

A SALIENT FEATURE OF CAPITAL ACCUMULATION IN TAIWAN

—The System of Rice Collection by the Taiwan
Provincial Food Bureau—

TAKEHARU SASAMOTO

The system of compulsory collection of rice by the Taiwan Provincial Food Bureau is a peculiarly Taiwanese device to achieve forced savings and capital accumulation, and has played a role in the development and stabilization of the Taiwan economy. This process of capital accumulation is of a unique nature especially in that it is designed to enable the government to economize its financial resources which otherwise would have had to be secured through other channels. The compulsory collection of rice is carried out by means of collecting taxes in kind, compulsory bartering of rice for fertilizer, which in essence means collection of the peasants' rice on the basis of an inequivalent exchange.

From 1951, after six years of violent inflation, the post-war economy of Taiwan has achieved fairly stable development. This development may clearly be characterized as being "industry-oriented." However, it cannot be denied that the recovery and growth of the productive forces of agriculture centering on rice and sugar account for at least part of this development. This means that the monoculture which was formed under Japanese colonial rule has continued, even after World War II, to support the Taiwan economy. The persistence of this undifferentiated economic basis was necessitated not only by the fact that the vast population inflow from mainland China as well as the extremely high ratio of population increase required an increasing production of food and particularly rice; but also by the fact that the funds necessary for industrialization had to be found in earnings or exchange through the export of agricultural products. In addition, sufficient revenue had to be secured to meet vast domestic fiscal requirements, notably military expenditures. Since the colonial era industry has remained relatively undeveloped as compared with agriculture, which has been extensively developed on a commercial basis. This has made agriculture important as a source of government revenue: it was only natural that escape from the chaotic post-war economic conditions as symbolized by spiraling inflation should have been sought in the expansion of agricultural productive forces. Because of such social and economic requirements in post-war Taiwan, the persistence and development of the monocultural economy were found to be necessary while concentrated efforts for modernization were directed at industrialization.

Thus the post-war economy of Taiwan has been characterized by a dualistic structure with industrial development paralleling the maintenance of monoculture.

It goes without saying that the economic development depends on a given magnitude of capital accumulation. In this respect, there are a variety of sources for the capital which has been necessary for the post-war recovery and growth of productive forces in Taiwan. In the immediate post-war years the sources were comprised mainly of capital of the private flight and of gold bullion from continental China. Later, in addition to this source, the flow of resources from overseas, such as overseas Chinese capital, financial aid from foreign countries and private foreign capital, became increasingly heavy. Also local Taiwan capital related to foreign capital began to increase its role in capital accumulation. Especially noteworthy has been the role played by foreign capital resources both that centering on U.S. aid,¹ and that accumulated during the colonial days under the Japanese. As for local capital, the accumulation in the public sector including government and public enterprises is also characteristically high, as is indicated by the proportion of shares held by government and public enterprises in gross domestic capital formation.² The public sector and foreign capital are thus two important elements in the capital accumulation required for the economic development of Taiwan.

Among the various means utilized in regard to capital accumulation in the public sector, the bulk purchase of rice and sugar on a compulsory basis and the monopolization of the export of these commodities by the government are of great significance in that they are peculiar to Taiwan. As mentioned earlier, the maintenance and development of monoculture partially prepared the way for capital accumulation. In this paper, the author will concentrate on an examination of the economic structure of the compulsory collection and marketing of rice by the government in relation to the special character of the Taiwan economy; and will further note that this structure is intended not merely for the accumulation of capital but also for serving as a mechanism for economizing on government financial resources to be otherwise directed into this requirement, as well as for stabilizing commodity prices.

I. OUTLINE OF THE SYSTEM OF FORCED SAVINGS BY MEANS OF COMPULSORY COLLECTION OF RICE

The methods of compulsory collection of rice may be divided roughly into two categories: one is the collection and forced purchase of rice in the form of land tax and other levies; the other, the obtaining of goods required

¹ U.S. aid, foreign capital and loans together accounted for more than 35% in ratio to Taiwan's gross domestic capital formation during the 1950's and the early 1960's. See *Taiwan Statistical Data Book*, 1966, p. 17.

