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CLASS STRUCTURES AND SOCIAL MOBILITY IN TAIWAN IN THE INITIAL POST-WAR PERIOD

Hong-zen Wang*

The evolution of Taiwan's class structure over the past half century has never been fully explored. A few Taiwanese sociologists, using a status attainment model,¹ have found that socio-economic status is highly correlated with educational attainment and occupational status.² They have also found that the class structure is ethnically skewed, with mainlanders occupying a higher socio-economic status than native Taiwanese.³ Mainlanders dominate the bureaucratic elite while native Taiwanese have been highly successful in establishing small and medium-sized manufacturing businesses. Models of social mobility only describe recent patterns and do not reveal the initial circumstances of groups in

* The author wishes to thank the two anonymous referees for their comments. Jonathan Unger and Anita Chan provided very helpful comments on earlier versions of the paper. I am also indebted to C. L. Chiou, David Schak and Bruce Jacobs, whose suggestions enhanced this article's analytical and empirical bases.

¹ This model was developed by Peter M. Blau and Otis Dudley Duncan, see their *The American Occupational Structure* (New York: Wiley, 1967).

² Hong-zen Wang, "Ethnicized Social Mobility in Taiwan: Mobility Patterns among Owners of Small and Medium-Scale Businesses", *Modern China*, Vol. 27, No. 3 (July 2001), pp. 328–58; Huang Yizhi, "Taiwan diqu jiaoyu jihui bupingdengxing zhi bianqian" (The Change of Inequality in Educational Opportunity), *Zhongguo shehui xuekan* (Chinese Journal of Sociology), No. 18 (1995), pp. 243–73; Shu-ling Tsai and Hei-yuan Chiu, "Bijiao Taiwan ge zuqun zhi jiaoyu qude" (Educational Attainment in Taiwan: Comparisons of Ethnic Groups), *Renwen ji shehuixue jikan* (Proceedings for Humanities and Social Sciences), Vol. 3, No. 2 (1993), pp. 188–202.

³ The term "Taiwanese" refers to Han Chinese present in Taiwan before 1945 and their descendants, namely the Minnan (Hokkien-speaking) and Hakka groupings, while "mainlander" refers to those who came to Taiwan from China after 1945 and their descendants.

society at the end of World War II. Without an understanding of the historical origins of the class structure, it is impossible to draw a map of social mobility in Taiwan or fully understand the factors behind shifts in status. As a research topic, the question of the historical origins of Taiwan's class structure has received little attention. Some studies have focused on the impact of land reform in the 1950s, but these did not consider the non-agricultural population.⁴ No one has examined the extant class structure at the close of World War II or traced the economic activities and mobility opportunities of different classes in the period after Japan withdrew from Taiwan and the Nationalist Chinese army retook the island in 1945.

This paper fills the research gap by using two primary sources—archival materials from the *Historica Sinica* in Taiwan and raw data from the General Survey of Social Change in Taiwan, 1990 and 1992—to reconstruct the map of occupational distribution in the 1950s. This material will then be used to examine how the economic situation and mobility opportunities open to each class changed over the period 1945 to 1960.⁵

The Chaotic Takeover (1945–49)

Japan had a very important influence on Taiwan's economic development. Most industries were owned by Japanese during the colonial period. The Japanese occupation created a reservoir of well-disciplined workers for capitalist production and established a basic level of literacy, enabling people to start up businesses in later years when opportunities arose. A large number of

⁴ Martin M. C. Yang, *Socio-Economic Results of Land Reform in Taiwan* (Honolulu: East-West Centre Press, 1970); Chang Yen-tien, "Land Reform and its Impact on Economic and Social Progress in Taiwan", *Industry of Free China*, Vol. 23 No. 4 (April 1965); Cai Hongjin, *Taiwan nongdi gaige dui shehui jingji yingxiang de yanjiu* (Research on the Influence of Land Reform on the Social Economy in Taiwan) (Taipei: Jiaxin Cement Cultural Foundation, 1967); Ka Chih-ming and Mark Selden, "Yuanshi jilei, pingdeng yu gongyehua: yi shehui zhuyi zhongguo yu ziben zhuyi Taiwan wei anli zhi fenxi" (Original Accumulation, Equalization and Industrialization: A Comparison between Socialist China and Capitalist Taiwan), *Taiwan shehui yanjiu jikan* (Taiwan: A Radical Quarterly in Social Studies), Vol. 1, No.1 (Spring 1988), pp. 11–52.

