draft of a reform only a few days after Minister Matsumura's appointment and proceeded to look into it in the utmost secrecy. There was some difference of opinion between Minister Matsumura and the Ministry officials over this first draft. Minister Matsumura had early been a believer in owner-farming principle; and it was his faith that land should be owned by the cultivators and not even one *tan* allowed to be given out for cultivation in tenancy. In the light of the turbulent condition of Japanese society following the defeat this faith made him all the more determined to carry out a reform, since he believed that if such a reform were not carried out rural Japan would go Communist. We may say that he was motivated by the conservative political intention of "preventing bolshevization." As against these views of the Minister regarding the establishment of owner-farming system, the view of the other officials in charge of agrarian administration was that at this stage it was the transition to payment of rents in money which was of greatest urgency and that the liberation of land in excess of 3 *chō* should be carried out by agreement between landlord and tenant and compulsory powers applied only when an agreement could not be arrived at. The reasons for the Ministry officials clinging to the conversion of rents into money payments were (1) that under conditions of rising prices this would constitute an effective lowering of rents, (2) that by paying rents in kind an entrepreneurial consciousness would be nurtured even among the small peasants, and (3) that even if the establishment of owner-farming were carried out in a drastic manner, if there were no reform of the conditions of tenancy it would be impossible to prevent the owner-farmers from again taking to economic parasitism.

Again, in regard to the establishment of owner-farming system, while the Minister set the area which a landlord living in a

village might give out to tenants at 1 *chō* the Ministry officials stressed the slightness of the possibility of having this realized, and wished to have the limit raised to 3 *chō*. This is another instance in which the views of the Minister and those of his officials were at variance.

The character of this first draft of the First Land Reform Bill is to be found in the fact that it represented a final synthesis of two tendencies in agricultural legislation dating from the end of the Taishō period, namely the Seiyūkai's programme for establishing owner-farmers and the Minseitō's tenancy legislation, but we may find a marked difference in it particularly in the point that it set out clearly the powerful promotion of owner-farming system with the support of suitable prices simultaneously with the attainment of a transition to money rents. The first draft thus produced, after undergoing a number of alterations in the cabinet, was passed by the cabinet as Outline Provisions for a Reform of the Land System. The principal change in the draft, intending a moderate reform and holding fast to protecting the established leaders in village life, consisted in raising the limit of holdings of a landlord living in a village from 3 *chō* to 5 *chō*. In this way the First Land Reform Bill came before the 89th session of the Diet in 1945. During this time, while the Bill was being drawn up, there were such episodes as the demand by the Minister of State, Jōji Matsumoto, an upholder of the inviolability of property rights, that the provision for "compulsory cession of private rights of ownership" should be deleted on the grounds that it constituted a violation of the Constitution.

The Land Reform Bill was not welcomed by the Diet, and in particular it was the object of opposition from behind the scenes by conservative members of landlord origin who wished the limit of land holdings to be determined on the basis of the Optimum Size of Holding, but on the 9th of December, 1945, at the very moment when it seemed that the Bill would be buried without

being discussed in full by the Diet, the document which was given to the Japanese by W. M. Gilmartin of G. H. Q. was the memorandum which in later days came to be called the Order for the Liberation of the Peasants. The Ministry officials inferred that Gilmartin, who had been reading the reports of the debate in the Diet which had been communicated to him, had handed over this memorandum after making an appreciation of the situation in the Diet. They at once translated this memorandum, and read out before the Diet. This memorandum alone was sufficient to change the atmosphere of the Diet, and the bill was passed into law. This is considered to be the first instance of interference in the internal affairs of Japan committed by the Occupation Forces in regard to the agrarian policy of the Japanese government.

2.

The officials of the Ministry of Agriculture and Forestry harboured the feeling that, with the spectacle of repeated tenancy disputes before them, there could be no development of the peasants and agriculture without a solution of the land question. Under war-time conditions their Tolstoyan humanism was labelled "subversive ideology" or "communism," and they were subject to all manner of oppression, but throughout they kept repeating their contentions while changing their methods and means, and thus maintained their views before the world.

However, we may shortly describe the reform which these officials envisaged as being a change from feudal relations of land ownership to capitalist relations of land ownership. Again, the fact that although reforming ideology regarding agricultural land was present in the Ministry of Agriculture and Forestry no one at the Ministry had noticed the importance of the question of forest land exposes a narrowness of vision which conceived the question of agricultural land in isolation from other questions, and bears eloquent testimony suggesting that there was a lack of any macroscopic vision

in which the land question was considered in its place within the Japanese economy as a whole. The fact that the majority of these officials were of landlord origin may also have been one of the reasons which caused them not to arrive at a drastic vision of land reform. Even as regards the questions of the payments of rent in money and the expropriation of the land, which constituted the essential framework of the reform, the proposed land reform was no more than an eclectic proposal devised with the needs of an older order of society in mind. Nevertheless, these officials themselves believed that this draft reform was the supreme policy, and, for example, the fact that even when they were ordered to produce a draft for a land reform under the Order for the Liberation of the Peasants they at first thought that their draft did not require any emendations not only shows their self-confidence and professional pride but also that at the same time they laboured under some misapprehensions regarding the policy of the Occupation Forces.

3.

Simultaneously with the publication of the First Land Reform Law there appeared criticisms of the reform and stigmatizations of its defects, and the dominant opinion in these criticisms was the point that this Land Reform Law was a compromise proposal in relation to the ruling class, who intended to defend the landlord system to the death.

As regards the payment of rents in money, Professor Hyōe Ōuchi, who adopts the position of attaching relatively little importance to the nature of landlord landownership, gave it as his opinion that by the reform the tenants would strengthen their position as the main constituent in capitalist agriculture and that it would accelerate change in the basic social relations in the village, and he put forward the point that this government draft reform would have been more progressive if it had not included provisions for the establishment of owner-farmers.

As regards the establishment of owner-farmers, Professor Itsurō Sakisaka, for example, criticized the proposed reform on the grounds that the conversion of tenant peasants into small landowners would signify yet one more step backwards from their proletarian character, and Professor Michitaka Kainō, too, fiercely attacked the proposed reform on the grounds that it was essentially reactionary for the government to take steps to make universal, and to perpetuate, minute-scale land holdings under the principle of fostering owner-farmers.

However, it was GHQ which carried out the decisive negation of the First Land Reform Law. The main points seem to have been (1) that much of the land in the hands of tenants would not come under the plan because landlords were to be allowed to retain an area of 5 *chō*, (2) that much was to be left to the free arbitration of committees composed largely of landlords, which would make it difficult to enforce compulsory sale orders against landlords since complicated procedures had to be gone through before this could be done, and (3) that the proposed reform contained no provisions regarding rents and other conditions of tenancy which would protect the interests of tenants.