² The ratio of the government and public enterprises to gross domestic capital formation was especially high during the phase of rehabilitation, the ratio being 51% in 1952, 53% in 1956, 47% in 1960, and 35% in 1964. See Council for International Economic Cooperation and Development, *Taiwan Statistical Data Book*, 1966, p. 16.

for farming, such as fertilizer by barter in rice. The former category is comprised of (1) the collection of land tax in kind (rice), (2) the compulsory purchase of rice, (3) collection in kind of rents for and purchase prices of public land, and (4) collection in kind of purchase prices of private land released for sale as a result of the land reform. The latter category includes (1) the bartering of rice for chemical fertilizer, (2) the bartering of rice for goods such as cotton cloth needed by the peasants, and (3) the required repayment in kind of both principal and interest on loans extended to peasants for productive purposes. Of all these the more significant measures, on account of the volume of rice collected, are the collection of land tax in kind, the compulsory rice purchase, the collection in kind of purchase prices of released private lands, and the rice-fertilizer bartering.

The collection of land tax in kind was introduced in 1946 as the first step toward the system of collecting taxes and other payments in kind. The law requires peasants to pay their land tax in paddy rice except where the land is planted with crops other than rice, in which case payment in cash is permitted. The rates of payment in rice are worked out in relation to the unit value of the land tax which is given in monetary terms. Thus the government can increase the tax rate so as to augment the volume of rice collected.³ This system was transplanted from mainland China and adopted as an extraordinary wartime measure, but since 1954 it has become established as a permanent system. Similarly, in regard to the compulsory purchase of rice, a certain volume of paddy rice is purchased by the government at official prices, the volume of rice to be purchased being determined in a fixed ratio to the unit value (yuan) of land tax. In 1965 the ratio was 12 kg. of paddy rice per yuan of land tax. The collection in kind of the purchase price of private land released under the land reform was in force for ten years from 1953 up to 1962. The government required the peasants who purchased a plot of released land to pay for it in the form of paddy rice in ten annual installments. Compensation to the former landlord was made in the form of repayment, with a land bond equivalent to 70% of the purchase price of the land in ten annual installments. Repayment of the remaining 30% was to be made in the form of shares in a public enterprise. Therefore, the paddy rice corresponding to this 30% went into the government's granary.⁴ The collection in kind of purchase prices of public land and of rents for leased public land seems to correspond respectively to the collection in kind of the purchase prices of released private land and of the land tax, while the bartering of paddy rice for such necessities as cotton cloth as well as the required repayments in rice on loans extended to peasants for productive purposes may correspond to the system of bartering of rice for fertilizer. It

³ Since 1954 the rate of payment of land tax in kind was set at 3 kg. of paddy rice for every yuan of land tax, but since 1961 it was upped to 19.37 kg. and again since January, 1967, further to 27 kg.

⁴ The compensation ratio for the sold land price in terms of rice was thus set at 70%, but the actual records for the period 1953-1961 showed that the ratio reached some 75%.

is worth noting that this system of bartering has operated to keep in existence the vestiges of the pre-monetary, spot economy characteristics of peasant economy in Taiwan.

The rice-fertilizer bartering is typical of the system of compulsory savings. Under this system, the government which monopolizes the production, importation, and distribution of chemical fertilizer, requires the peasants to pay for fertilizer in rice and other grains. As a system of exchanging means of production for products, it operates to control the volume of rice bartered through manipulation of the exchange ratios between paddy rice and chemical fertilizer. The ratio of rice to be exchanged for fertilizer has been generally on the decline with a resultant relative decrease in the collected volume of rice; but this decline has been more than offset by increasing sales of fertilizer, which brings an increase in the absolute volume of rice thus collected.

