

## The Level of Farmland Rent in Japanese Colonial Taiwan

Shu-jen Yeh\*

### ABSTRACT

This paper analyzes whether or not Taiwan's farmland rent was too high during the Japanese colonial period. Most past studies on Taiwan's land tenure system claimed that the rent prevailing during the pre-war period was too high. Scholars generally believe that landlords' exploitation was the main factor to this high rent, however, none of them has ever made a systematic analysis for this assertion. This article tests whether or not the rent was too high both from the contribution of land to farm products and the opportunity costs of landlords' funds invested in land purchasing. Three main results are derived. First, landlords did care very much about the yield on their land. In order to raise tenants' incentives for investment and working attitude, two important arrangements were adopted in the tenure system. (1) A fixed rent system was chosen for land with a stable yield, while a share tenancy system was adopted on land with a very unstable yield. (2) Landlords also participated in land investment and lent working capital freely to tenants. Secondly, the rental rate was quite stable in the long run, and so landlords shared the fruits of their increased output and any loss from decreased output with their tenants. In the long run, landlords of farmfields suffered more risk than the tenants. Thirdly, the assertion that rent was too high cannot be accepted without any reservation. When we define the reasonable rent by the contribution of land to output, the assertion does not hold. If the reasonable rent is defined by the opportunity cost of landlords' funds used in land purchasing, then whether or not the hypothesis holds depends on what kind of interest rate is used in the calculation. This finding shows that we cannot accept the hypothesis that farmland rent was too high in pre-war Taiwan without any reservation.

**Keywords:** rent, the rate of rent, fixed rent, interest rate, production frontier

---

\* Professor, Department of Economics, National Taiwan University.