In this way, the historical significance of the end-product which may be described as the final synthesis of the land question produced after many years of investigation and research by the Japanese officials in charge of agrarian administration (the First Draft Reform) was terminated, and in its place Japanese land reform passed to the implementation of a more drastic version of it, GHQ's Second Draft Reform.

III. THE SECOND LAND REFORM

1.

For example, the following foreign item appeared in the *Manchester Guardian* of the 26th of September, 1945:

Land Reform is the first step towards the democratization of Japan. The military

received a blow from the defeat, but the *Zaibatsu*, the bureaucrats, and the landlords remain, and nothing but positive policies from the part of the American government, or, failing that, economic difficulties for Japan, will cause them to undergo any change. The reform of agriculture is the first step in the reform of Japan. Raising the standards of living of the peasantry will cut off Japanese industry's supply of cheap labour and will also result in a reduction of Japan's military manpower potential, while on the other hand the increase in the purchasing power of the peasantry will have the effect of increasing domestic demand, and, by extension, of bringing about a relaxation of exports and aggression in relation to foreign countries. Consequently, American pressure at this point is the only road to the democratization of Japan.

These words are sufficient to show us that for the victorious Allied countries, too, the reform was a matter of the utmost urgency.

Why, then, did America keep silent until the debate on the Japanese government's First Draft Land Reform had fallen into a state of deadlock during the final stage of discussion? What was America thinking of during the period of approximately four months between the cessation of hostilities on the 15th of August, 1945 and the Order for the Liberation of the Peasants of the 9th of December? These circumstances lead us to ask whether GHQ would have embarked on a land reform at all, if the Japanese government had not taken steps to bring forward the First Draft Reform in the form of legislation. We would find a key to the solution of this question, albeit a negative one, in the following. The then head of the Department of Agrarian Administration, Shirō Tōbata, judging from newspapers and news sources in the United States that there might be an inclination towards land reform on the American side, went on his own to a meeting with Williamson (Officer, Natural Resources Section of SCAP) and on sounding him received

the reply that there was "no objection" to the proposed reform, a reply which was restrained but which indicated that the matter was not entirely unthought of. This is the basis for our supposition that the matter was not absent from the thoughts of the American side.

On the other hand, let us now look at the situation prevailing inside the American government. Research regarding the Japanese tenancy system had been carried on from before the war by the bureaux concerned with foreign agriculture at the American State Department and the Department of Agriculture, and at the end of October in the year in which the war ended General MacArthur is believed to have received documents on the subject of a general view of the Japanese tenancy system and the necessity of reform. Nevertheless, although measures for the dissolution of the *Zaibatsu* are spoken of in the Directive on Occupation Policy sent to General MacArthur from the American Joint Chiefs of Staff on the 3rd of November in the same year, no mention whatever is made of land reform. How should this discordance be understood? Can it be that the documents received at the end of October were merely of a private character?

2.

When the basic policy for the occupation of Japan was being hammered out at the State Department in the summer and autumn of 1945, documents prepared by Wolf I. Ladejinsky, at that time an officer of the Department of Agriculture, and R.A. Fearey, an officer of the State Department who had been responsible since during the war for the subject of agricultural policy as a part of the occupation policy for Japan, became the centre of discussion. Opinions were evenly divided regarding the necessity of land reform as contended for by Fearey, and the matter ended in a virtual victory for the opposition with no decision being taken on it. It seems that the chief reasons for opposing land reform were doubts as to

whether it would be possible to obtain sufficient support from tenant peasants who had a low level of political consciousness, and the belief that even if land reform were carried out it would produce considerable confusion and that there would be a danger of the country going Communist. Consequently the Fearey documents met the sad fate of being shelved. Another view is that there were anti-Japanese and pro-Japanese factions within the American government, and the pro-Japanese faction opposed these measures on the grounds that they would be a remote cause affecting the stability of the Emperor system.

Now after these discussions at Washington, Fearey was transferred to Tokyo at the beginning of October, and became one of the subordinates of George Atcheson, Jr., political advisor to General MacArthur. Fearey persuaded Atcheson, and the latter forwarded these Fearey documents to General MacArthur together with a memorandum of his own. It is said that General MacArthur had all the time been aware of the importance of the agrarian question. He gave positive approval to the Fearey documents and it would seem to have been about the middle of November that on his own responsibility he gave instructions to the head of the Information and Culture Bureau for the drawing up of a directive to the Japanese government.

In response to a proposal from the Information and Culture Bureau, where the directive was being prepared in accordance with orders, W. M. Gilmartin, an officer dealing with the land question at the Bureau of Natural Resources, compiled within the space of few days a memorandum of proposals for reform in connexion with the land question, and this, together with the Fearey documents, provided the basis for the memorandum of the 9th of December.

The special characteristic of the Fearey documents may be summarized very briefly in the point that *landlords were not to be permitted to retain any land [cultivated by tenants]*. If a recommendation to this effect had

materialized the subsequent problems involved in the compulsory purchase of land holdings might have presented an entirely different aspect.

3.

Apart from the independent decision by General MacArthur which we have mentioned above, the factors which exercised a great effect in the forceful implementation of the Second Land Reform were, domestically, the criticism from the Socialist and Communist parties of the First Draft Reform over the proposed permission for landlords to retain an area of 5 *chō*, and internationally, the Soviet Union's strong stand

for reform in the Japan Control Commission. (This last may be considered to have been partly inspired by appeals from the Japanese reforming parties.) As a result of this, the American representative on the Japan Control Commission eventually rejected the recommendations whose essential elements were derived from the English proposal set before the Control Commission by MacMahon Ball. It goes without saying, however, that even this English proposal could not have been brought to completion without the co-operation of the Japanese officials at the Ministry of Agriculture and Forestry at that time.

MATTERS RELATING TO THE REFORM OF THE LAND SYSTEM

(*Nōchi-Seido Kaikaku ni kansuru Ken*)

November 16, 1945, the Ministry of Agriculture and Forestry

Since there is a danger that the violent changes in the domestic situation consequent upon the conclusion of hostilities may cause the fragmentation of agricultural holdings and a rise in rents and in other ways cause the conditions of agricultural production to deteriorate still further, the consideration of steps to develop the productive potential of agriculture by nurturing a healthy peasantry is not only crucial for securing food production but is the basis for the reconstruction of Japan, and in the light of these facts it is intended to undertake a radical reform of the land system which has been the factor chiefly responsible for the static condition of Japanese agriculture, the measures to be employed comprising the strengthening of the establishment of cultivating proprietors, the payments of rents in money, etc.

I. The Strengthening of the Establishment of Cultivating Proprietors

In the light of the fact that the nurturing of healthy cultivating proprietors is of the greatest importance for the economic stability of agricultural holdings and the development of agricultural production, healthy cultivating proprietors will be established throughout the country as rapidly as possible under the general line of policy that in principle the ownership of agricultural land should not exceed the owner's ability to cultivate it.