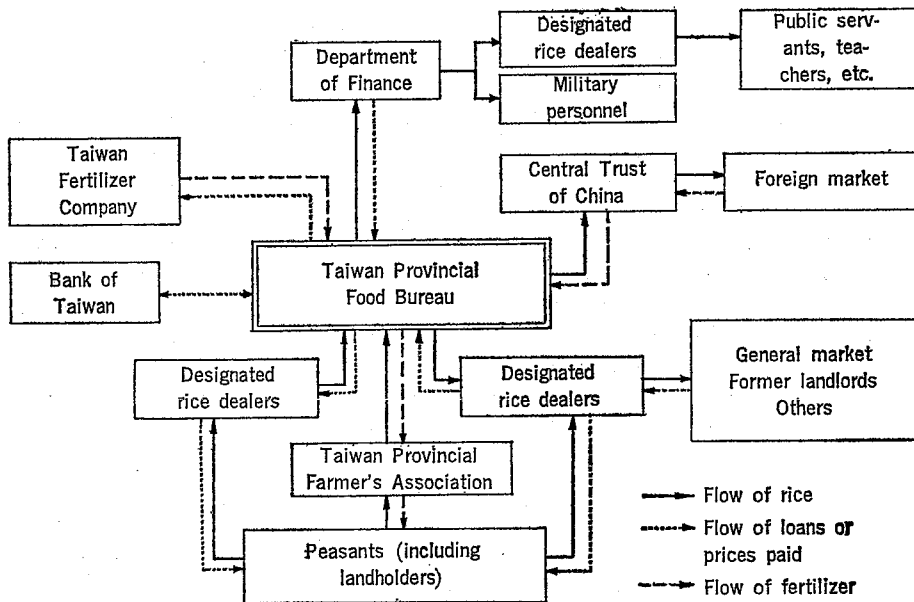
These methods except for the collection in kind of the purchase price of released private land were introduced during the period from 1946 to 1951, the most chaotic years for the post-war Taiwan economy. They followed the pattern of land tax in kind which had been adopted by the Chungking regime in 1942, replacing cash payment of the land tax. This wartime measure was aimed at meeting requirements for military provisions, checking inflation, and economizing on the government's financial expenditures. The post-war measures in Taiwan were not only a direct copy but also a positive development of the wartime Nationalist measure. They should be regarded as "positive development" because in its efforts to secure rice in its own hands, the post-war government in Taiwan went to greater lengths than the Chungking regime, with more diversified ways and means and enforced with a far better organized administrative setup. Thus the government has wielded greater power in controlling the volume and price collected.

II. ORGANIZATION AND MECHANISM OF FORCED SAVINGS

The collection and distribution of government rice are carried out by the system shown in the following chart, in which the Taiwan Provincial Food Bureau plays the central role.

The Taiwan Provincial Food Bureau plays a central role in the administration policy of food, whose main aim is to secure an ample supply of food and to stabilize the rice price. Among the major activities of the Bureau are (1) the collection and distribution of government rice, (2) control of private rice dealers, and (3) extension to peasants of loans goods and materials for living, chemical fertilizer, etc. A particular characteristic of the Bureau is the close linkage between business operations involved in the collection and distribution, and loans. Rice collected by the Bureau for government purposes is distributed to military personnel and their dependents; public servants, teachers and their dependents; the government's various training institutions, retired military men and others (as special ration); impoverished families; workers and miners in food-deficient districts; poor peasants; and inhabitants

Organization of Forced Savings by Means of Compulsory Collection of Rice



of outer islands such as Quemoy and Matsu. Government rice is also released on an extraordinary basis to stabilize the market price of rice. A part of the rice collected by the Bureau is also exported through the Central Trust of China. As a powerful rice-collecting agent the Taiwan Provincial Food Bureau is thus not only in charge of meeting the vast rice requirements of the government but also functions as a rice price stabilizer by imposing restrictions on the movements of rice out of authorized districts, controlling and supervising private rice dealers, and controlling the flow of rice on the general market through such measures as emergency release of government rice.