1. In order to ensure the rapid progress of the work, the Agricultural Associations attached to Cities, Towns, and Villages (*mura*) may, when required, be instructed to buy up all land cultivated in tenancy and take steps to redistribute the agricultural land in question.

2. In order to promote the provision of agricultural land required in the establishment of cultivating proprietors, means will be devised whereby the cession of agricultural land may be compulsorily enforced.

3. The price of agricultural land will remain controlled, the aim being to bring about the economic stability and improvement of the holdings of cultivating proprietors.

4. Consideration will be given to the payment from the National Treasury of a certain sum in compensation to owners who provide agricultural land for the purposes of the establishment of cultivating proprietors.

II. The Payment of Rents in Money

High rents payable in kind have not only caused the holdings of tenant peasants to be economically unstable, but have provided conditions under which it has been more profitable for cultivating proprietors to become landlords rather than to strive for the enlargement and improvement of their holdings, and have prevented the development of Japanese agriculture, and in the light of the present food situation and of these facts steps will be taken to have rents paid in money and to have rents adjusted by the independent action of the Agricultural Committees attached to Cities, Towns, and Villages, since the raising of food deliveries has now rendered increasingly irrational the existence of the "rice retained by the landlord" (*jinushi hoyūmai*).

1. Rents in kind (including rents fixed in kind but payable in money) will not be recognized, and existing tenancy agreements providing for rents in kind (including rents fixed in kind but payable in money) will be amended, at the landlord's price of rice for

rice produced in 1945 (or at price to be specified separately in the case of rents in kind fixed in terms of products other than rice), to tenancy agreements providing for rents payable in money).

2. Control of rents will be retained in force.

III. The Renovation of the Agricultural Committees Attached to Cities, Towns, and Villages

Since a reform of the land system including such undertakings as the establishment of cultivating proprietors and the adjustment of rents has as its ideal the expediting of these works by co-operation between the landlords and the cultivators, it is intended to reorganize the Agricultural Committees attached to Cities, Towns, and Villages, to elect them by electoral methods which will ensure a just representation of both sides by the committee members, to endow these committees with wide powers and to cause them to take independent decisions on the

question of agricultural land.

IV. The Promotion of the Opening-up of Uncultivated Land

Since the opening-up of uncultivated land is not only urgent for increasing food production but also makes very great contributions to the establishment of cultivating proprietors, the improvement of agricultural holdings, the return to agriculture of unemployed persons, etc., the making available of uncultivated land will be dealt with in accordance with the provisions of Section I above.

1. The control of transfers and destruction of agricultural land will be retained in force.
2. The legal measures connected with the above matters relating to land reform will take the form of amendments to the Agricultural Land Law.
3. The Rents Control Order, the Emergency Agricultural Land Price Control Order, and the Emergency Order for the Administration of Agricultural Land, etc., made under the provisions of the National General Mobilization Law, will be abolished.

GENERAL PROVISIONS FOR THE REFORM OF THE LAND SYSTEM

(*Nōchi-Seido Kaikaku Yōkō*)

November 22, 1945, the Cabinet Decision

In the light of the fact that the consideration of steps to develop the productive potential of agriculture by nurturing a healthy peasantry is not only crucial for securing food production but is the basis for the reconstruction of Japan, it is intended to undertake a radical reform of the land system which has been the factor chiefly responsible for the static condition of agriculture, the measures to be employed comprising the strengthening of the establishment of cultivating proprietors, the payment of rents in money, etc.

I. The Strengthening of the Establishment of Cultivating Proprietors

Within five years from the present, healthy cultivating proprietors will be established rapidly and throughout the country.

1. The land which will be the object of the plan for the establishment of cultivating proprietors will be agricultural land owned by absentee landlords and agricultural land in excess of about 5 *chō* (on the national average) at present owned by landlords resident in Villages (including those resident in adjacent Cities, Towns, or Villages). Agricultural land which an absentee landlord considers suitable for cultivation by himself in the near future and agricultural land in excess of about 5 *chō* (on the national average) which a landlord resident in a Village cultivates himself, or considers suit-

able for cultivation by himself in the near future, will not be made the object of the establishment of cultivating proprietors as in the previous instance. Land in excess of 5 *chō* at present cultivated by cultivating proprietors will be exempt.

2. Agricultural land owned in the Town Planning Areas set up under the Town Planning Law which is considered unsuitable for use in the establishment of cultivating proprietors will not be made the object of action under this plan.

3. As regards the methods for the establishment of cultivating proprietors, in order to ensure the rapid progress of the work, the Agricultural Associations attached to Cities, Towns, and Villages may, when required, be instructed to buy up all land cultivated in tenancy and take steps to redistribute the agricultural land in question.

4. Special methods of payment, such as long-term deposits or the issue of securities, will be adopted in paying for land purchased from landlords, and their use and dispensation will be kept within suitable limits.

5. As regards the funds required for the purchase of land [by cultivators], encouragement will be given to purchase by means of the purchaser's own funds, as far as possible in the form of a single down payment, but in cases where the provision of such funds by means of a long-term instalment repayment system will be recognized.

6. In order to promote the establishment of cultivating proprietor's returns price, the controls on this price will be retained in force.

7. In order to promote the establishment of cultivating proprietors, the cultivating proprietor's returns price (40 times the rental value in the case of irrigated land, and 48 times the rental value in the case of un-irrigated land) will be taken as the basis, and the controls on this price will be retained in force.

8. A certain sum will be paid from the National Treasury in compensation to owners who provide agricultural land for the

purposes of the establishment of cultivating proprietors.

9. Means of legal relief for owners of agricultural land, in the form of objections, appeals, etc., in regard to orders for the compulsory cession of land issued by local chief administrative officers and in regard to the prices appertaining to such land, will be recognized.

II. The Payment of Rents in Money

Along with the establishment of cultivating proprietors, rents will be made payable in money. In regard to rents in kind hitherto paid in rice, this provision will become effective in respect to rice produced in 1946 and thereafter.

1. Rents payable in kind (including rents fixed in kind but payable in money) will not be recognized, and existing tenancy agreements providing for rents in kind (including rents fixed in kind but payable in money) will be amended, at the landlord's price of rice for rice produced in 1945 (or at prices to be specified separately in the case of rents in kind fixed in terms of products other than rice), to tenancy agreements providing for rents payable in money.

III. The Renovation of the Agricultural Committees Attached to Cities, Towns, and Villages

Since a reform of the land system including such undertakings as the establishment of cultivating proprietors and the adjustment of rents must be carried out by means of co-operation between landlords and cultivators, it is intended to reorganize the Agricultural Committees attached to Cities, Towns, and Villages, to elect them by electoral methods which will ensure a just representation of both sides by the committee members, to endow these committees with wide powers and to cause them to take independent decisions on the question of agricultural land.