As indicated above, rice flows through two channels: the vast volume of "government" rice through the Food Bureau and by far the smaller volume of rice through private rice dealers. This may be seen in the records for 1956: 85% of the marketable rice crop was collected as government rice by the Food Bureau.⁵ Excluding from this total the 11% which went to ex-

⁵ Commercialized rate, i.e., commercialized volume of rice in Taiwan is not known in official figures, but according to the author estimate based on Joint Commission on Rural Reconstruction, *Per Capita Consumption Level of Basic Food in Taiwan* (1957), the commercialized volume (yield minus the volume consumed by peasants) of paddy rice in 1956 stood at 913 thousand tons (51% in commercialized rate). If calculated on this basis, the volume of government rice in 1956 (774 thousand tons) accounted for 85% of the commercialized volume of rice in that year.

landlords toward refunding their land certificates, the remaining 74% was placed at the government's disposal to be distributed as explained above, or to be exported. Thus, what remained available to the private market was less than 26% of the total of the marketable rice crop: namely, the 15% which the peasants sold on the general market and the 11% which was paid by the government to ex-landlords, less the portion consumed by the ex-landlords. Thus, as much as 74% of the net volume of marketed rice was prevented by the government from going through the ordinary market mechanism; a fact which demonstrates the unique structure of Taiwan's economy.

Rice (paddy rice) collected by the Food Bureau annually reaches more than 700 thousand tons, of which, excluding some 100 thousand tons going to ex-landlords, about 600 thousand tons of rice constitutes government rice. The latter amount accounts for nearly 30% of total rice production in Taiwan. Rice drawn up through the rice-fertilizer bartering has been on the increase with increased use of fertilizer by peasants, but the total volume of government rice has not changed much in recent years (see Table 1). Rice derived

Table 1. The Volume of Rice Compulsorily Collected

(in tons of paddy rice)

	(1) Land Tax	(2) Com- pulsory Purchase	(3) Sold Price of Public Land	(4) Sold Price of Freed Private Land	(5) Rice- Ferti- lizer Barter	(6) Total	(7) Refund for Land Bond	(8) Net Govern- ment Rice (6)-(7)	(9) Yield of Rice	(10) Ratio of Govern- ment Rice (%) (8)÷(10)
1950	94	81	22	—	247	444	—	444	1,776	25.1
1951	92	78	20	—	256	446	—	446	1,856	24.0
1952	94	78	12	—	389	573	—	573	1,962	29.1
1953	92	77	9	134	369	681	84	597	2,052	29.0
1954	90	76	9	121	359	655	90	565	2,118	26.7
1955	85	70	9	112	406	682	97	595	2,018	28.8
1956	92	74	10	143	458	777	98	689	2,237	30.2
1957	93	77	10	143	465	788	98	690	2,298	30.0
1958	91	76	13	133	477	790	98	692	2,367	29.2
1959	85	68	9	123	496	781	98	683	2,320	29.3
1960	84	69	9	120	480	762	98	664	2,390	27.6
1961	87	75	9	119	480	770	98	672	2,520	26.4
1962	113	71	10	...	501	...	...	...	2,641	...
1963	101	64	8	...	533	...	...	...	2,636	...
1964	102	65	9	...	...	...	...	...	2,809	...
Average of 1950-61	90	75	12	127	407	711	95	626	2,160	29.0

Sources: Figures in columns 1-4 and 7 were computed from Taiwan Provincial Food Bureau, *Taiwan Food Statistics Book*, 1962; those in column 5 from the same Bureau, *The Sixteen years of Food Administration in the Taiwan Province of the Republic of China*, 1962, and the same Bureau, *Fertilizer Book 1964*; and those in column 9 were estimated from the brown-rice yield (on the basis of paddy rice 100=brown rice 80) derived from Dept. of Agriculture and Forestry, *Taiwan Agricultural Yearbook*, 1965.

from the land tax and other collections in kind, together with the compulsory purchases by the government comprises about 30% of government rice and is distributed mainly to public servants, teachers, retired soldiers, etc. The remaining 70% of government rice comes through the barter of rice-fertilizer and other items⁶ and is used for military provisions, export and adjustment of the non-government food supply. According to another source, government rice is utilized as follows: 37% for military provisions, 20% for public servants and teachers, 13% for needy workers, miners and poor families, and 30% for export.⁷ Thus the government controls much as 30% of the total rice yields, or some 75% of the total net domestic flow of rice at its command.

What is important about the government's function as outlined above is not merely the fact that it collects and controls a vast volume of rice, but also, and more significantly, that it carries out through this mechanism compulsory collection and bartering of rice at prices far below those prevailing on the general market. The official price for rice purchased compulsorily by the government is around 30% lower than that obtaining on the general market.⁸ However, it is extremely difficult to clarify the price mechanism of government rice in detail because of the complexity of the mechanism itself as well as of unavailability of relevant published materials. The difficulty due to the fact that collection in kind and barter not directly money (excepting, therefore, the compulsory rice purchase, repayment in kind of the loans extended to peasants, etc. which are handled in money) constitute major means of the rice collection by the government. Therefore, if the ratio of rice collected as land tax were raised, it would not be quite clear whether it should be interpreted as a raise of the tax or a lowering of the rice price, although it might be possible to approach the essence of the matter by observing the relations between the changes in the ratio of rice collected and those in its market price. In any case, the ratios of rice in the form of the public levies have been gradually and steadily on the increase and, moreover, the gaps between the government's official purchase price of rice and the market price are still great. And these price relations may be said to be the core of the system of forced savings and accumulation of public capital carried out by the Food Bureau.

Now let us examine the rice-fertilizer bartering as a mechanism of forced savings through an inequivalent exchange. Rice collected through the rice-fertilizer bartering accounts for 60% of the total volume of rice collected by the government (average of the period 1950-1961) and 67% of the rice at its

⁶ Taiwan Provincial Food Bureau, *Explanation of the State of Enforcement of Food Policy in Taiwan Province*, (June 1956-June 1967) p. 17.

⁷ "A Study of Rice-Fertilizer Bartering System in Taiwan," Taiwan University, School of Law, *Social Science Review*, vol. II, pp. 227-228.

⁸ In 1961 the wholesale price of paddy rice on 17 markets in major producing districts stood at 3,940 yuan per ton while the official purchase price of paddy rice was 2,830 yuan, according to the calculation by the author on the basis of Taiwan Provincial Food Bureau, *Taiwan Food Statistics Book* (1962) pp. 138-139 and p. 148.

disposal. Therefore, a change in the exchange ratio is a matter of serious concern to both the government and the peasants. It is true that the ratio of rice to fertilizer has been gradually on the decline in recent years. For example, the volume of paddy rice to be bartered for 1 kg. of ammonium sulphate was reduced from 1.5kg. in 1948 to 0.86kg. in 1965 (both representing exchange ratios for the second crop) and, as far as the exchange relation is concerned, this was an improvement in favor of rice. However, if we compare the market price of rice, relative to the domestic price or import price of chemical fertilizer with the official ratio of rice to fertilizer in the rice-fertilizer bartering, the gap is obviously in favor of fertilizer. According to a tentative calculation based on 1960 prices,⁹ the per-ton price (including freightage) of fertilizer produced in Taiwan is 6,120 yuan for urea (highest) and 1,620 yuan for superphosphate of lime (lowest) as against the average per-ton market price of paddy rice of 4,000 yuan, the ratio being between 1.53 and 0.41. The corresponding import prices (including C. I. F., customs duties and other charges) of fertilizer are 4,940 yuan and 1,664 yuan, their ratios to the market price of rice being 1.26 and 0.42 respectively. On the other hand, the corresponding official ratios in the fertilizer-rice bartering are set at 1.8 and 0.45. Thus the difference between the market-based exchange ratios and those in the official bartering comes to 30% for ammonium sulphate and 9% for superphosphate of lime, to the disadvantage of the rice producers. If calculated on the above basis, in 1959, the official fertilizer-rice bartering may be supposed to have brought the government a margin of profit amounting to a total of 170 thousand tons (about 35% of paddy rice channeled through the bartering) or 680 million yuan worth (at the market price) of paddy rice.¹⁰ In other words, through the system of an inequivalent exchange in the rice-fertilizer bartering, the government has been forcing a vast amount of compulsory savings upon the shoulders of the peasantry. Although, as stated before, the rice-fertilizer exchange ratio has been changing gradually in favor of the peasants, the fundamental character of the mechanism is still there and the compulsory collection of rice has been able to continue on this basis.