MEMORANDUM FOR: IMPERIAL JAPANESE GOVERNMENT
 THROUGH : Central Liaison Office, Tokyo
 SUBJECT : Rural Land Reform

1. In order that the Imperial Japanese Government shall remove economic obstacles to the revival and strengthening of democratic tendencies, establish respect for the dignity of man, and destroy the economic bondage which has enslaved the Japanese farmer for centuries of feudal oppression the Japanese Imperial Government is directed to take measures to insure that those who till the soil of Japan shall have a more equal opportunity to enjoy the fruits of their labor.

2. The purpose of this order is to exterminate those pernicious ills which have long blighted the agrarian structure of a land where almost half the total population is engaged in husbandry. The more malevolent of these ills include:

- a. Intense overcrowding of land
 Almost half the farm households in Japan till less than one and one half acres each.
- b. Widespread tenancy under conditions highly unfavorable to tenants
 More than three-fourths of the farmers in Japan are either partially or totally tenants, paying rentals amounting to half or more of their annual crops.
- c. A heavy burden of farm indebtedness combined with high rates of interest on farm loans
 Farm indebtedness persists so that less than half the total farm households are able to support themselves on their agriculture income.
- d. Government fiscal policies which discriminate against agriculture in favor of industry and trade
 Interest rates and direct taxes on agriculture are more oppressive than those in commerce and industry.

e. Authoritative government control over farmers and farm organizations without regard for farmer interest
 Arbitrary crop quotas established by disinterested control associations often restrict the farmer in the cultivation of crops for his own needs or economic advancement.
 Emancipation of the Japanese farmer cannot begin until such basic farm evils are uprooted and destroyed.

3. The Japanese Imperial Government is therefore ordered to submit to this Headquarters on or before 15 March 1946 a program of rural land reform. This program shall contain plans for:

- a. Transfer of land ownership from absentee land owners to land operators.
- b. Provisions for purchase of farm lands from non-operating owners at equitable rates.
- c. Provisions for tenant purchase of land at annual installments commensurate with tenant income.
- d. Provisions for reasonable protection of former tenants against reversion to tenancy status. Such necessary safeguards should include:
 - (1) Access to long and short term farm credit at reasonable interest rates.
 - (2) Measures to protect the farmer against exploitation by processors and distributors.
 - (3) Measures to stabilize prices of agricultural produce.
 - (4) Plans for the diffusion of technical and other information of assistance to the agrarian population.
 - (5) A program to foster and encourage an agricultural cooperative move-

- ment free of domination by non-agrarian interests and dedicated to the economic and cultural advancement of the Japanese farmer.
- e. The Japanese Imperial Government is requested to submit in addition

to the above, such other proposals it deems necessary to guarantee to agriculture a share of the national income commensurate with its contribution.

OFFICE OF THE UNITED STATES POLITICAL ADVISER

Tokyo, October 26, 1945.

CONFIDENTIAL

MEMORANDUM FOR: Commander and Chief of Staff.

SUBJECT: Agrarian Reform in Japan.

There is attached, as of possible interest a paper, "Japan: Agrarian Reform", prepared by a member of my staff, in consultation with Far Eastern experts of the U. S. Department of Agriculture, prior to his departure from Washington.

Perpetually depressed conditions in agriculture have enabled the military during recent decades to pose as the champions of the farming class, defending its interests against the privileged classes and arguing with considerable success that the only real solution of the farmer's plight lies in overseas expansion. Continuation of the present conditions may in future be expected to leave the farming class a fertile field for military propaganda.

The ruling and propertied classes have always strongly opposed the initiation of basic agrarian reforms and, judging by the small attention which the Higashi-kuni and Shidehara governments appear to have given

the matter, will probably continue to do so. Although the Socialist and Communist Parties have announced intention to carry out agrarian reforms, the changes proposed seem ill-considered and inadequate, and occupy a subordinate position in their respective platforms.

We would suggest as a possible course of procedure that the Japanese Government be instructed to initiate studies of the problem, and to draw up, in consultation with the appropriate sections of your Headquarters, a comprehensive reform program which, after receiving your approval, would be subject to public scrutiny before presentation to the Diet. Implementation of the reforms should not, of course, be permitted to interfere with the production of foodstuffs during the present period of acute shortages.

George Atcheson, Jr.

JAPAN: AGRARIAN REFORM

Table of Contents

- | | |
|---|---|
| I. THE AGRARIAN PROBLEM | E. Widely Fluctuating Prices for Rice and Silk |
| A. "Too Many Men on too Little Land" | F. The Competition of Cheap Colonial Rice in the Japanese Home Market |
| B. The Wide Extent and Unsatisfactory Conditions of Tenancy | G. A Declining Income from Sericulture |
| C. A Large Volume of Indebtedness and High Interest Rates | H. The High Price of Fertilizers |
| D. Discriminatory Fiscal and Tariff Policies | I. Exploitation of Farmers by Middlemen in the Marketing of Their Crops |
| | II. MEASURES OF AGRARIAN REFORM |

I. THE JAPANESE AGRARIAN PROBLEM

Industrialization in Japan did not lead, as it did in England and certain other countries, to the withdrawal from cultivation of a large proportion of the cultivated area and the relegation of agriculture to a position of relatively minor importance in the economy. During the last 70 years the Japanese farm population has increased 25 percent, improved farming techniques have been developed, and the cultivated area has been painfully expanded, with the result that the annual farm output during recent decades, far from declining, has been from two to three times greater than during the feudal era. Japanese agriculture has continued to supply the bulk of the country's food requirements notwithstanding the more than two-fold increase in the population, and at the same time has been the source of the country's leading export item, raw silk.

The rewards to agriculture, however, have not been commensurate with its contribution. The farming population has been permitted to retain only a small proportion of its expanded output for its own consumption or to exchange for the products of industry. The greater part has been taken from it in the form of high rent, interest and tax charges and used for the benefit of industry and trade and the furtherance of the military program. As a consequence, although living standards in the farming districts have improved materially since feudal times the improvement has been much less than proportionate with the increase in the average farmer's annual product, and standards are still extremely low.

Nevertheless, until about twenty-five years ago the farming population remained reasonably content with the gains which it had made. In the inter-war period, however, not only were no further gains recorded but there was a definite deterioration in the farmer's economic status. The farm debt increased eight fold and each year additional

freeholders lost their land through foreclosure and had to accept a tenant status. As it became clear that the government planned no important reforms in their behalf and that the future held forth only the prospect of still greater poverty and distress the long-suffering farming class showed signs of increasing discontent. Dissatisfaction reached its peak during the early and middle "thirties", subsiding thereafter only because of the developing war crisis.

The unsatisfactory state of Japanese agriculture can be traced to two fundamental causes, —natural limitations and handicaps, and the government's discrimination against agriculture in favor of industry and trade. While no less than nine separate elements in the farmer's plight are listed and described in the following pages, it will be found that they all derive from these two basic causes.

A. "TOO MANY MEN ON TOO LITTLE LAND"

The most important single cause of the unsatisfactory conditions prevailing in Japanese agriculture is overcrowding on the land. About 5.5 million farm households till only 15 million acres, or an average of only 2.7 acres per household. This latter figure is to be compared (leaving out of account differing degrees of fertility) with an estimated 3.0 acres per farm household in China, 3.6 acres in Korea, 10 acres in the United Kingdom, 47 in the United States, and 80 in Canada. Many Japanese farm families, however, cultivate much less than 2.7 acres. In 1938, 33.8 percent tilled less than 5 tan (1.2 acres) and 66.5 percent tilled less than 1 cho (2.5 acres).

Alleviation of this condition cannot be expected through expansion of the arable land area, as a consequence of war casualties, or barring revolutionary advances in the science of fertilization, through increased yields per acre. During the last 70 years it has been possible to increase the area of cultivated land by only 25 percent, and that only with the greatest effort and expense. Moreover, all of this expansion was accom-

plished before 1921, when the peak of 15, 101,000 acres was reached. Since that time total acreage has remained at a slightly lower level, varying between 14.4 and 15 million acres. War casualties cannot be expected to improve the situation, the total working population having risen substantially since 1940, and yields per acre are already among the highest in the world.

The only real solution to the problem would be the absorption of literally millions of farm workers in industrial occupations. For the foreseeable future, however, an expansion of Japanese industry sufficient to absorb this number of workers must be ruled out of practical consideration. The most that can possibly be hoped for is that industry will be able to provide employment for the greater part of the annual increment in the laboring force, without thought of effecting a reduction in the farming population.

B. *THE WIDE EXTENT AND UNSATISFACTORY CONDITIONS OF TENANCY*

Next to overcrowding on the land, and a direct consequence of such overcrowding, widespread tenancy under conditions highly unfavorable to the tenant is the second most important evil plaguing the farming class.

After the abolition of feudalism in 1871 only about 20 per cent of the cultivated area was tilled by the tenants, but this proportion rapidly increased. The small size of the individual peasant holdings, making profitable operation difficult if not impossible, and a heavy burden of taxation, produced a mounting indebtedness which caused many farmers to lose their land. The lack of alternative employment opportunities in industry or commerce for those thus dispossessed, and the fact that landowners with more land than they could themselves cultivate could earn a larger return by renting to tenants than by operating with hired labor, were important factors which favored the growth of tenancy. By the end of the last decade 28 percent of the

farm households in Japan rented all of the land they tilled and an additional 43 percent rented part. Thus 71 percent of the total number of farm households suffered the disadvantages of tenancy in some degree. Of the total cultivated area 46 percent was rented.

The rental for a one-crop field is about 50 percent of the crop, and for a two-crop field about 60 percent. All expenses connected with the raising of the crop—seed, farmhouse, sheds and implements, and all taxes and assessments except the land tax—are normally the tenants own responsibility and must be deducted from his share of the annual product. He receives nothing from the landlord save the land, and usually is not even compensated for necessary improvements which he makes upon his holding. Moreover, contracts between landlord and tenant are so loose and for such short periods, and the demand for land is so great, that a landlord who is for any reason dissatisfied with his tenant can evict him with relative ease. While custom, and more recently the resistance of organized tenant groups, have exercised an increasing restraint on this privilege, insecurity of tenure remains a prime source of discontent among tenants.

The tenants difficulties, it should be realized, are attributable not so much to an exceptionally high rate of rent, for in fact the rate is not so very much higher than in most western countries¹, as it is to the small size of his holding. An English tenant farmer with 12 acres, or an American with 47 acres, average in those countries, can deliver 40-50 percent of his crop to the landlord and still have enough for his own needs. The Japanese tenant, however, after turning over half the output of his tiny one-and-a-half or two acre plot often does not have enough left even for the barest subsistence. Investigations have shown that

1. Tenant cotton and tobacco growers in the United States generally turn over half their crop to the landlord and grain farmers from 40 to 50 percent. While the landlord bears most of the cost of cotton and tobacco production,—seed, fertilizer, etc.,—grain farmers generally meet these costs themselves.

Relative Burden of Direct Taxes on Landowners and
Business Proprietors in Japan,—1929

Annual Income	Per-Capita Taxes					
	Paid by Farm Landowners			Paid by Business Proprietors		
	Total	National	Local	Total	National	Local
			(In Yen)			
1,200	270	68	202	126	44	82
2,000	530	144	286	230	88	142
3,000	874	259	615	366	157	207
5,000	1,395	457	938	701	316	385
10,000	3,485	1,187	2,298	1,603	814	789
30,000	12,097	4,956	7,141	6,819	3,737	3,081
100,000	53,225	22,168	31,057	30,058	17,883	12,175

Ouchi, Hiroye, Tax Burden on Salaried Men and Farmers as Revealed by the Official Survey of their Livings, XIX Session de L'Institut International de Statistique, Tokyo, 1930, p. 9.

40 percent of the tenants have to purchase rice before the year is out (with income from subsidiary occupations or with borrowed funds) and 20 percent must start their purchases within six months after the harvest. The intense competition for the land by the excessive number of farmers and the lack of alternative employment opportunities in other fields, however, leave Japanese tenants no choice but to pay the rent demanded.

The rent which weighs so heavily on the tenant, primarily, as explained, because of the small size of his holding, affords the landlord only a moderate return on his investment. Although the absolute amount of rent and income obtained per acre is large, due chiefly to the high crop yields, the rate of return is small, about 4 percent,² because of the exceptionally high prices at which farming land sells in Japan. In 1938 an acre of good paddy field cost 2620 yen (U. S. \$748), and upland 1680 yen (U. S. \$479).³ (In this country an acre of good Iowa farm land cost about \$80 in 1938, and in the more densely settled states such as New Jersey or New York, up to \$130).⁴ It

2. The landlord's return averaged 4.4% for paddy fields and 3.7% for upland fields during the pre-war decade. (Shiroshi Nasu, *Aspects of Japanese Agriculture*, 1941, p. 130)

3. The yen had an average value of 28.5 cents during 1938.

4. These American figures might more properly be compared with the Japanese yen figures quoted above than with their American equivalents, because a yen had approximately the same utility value to a Japanese that a dollar has to an American.

is not surprising that returns computed on the basis of such highly inflated land values should be low.