As part of the system of forced savings through the rice-fertilizer bartering, the price mechanism in the export of rice and the import of fertilizer takes on greater significance. Although the rate of self-sufficiency in regard to chemical fertilizer in Taiwan has been markedly on the rise in the 1960's the country has remained overwhelmingly dependent on imported fertilizer, the import price of which is even lower than that of home-produced fertilizer by about 50%. In other words, with this relatively low-priced imported fertilizer available in greater quantity than domestic fertilizer, the government of Taiwan has been able to achieve a higher profit margin from the rice-fertilizer bartering, as stated before. On the other hand, in the export value of rice, roughly equals that of imported fertilizer, but perhaps for policy

⁹ "A Study of Rice-Fertilizer Bartering System in Taiwan," p. 238.

¹⁰ Society of Economic Studies, University of Tokyo, ed., *Keizai-gaku kenkyu* (Journal of Economic Studies), No. 8 (January 1967), p. 6.

reasons, its export price stands much higher than the price of rice estimated in the bartering for fertilizer, the government's official purchase price, or the domestic market price of rice.¹¹ This may indicate that the domestic price of rice, and even its home market price, was lower than that on the international market. Speaking in regard to the rice-fertilizer bartering, the government has been exporting rice at a higher price than that at which it was collected at home and, with the foreign exchange thus earned, chemical fertilizers were imported at relatively low prices and profitably exchanged for rice in what should be called compulsory bartering. From this channel the government thus secured considerable revenue (as a kind of extraordinary income).

III. SOCIO-ECONOMIC CONDITIONS SUPPORTING THE SYSTEM

At this point, it may be helpful to remark upon the nature of the socio-economic conditions which support the mechanism of forced savings in the rice-based economy of Taiwan. First, mention should be made of the government's monopolization of the supply of chemical fertilizer. The government of Taiwan monopolizes both domestic production of chemical fertilizer through a public enterprise, the Taiwan Fertilizer Company, and also the import of fertilizer through a state-operated trading firm, the Central Trust of China. As for domestic distribution, a public enterprise called the Taiwan Sugar Corporation operates as a monopoly for fertilizer to be used in the cultivation of sugar cane while the remaining fertilizer requirements are met by the Food Bureau. Under these conditions, the peasants are obliged to depend on government agencies for the fertilizer they need.

Second, we may note the close cyclical relationship between expanding agricultural production and fertilizer requirements. While reasons to explain the marked improvement in agricultural productivity in post-war Taiwan may be found in no small part, in expanded public investment in the introduction and improvement of basic facilities necessary for production such as water supply, irrigation, etc., a more important reason clearly rests with the increased application of fertilizer and the technological advancements which are the result of such increased use of fertilizer. Moreover, given the phenomenal trend toward more commercialized agriculture and the small-scale of farm operations which characterizes agriculture in Taiwan, the peasants' demand for fertilizer in order to enhance their agricultural productivity is naturally strong. (This seems to be a part of the reason why in 1964 the volume of fertilizer sold—that is, bartered for rice—by the Food Bureau was nearly 6.5

¹¹ For example, according to the author's tentative calculation for 1960, the per-ton export price of rice was around 6,500 yuan, while its domestic market price, the government's official purchase price of rice and its estimated price in the rice-fertilizer bartering were 4,000 yuan, 2,565 yuan, and 3,300 yuan, respectively. The last mentioned price was calculated from the cash price of fertilizer sold by the Food Bureau and the rice-fertilizer bartering ratio.

times as much as that in 1949.) And this in turn provides more incentive for higher productivity, thus creating a cyclical interdependent relationship. Needless to say, the system of compulsory savings to stimulate and promote it.