It should be noted that landlords who bought their land thirty or forty years ago (when population pressure was less intense and prices, accordingly, were lower) and receive the prevailing rate of rent, earn a very large return on their investment. By and large, however, the tenant's plight cannot be attributed to excessive landlord profits. There has in fact been a noticeable tendency in recent years on the part of the landlords to move their capital out of cultivated land into other investment fields, notably industry, commerce and urban real estate, where the return has been higher.

C. A LARGE VOLUME OF INDEBTEDNESS AND HIGH INTEREST RATES

Prior to the First World War the total farm debt in Japan was estimated at 750 million yen, or 135 yen per farming household. After that time the increasing disparity between farm income and expenditure led to a rapidly mounting indebtedness, so that in 1937 the debt totalled more than six billion yen, or over 1000 yen per household. Fifty-six percent of the debt was at that time (1937) held by money lenders, 14 percent by the Hypothec Bank and the Agricultural and Industrial Bank, 13 percent by private banks, and 17 percent by other financial institutions.

Although interest rates are high for all

types of borrowers in Japan because of the chronic shortage of capital, they have been highest by an appreciable margin in agriculture, averaging between 12 and 15 percent per annum and frequently totalling as much as 20 or 30 percent. The annual charge on the farm debt consumed almost a third of the net yearly farm income during the period 1931-1935, and in later years, when farm incomes were higher, it consumed between 18 and 20 percent.

D. DISCRIMINATORY FISCAL AND TARIFF POLICIES

Notwithstanding the much lower per capita productivity and average level of income in agriculture than in industry a farmer's taxes, as the following table indicates, have been substantially higher than those of a merchant or an industrialist with the same income. At the same time the farming class has received much less than its proportionate share in the expenditure of public funds, farm aid being only a fraction of the assistance afforded industry and trade. Also, farm products have been denied the tariff protection accorded many leading manufacturing industries. Imported food products have been admitted free or at very low rates of duty.

E. WIDELY FLUCTUATING PRICES FOR RICE AND SILK

Widely and sharply fluctuating prices for rice and raw silk, which have together comprised 65 percent of the total value of farm production, have been another factor contributing to the unhappy lot of the farmer. In the case of rice and inelastic demand in conjunction with large variations in the size of the crop, and the difficulty of controlling rice imports from the colonies, have been the principal causes of price fluctuations. As for silk, approximately 80 percent of the raw silk output has been sold in the United States and Europe where, being a luxury product, prices have varied widely in accordance with business conditions. Government efforts to stabilize the price of rice

have met with at least some success, but in the case of silk they have been almost completely unavailing.

F. THE COMPETITION OF CHEAP COLONIAL RICE IN THE JAPANESE HOME MARKET

Rice adapted to Japanese taste is produced in Korea and Formosa at approximately 25 percent lower cost than in Japan. Imports of rice, duty free, from these colonies to supply the growing deficiency in Japan's domestic supplies during the last two decades have destroyed the monopolistic position formerly enjoyed by domestic producers and have exerted a depressing effect on prices. Because of the ready availability of rice from Korea and Formosa the Japanese farmer, although suffering the full effect of a price drop during years of good crops, is almost never compensated by higher prices during short years. With the exception of the rice year 1939-40, when poor crops were harvested both in Japan and in the colonies, colonial rice has always been available to fill the market.

G. A DECLINING INCOME FROM SERICULTURE

Japanese silk exports declined from 361 million dollars in 1929 to 79 million dollars in 1933. From 1934 to 1941 they remained in the neighborhood of 110 million dollars. In part the decline was due to depressed business conditions in foreign markets. An even more important cause, however, was the almost complete substitution after 1935 of rayon for natural silk in the manufacture of broad goods, and beginning in 1939, the rapid replacement of silk by nylon in women's full-fashioned hosiery. The burden of this loss was borne mainly by the Japanese farming class, which in former times had obtained approximately 20 percent of its income from sericulture. If, as is expected, the substitution of synthetic for natural silk continues after the war this important source of cash income will be even further reduced.

H. THE HIGH PRICE OF FERTILIZERS

Artificial fertilizers are an essential element in farm production in a country like Japan where the soil has been depleted by centuries of intensive cultivation. Recent experiments, representing an average of results from soils all over Japan, show that in the absence of artificial fertilizers of any kind yields are 48 percent below those of plots fully fertilized. Naturally it is of great importance to farmers that they should be able to obtain fertilizers at reasonable prices. The artificial fertilizer industry, however, has set high, monopolistic prices, which it has maintained with little regard for fluctuations in the prices of farm products. Government efforts since 1936 to reduce fertilizer prices by bringing the industry under some measure of public control have not been successful.

I. EXPLOITATION OF FARMERS BY MIDDLEMEN IN THE MARKETING OF THEIR CROPS

Middlemen, speculators and petty traders have long used their stronger bargaining position *vis-a-vis* the individual peasant to extract excessive commissions for their services. Farm cooperatives, which dispose of member's crops, provide common warehousing facilities, and furnish other joint services, have done much to overcome this evil but have not eliminated it. The poorest farmers, who need the protection afforded by membership in a cooperative most, are frequently prevented by their poverty from becoming members, and so remain at the mercy of unscrupulous dealers.

The combined effect of these difficulties, as already indicated, is a very low standard of living in the farming districts. This standard, it is true, is materially higher than in feudal times in Japan, or than in most other Oriental countries today. It must be remembered, however, that Japanese farmers lived under the worst possible conditions in the feudal period, and over most of the Orient such conditions still prevail. Moreover, since the general plane of living in

Japan is higher than in other Oriental countries, the Japanese having raised themselves to a position in many respects closer to Western than to Oriental norms, the consumption levels of the Japanese farming class are not fully comparable with those of most other Far Eastern farming population. The more significant comparison is with the living standards of other sections of the Japanese population, which are materially better than the farmer's.

The unsatisfactory state of Japanese agriculture has been like a cancer in the economic and political life of the country. The large farming class has remained a perpetually discontented element in the population and a principal support of the military program, in which it has seen virtually the only hope of a solution of its economic ills. At the same time low farm incomes and the small total purchasing power of the farming districts have meant a restricted domestic market for Japanese manufacturing industry, contributing to dissatisfaction there. It is difficult to see how reasonably prosperous conditions and peaceful tendencies can prevail in Japan until conditions in agriculture have been markedly improved.

II. MEASURES OF AGRARIAN REFORM

We have seen that the principal source of the Japanese farmer's difficulties is an insufficient area of land to till. Some five-and-a-half million farm households must obtain a livelihood from only fifteen million acres. Unfortunately, however, there is not prospect that this basic handicap can be overcome, either through expansion of the farm acreage of output, as a consequence of war casualties, or, at least in the foreseeable future, through the movement of the surplus farming population into other occupations. It can only be accepted and attention directed to the solution of other evils plaguing the farming class.