Third, mention must be made of the fact that since within the small-scale household economy of the peasants itemized accounts are not kept, and since the lack of a clearly defined notion of income on the part of the peasants facilitates concealing the inequities of the entire bartering process including the rice-fertilizer bartering. The use of monetary accounting in farm management is inhibited and the development of a notion of income is hindered.

And Fourth, the export of rice, with which the import of fertilizer is closely linked, is monopolized by the government. Moreover, the import of food for purpose of adjusting the supply-demand ratio of food at home is also under government monopoly. Just as the government's monopolization of fertilizer imports serves as a prop for the system of rice-fertilizer bartering, so also is its monopolization of food import, an essential factor in maintaining the system of monopolistic collection of rice and other food crops in Taiwan, and in controlling the domestic price of rice. It cannot be denied that the use by the Food Bureau of such measures to calm the market as occasional releases of government rice have served to facilitate the maintenance of the system of forced savings within the framework of the spot economy of food. Also the Food Bureau's control of private rice dealers may be recognized as having played a role in creating the market conditions which have made it possible to enforce the collection of the peasant's rice on the basis of an inequivalent exchange.

It goes without saying that the socio-economic conditions supporting the system of forced savings as described above presuppose the existence of a strong state power as well as of an effective administrative organization. In this respect, Taiwan must be said to have been favored with better conditions than have the other developing countries in Asia in building up such a system of forced savings—a peculiarly Taiwanese way of achieving public capital accumulation.

IV. SPECIAL CHARACTERS OF THE SYSTEM OF CAPITAL ACCUMULATION IN TAIWAN

The mechanism of forced savings through the collection of a mass of paddy rice from the peasantry varies somewhat according to the channel of collection. For example, in the case of the fertilizer-rice bartering, the exchange ratio forms the core of the mechanism. As explained earlier, it operates on the basis of an extremely inequivalent exchange, conditioned by the four factors of: the domestic price and import price of fertilizer, and the domestic market price and export price of rice. In the collection of land tax in kind, the mechanism hinges on changing (raising) the ratio between rice to be collected and a unit value of land tax. Although the mechanism thus appears as an increased land tax, collection in kind no doubt makes it

easy for the government to increase the volume of the rice collection while concealing the changes in the price of rice in the background. In the case of the compulsory rice purchase the device for forced savings functions around the price mechanism whereby paddy rice is purchased from the peasants in specified ratio to a unit tax value. Even though the official purchase price of rice in this case has been gradually raised (3,270 yuan per ton in 1966 and 3,480 yuan in 1967, both for the second crop), it still leaves a price differential of 30% from the market price. This would mean that about 21,000 tons of rice (equivalent to the 30%) is virtually requisitioned by the government. Similarly, the collection in kind of the rents as well as the purchase prices of public lands, of the purchase prices of released private lands (excluding the amounts repaid to the ex-landlords), various barterings, repayments in kind of loans extended to peasants, etc., all operate as means of forced savings through the rice price mechanism. As already stated, the Taiwan government needed this mechanism of forced savings in order to secure rice to be distributed to military personnel, public servants and teachers, etc. as well as rice to be exported. It was necessary as a means both to prevent social unrest on account of the food shortage under the heavy pressure of an increasing population, as well as to economize on government expenditures and prevent inflation. In particular, the estimated 17 thousand tons of rice virtually requisitioned on an annual basis from the peasants does bear out the last point.

The functions outlined above may not necessarily be said to be those of capital accumulation—at least not directly, since the government financial expenditures mentioned are primarily of a non-productive nature. In an economy where those consumer groups who are included within the system of rice distribution described bear much of the character of a latent unemployed population, even if the government's distribution of rice sucked up compulsorily from the peasants serves the purpose of economizing on government expenditures, such a forced saving imposed upon the peasants cannot be regarded as capital accumulation in the primary sense of the term. The release of government rice for adjustment of the non-government food supply bears the character of relief and has nothing to do with the accumulation of capital. Furthermore, if this process of forced savings hinders the accumulation of capital in the agricultural sector, restricts the process of growth and development in agriculture and curbs possible investment in non-agricultural sectors by the peasants, it results in an economic cycle different from the original process of capital accumulation. As for the export of rice, while it has no doubt contributed some to the enhancement of agricultural productivity since it is linked with the import of chemical fertilizer, it should rather be regarded as a factor instrumental for maintaining the system of forced savings through the rice collection. Therefore, the export of rice as such can hardly be said to play a positive role in the accumulation of capital in its original sense. In short, this system of forced savings must be seen as having a socio-economic role different and distinct from serving to forward the process of expanded growth, which is essentially what the process of capital accumu-

lation means.