These evils, however, are both numerous and important. While many are a consequence of the basic difficulty of "too many men on too little land" they are not an inevitable consequence, and, it is believed, may be overcome while that handicap still remains. The most important are (a) widespread tenancy under conditions highly unfavorable to the tenants, (b) a heavy burden of farm indebtedness combined with high rates of interest on farm loans, and (c) government fiscal policies which discriminate against agriculture in favor of industry and trade.

A. *Widespread Tenancy Under Conditions Highly Unfavorable to the Tenants*

Twenty-eight percent of the farming households in Japan rent all the land they till, and an additional 43 percent rent part. The rented area comprises 46 percent of the arable acreage. Rentals are extremely high, considering the small size of the average holding, and the tenant must bear all expenses of the farm except the land tax. Usually he is not even compensated for necessary repairs and improvements he makes on the property. Living standards, while low for all classes of Japanese farmers, are particularly low for the tenants, who in addition can be evicted by the landlord with relative ease.

a) *Improvement of the Conditions of Tenancy*

The tenancy problem may be approached either with the idea of improving the conditions of tenancy or of accomplishing the complete emancipation of the tenant class. Considering the former alternative first, the most important handicap under which the tenant operates, the high rent, might be alleviated by setting a ceiling on farm rents, limiting them by law to, let us say 25 percent, instead of the prevailing 50 to 60 percent. Also, the landlords' right to evict their tenants might be made subject to stricter legal provision, affording the latter greater security in their right to till the

land. Regulations requiring the landlords to compensate their tenants for needed improvements and to bear a larger proportion of the costs of farm production, e. g., seeds, fertilizers, tools, and taxes other than the land tax, would be ineffective if the landlord was still able to raise rents and offset any added costs to himself. But in combination with a rent ceiling they might be of help.

This program suffers from several important disadvantages, however. Even under present conditions most landlords earn only a moderate return on their investment,⁵ and while the absolute amount of the rent per acre is quite large, due to the high yields, it is by no means exorbitant. The suggested reforms, therefore, would so reduce the landlords' return (if they did not entirely eliminate it) that many landlords would decide either to cultivate the land themselves or to sell it. In both cases this decision would result in the eviction of the tenants already tilling the land. This would clearly follow if the landlord decided to cultivate the land himself, and would be scarcely less certain to occur if he undertook to sell it, as few tenants would possess the necessary funds to purchase their land. They might be able to buy over a long period of time, say thirty or forty years, but then during that entire period they would be obtaining little or no benefit from the reforms; annual payments toward the purchase of the land would offset most of the gain from the reduction in rent and shifting of part of the costs of production to the landlord. Also the landlords would probably choose to sell to buyers who already had the purchase price available. Thus many tenants, far from benefiting from the reforms, would be driven from their land and forced to adopt the even less enviable status of hired farm workers. A situation would be likely to develop similar to that in Hungary, Poland and other eastern European countries; much of the land now being farmed by tenants would be purchased by large owners who would

5. See page 212.

*As in original

LAND TILLED BY TENANTS, 1939

	Acres	Average Market Value Per Acre (Yen)	Estimated Average Productive Value Per Acre (55% of market value)	Total Productive Value
Irrigated Fields	4,071,000	2620	(yen) 1440	(million yen) 5,862
Dry Fields	2,745,000	1680	920	2,525
				8,387

convert them into big estates farmed by hired workers under professional managers.

A further disadvantage of plans which seek merely to improve the conditions of tenancy would be that even with a rent reduction of as much as 50 percent and other significant reforms, conditions for those tenants who were not evicted would still be highly unfavorable. The average tenant's holding is so small that a rent only half as large as at present still would not leave him an adequate income. Finally, since there would have been no fundamental change in landlord-tenant relationships (i. e. for the tenants who were not evicted) the landlords, because of the continuing scarcity of land and multiplicity of farmers seeking land to till, would still possess every advantage in dealing with their tenants, and would probably succeed in gradually restoring the former conditions of tenancy.

b) Expropriation of All Rented Farm Land for the Benefit of the Tenants, Compensation to be Provided the Landlords in an Amount Equal to the Productive Value of the Land Expropriated.

There are of course a large number of plans by which the complete emancipation of the tenant class might be effected, of which only one is considered here. Under this plan all rented farm land in Japan would be expropriated by the government and turned over to the tenants in full title. The landlords would receive in compensation government bonds in an amount equal to the productive value (capitalized value of the average net annual product) of the land expropriated. Such compensation would not be paid until stable financial conditions have been restored and bonds of

enduring value could be delivered. If this should not be for some time after the transfer had been effected landlords without other means of support might have to be assisted.

Market Value Versus Productive Value—Undoubtedly the landlord class in submitting to the expropriation of their rented land would demand compensation on the basis of the inflated market value of their holdings. By the end of the last decade, however, the market price for farm land had been driven by the intense demand for such land to a point 40-50 percent higher than its productive value (capitalized earning power). The only valid measure of an earning asset's worth is its earning power. Demands for compensation in excess of the capitalized value of the annual net product of the land expropriated should not be entertained.

The Ability of Japanese Finances to Bear the Burden of Compensation—It is believed that compensation computed on this basis would not impose too heavy a burden on Japan's post war government finances. In 1939 there were 6.8 million acres of rented farm land in Japan with a total productive value of approximately 8 billion yen: Interest of 4 percent on 8 billion yen worth of bonds, assuming a value for the yen approximately the same as in 1939, would amount to 320 million yen a year, or only about 15 percent of the average annual budgetary expenses of Japan's national government during the period 1931-1936. At that time the tax rate in Japan was not excessive and increase of 320 million yen in the tax load could have been borne without difficulty, as was subsequently shown. Naturally, the fact that the debt would be owed within Japan would

greatly simplify the problem of its support; service on the bonds would involve no more than a transfer of wealth from one section of the population to another. It might be noted that the United States expects to support a national debt ten times greater than in 1937 with a national income which even in the most optimistic view will not be more than twice as large as at that time.

B. A Heavy Burden of Farm Indebtedness and High Rates of Interest on Farm Loans

While the emancipation of the tenant class would be the principal feature of a program of agrarian reform, it would not be sufficient by itself to accomplish the desired purposes. The basic handicap of an insufficient area of land to till and many other evils would still remain, so that if this step were not accompanied by others the newly established freeholders would still not have achieved a satisfactory economic status, and would probably soon lose their land again. Also nothing would have been done to assist those farmers who at present own their farms, many of whom, borne down by taxes and debt have been little better off than the tenants.

The farming debt totalled approximately six billion yen in 1937. During the period 1931-35 the annual charge on this debt consumed almost 30 percent of the average net yearly farm income, and in later years, when farm incomes were substantially higher, it took from 18 to 20 percent. There is reason to believe, however, that the debt has been considerably reduced since that time. Exceptionally high farm incomes, the lack of pending outlets, and currency inflation are believed to have resulted in the liquidation of a large proportion of the debt. Depending upon its size, part or all of the current debt might be assumed by the Government at such time as Japanese finances may be able to take on this comparatively small additional burden.

Reduction or elimination of the existing debt would be of only temporary benefit if steps are not taken at the same time to

ensure reasonable interest rates on new loans. Rates have been high for all types of borrowers in Japan, but they have been highest by an appreciable margin in agriculture, averaging from twelve to fifteen percent per annum and frequently totalling as much as 20 or 30 percent. The principal cause of these high rates has been a large proportion of bad debts, combined with the inability of farmers to provide adequate security. The improved credit standing of the farmers as a consequence of the reforms herein proposed should do much to remove this difficulty, but would need to be supplemented by other measures to ensure adequate supplies of loan capital to farmers at reasonable rates. A government farm loan agency might be set up, and official support accorded private cooperative credit associations, which already exist in Japan in fairly large numbers. Because most farm loans are self-liquidating over a short period the chronic shortage of capital in Japan should not prevent the establishment of reasonable rates.

C. Discriminatory Fiscal Policies

We have seen that owners of farm land in Japan bear a disproportionately large share of the nation's tax burden. Beside the national land tax they must pay prefectural and town or village surtaxes and numerous local fees and taxes. With the elimination from the national budget of military expenditures of all kinds it will be possible to reduce taxes for all sections of the population, but in addition steps should be taken to bring about a more equitable distribution of the tax burden. This will require revision of existing prefectural and local as well as national tax laws. Also, in the expenditure of public funds the needs of agriculture should receive equal consideration with industry and trade, as they have not in the past.

D. Other Fields for Reform

Measures regarding tenancy, indebtedness and fiscal policy would constitute the prin-

ple features of a program of agrarian reform during the occupation period. Simply by themselves they would result in a marked improvement in the farmer's status. But even with this improvement the farmer's position, considering the large number of farmers who must obtain a livelihood from so small an arable area, is likely to be precarious. Consequently attention should be directed also to the solution of other difficulties from which the farming class has suffered.

a) Fluctuating Prices for Rice and Silk.

One such difficulty has been widely and sharply fluctuating prices for rice and silk, which together comprise sixty-five percent of the value of farm production. In the past, efforts to stabilize the price of rice have suffered from a lack of funds, the difficulty of controlling rice imports from the colonies, and an insufficient determination on the part of the government to make a success of the control program. With the elimination of all military expenditures from the national budget, funds for this purpose should be more plentiful. Also imports from the colonies can probably be more easily controlled when these areas are no longer an integral part of the Japanese economic system and the interests of Japanese nationals engaged in Korean and Formosan rice production no longer have to be protected. Rice purchases from these areas can be regulated by the government so as to offset crop variations in Japan and maintain stable prices.

In the case of silk the problem is more difficult. Silk prices vary with business conditions in overseas market, which, of course, are beyond Japan's power to control. Also raw silk costs so much to store, because of the insurance, that plans to stabilize prices by controlling the release of stocks from storage are not practicable. Probably all that can be attempted is a system of relief payments to sericulturists in years of low prices from funds obtained from a tax on silk in good years.

b) The Competition of Korean and Formosan Rice

Japanese farmers would benefit greatly from a tariff on Korean and Formosan rice, which in the past has entered Japan duty free. On the other hand such a tariff, through its effect on food prices in Japan, would injure the country's export industries. Higher food prices would necessitate higher wages in industry, which in turn would reduce Japan's competitive advantage in international trade. Any reduction in trade would be to the disadvantage of the entire country, agriculture included. It would therefore seem that attention should be directed to other methods of farm aid less obstructive of the interests of industry and trade and of Japanese economy as a whole.

c) A Declining Income from Sericulture

The expected further decline in the demands for natural silk after the war is bound to have a serious effect on farm incomes. In recent years the farming class has derived from twelve to sixteen percent of its income from sericulture, which considering how close to a subsistence level this class lives, has often meant the difference between just getting by and acute privation. There has already been some adjustment to the loss of this business, chiefly through reduction of the mulberry acreage in favor of other crops. It is important, however, that the farm population find other seasonal and parttime employment in which the whole family can engage in partial replacement of the silk industry. Certain small and medium-scale industries normally found only in cities and towns have already proved adaptable to productive conditions in the rural areas. With study and investigation the number of these industries might be considerably increased, providing the farmer with the subsidiary employment he requires.

d) The High Price of Fertilizers

Japanese farmers, who must use large quantities of artificial fertilizers, have been greatly handicapped by the high prices

which they have had to pay for these fertilizers. Approximately ten percent of the farmer's gross income finds its way into the pockets of the fertilizer monopoly every year. It would seem that this industry either should be taken over by the government, as an industry intimately affected with the public interest, or output, prices and sales should be strictly controlled so as to assure farmers adequate supplies of fertilizers at lowest reasonable prices. Joint purchasing arrangements have enabled some farmers to supply their fertilizer needs at lower cost, but this is not an adequate solution of the problem.

e) *Exploitation of Farmers by Middlemen in the Marketing of their Crops*

Finally, steps should be taken to assist and protect the farmer in the marketing of his crops. In the past, middlemen, speculators and petty traders have been able to take advantage of the farmer's urgent need for funds to extract excessive commission for their services. Farm cooperatives have been fairly successful in overcoming this evil, but their membership often does not include the poorest farmers, who need their protection most. The cooperatives should be strengthened in every way possible and their membership expanded to include the less well-to-do farmers. At the same time the activities of private traders should be subjected to closer regulation.

Of the above measures tenancy reform is of predominant importance. Also, it would appear that the second of the proposed solutions of this problem, calling for the complete emancipation of the tenant class, is much to be preferred over the first, for the reasons already stated, and because any other reforms which might be introduced would have only a limited effectiveness if the tenants had not previously been emancipated. As long as they were still tenants, the 28 percent of the total number of farming households which rent all their land, and, to a lesser extent, the 43 percent who rented part, would derive little benefit from a reduction in interest rates, for example, or from a more equitable distribution of the tax burden, or lower fertilizer prices. The increase in net income obtained as a consequence of these reforms would be taken by the landlords who would raise rents in the same proportion that incomes were increased. A rent ceiling, for the reasons earlier stated, would likely to result in a mass eviction of tenants, the landlords tilling the land themselves or with hired labor. As long as the demand for farming land continues greatly to exceed the available supply, and the landlords, as a result, are able to establish the terms of tenancy practically at will, they will be able to transfer to themselves the greater part of the benefits of whatever reforms are instituted.

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