Nevertheless, there is no denying the fact that this mechanism of forced savings has enabled the government to avoid utilizing certain means of securing financial resources—such as increased taxation or receiving aid funds from foreign countries—which would have otherwise become sheer necessity. Thus the mechanism helped to prevent the expansion of the Taiwan economy from becoming stagnant or being reversed. Also the fact cannot be overlooked that despite, or rather because of, the fact that the government has been able to shift the burden of expenditures on military personnel, public servants, etc. onto the shoulders of the peasants, the economy of Taiwan has been continuing moving long on the basis of a low rice price→general price stability→general economic stability, indeed, has been an economic condition ensuring Taiwan's industrialization on the basis of low wage and low costs, thus strengthening its international competitive position and stimulating further industrial development. That the low price at which peasant rice is collected by the government and the low market price of rice have helped to keep down the general price level in Taiwan may well be understood from the importance of the rice economy in the over-all economic picture of the country. This will be seen from Table 2. It would be right to observe that such "stability" of the rice price and general prices had played a role in the stable economic growth of Taiwan in the period of the first Four-Year Plan for Economic Development and after. In short, the forced savings through compulsory collection or purchase of rice had found its place in the Taiwan economy as a peculiarly roundabout process of capital accumulation.

Table 2. Rates of Rise in Retail Prices (%)

	General Prices	Rice Price
1957	6.0	8.0
1958	4.0	3.0
1959	15.0	1.0
1960	18.0	16.0
1961	8.0	7.0
1962	2.0	Δ3.5
1963	2.0	2.0
1964	2.0	2.0

Note: Δ denotes a decline.

Source: Calculated from Food Production and Activities of the Taiwan Provincial Food Bureau, 1965, p. 53.

The process of forced savings in Taiwan operates not as a mechanism of modern capitalistic market economy, but as part of the financial organization of a spot economy based on the compulsory collection of crops and pre-modern barter system, in the basis of which the stable post-war economic development of Taiwan has been possible. This in turn means that the post-war development has been dependent on the continued development of the monocultural

pattern of production formed during the colonial days. If, however, economic development in developing countries as a whole means an effort on the part of these countries to rid themselves of monoculture or too heavy a dependence on a few agricultural products and to modernize their economic structure, the process of the post-war economic development in Taiwan must be said to be unusual.

Thus the process of capital accumulation in the public sector, as facilitated by the compulsory collection of rice has been one of redistribution of wealth by state power. While the development of the industrial sector has been favored with various protective measures such as price incentives, the agricultural sector has been subject to a system of inequivalent exchange, putting heavy pressure upon agriculture and the peasants. The marked decline of the share of agriculture in GNP, the low income of the peasantry in terms of per-capita national income, the extremely high ratio of rural indebtedness, etc. all seem to bear this out. Given these conditions, it is expected that the expanded growth of agricultural productive forces will be extremely difficult.

Such a case of exceptionally agriculture-oriented forced savings enforced by strong state power with a well-organized administrative setup, and carried out as widely and covering as many consecutive years as in Taiwan, may hardly be found elsewhere in the developing areas of the world. Indeed, the process of forced savings and capital accumulation in Taiwan is an institution unique in its structural character. It may not only be a factor leading to the formation of a special structure of growth in the Taiwan economy but also prove to be a condition ultimately distorting the future course of development. In this lies the reason for the recent re-examination of the mechanism of forced savings by the Taiwan government. It must also be noted, however, that the whole setup has been related to social and economic necessities unique to the country. And the society and economy of Taiwan have yet to discover either the logic or the method of solving this critical dilemma.