⁵ The 1990 and 1992 General Survey of Social Change in Taiwan was sponsored by Taiwan's National Science Council. This research project was carried out by the Institute of Ethnology at the Academia Sinica, under the direction of Dr Chiu Hei-yuan. The Office of Survey Research at the Academia Sinica was responsible for data distribution. I appreciate the assistance of these institutes and individuals in providing the raw data. The views expressed in this paper are my own.

The Institute of Ethnology at Academia Sinica has conducted general surveys on social change in Taiwan since the early 1980s. The first survey was carried out in 1984 and the second in 1990. Since then the institute has conducted a survey each year on different social issues. Further information on the survey is available at the following Web site: <http://www.sinica.edu.tw/as/survey/srda/intro_d.html>.

businesspeople could speak Japanese and later formed close business connections with Japanese companies.

In the first few months after Japan surrendered and the Nationalist Chinese army arrived, the bureaucracy and most businesses remained under Japanese management. This was in accord with new regulations set by the Taiwan Administrative Governor's Office (Taiwan Xingzheng Zhangguan Gongshu) to avoid interruptions to administration and production. Japanese enterprises were soon nationalized, and senior Japanese personnel in the bureaucracy and the new public enterprises were gradually replaced by mainlanders. Between 1945 and 1950, 860 Japanese enterprises were legally confiscated and 19 were taken over by the Kuomintang (KMT) provincial party without any legal process.⁶ Native Taiwanese had little chance to develop their careers in the public sector, as most senior positions in the newly public enterprises were taken by the incoming mainlanders.

The regulated economy established by the colonial government during the war was retained by the Nationalist government in the 1950s. The public sector dominated the economy⁷ until the boom of the 1960s opened up international markets to the private sector.⁸

The hopes of native Taiwanese that their opportunities would improve after the removal of the colonial government were quickly squashed. Politically, senior government posts were mostly occupied by mainlanders; economically, the incorporation of Taiwan's economy into that of China linked Taiwan inescapably

⁶ See Liu Jinqing, *Sengo Taiwan keizai bunshiki: 1945nen kara 1965nen* (Analysis of Taiwan Postwar Economy: From 1945 to 1965) (Tokyo: The University of Tokyo Press, 1975), pp. 26–30. Liu's book is one of the pioneer works on Taiwan's initial postwar economic development. Trained in the Japanese economics tradition, Liu used Marxist theory to explain capitalist development in this period. This book contains abundant statistics. It has been translated into Chinese as *Taiwan zhanhou jingji fenxi* by Hong-zen Wang, Li Mingjun and Jih-wen Lin (Taipei: Renjian Chubanshe, 1992). I rely extensively on Liu's data in this paper.

⁷ In 1952 the public sector accounted for 57.3 per cent of total industrial production. See Liu, *ibid.*, p. 117.

⁸ Relevant studies about the influence of Japanese colonisation on Taiwan include Tu Jawan, *Nihon teikoku shugi ka no Taiwan* (Taiwan under Japanese Imperialism) (Tokyo: The University of Tokyo Press, 1975); George W. Barclay, *Colonial Development and Population in Taiwan* (Princeton: Princeton University Press, 1954); Harry J. Lamley, "Taiwan under Japanese Rule, 1895–1945: The Vicissitudes of Colonialism", in Murray A. Rubinstein (ed.), *Taiwan: A New History* (Armonk: M. E. Sharpe, 1999), pp. 201–60; Liu, *Analysis of Taiwan's Postwar Economy*, pp. 15–25; Zhou Xianwen, "Riju shidai Taiwan jingjishi" (Taiwan Economic History during Japanese Colonial Times), *Taiwan Research Paper No. 59* (Taipei: Economic Research Centre, Bank of Taiwan, 1958); Lin Jih-wen, *Riben jutai moqi zhanzheng zongdongyuan tixi zhi yanju (1930–1945)* (Research on the War Mobilization System in Late Japanese Colonial Times) (Taipei: Daoxiang Chubanshe, 1996).

to the influence of both the civil war and mainland bureaucratic cliques; culturally, many mainlanders viewed the Taiwanese as disloyal to China and tainted by colonial education, while many Taiwanese compared the new regime unfavourably to the former Japanese administration, especially in terms of public order and corruption. The distrust between the two sides erupted in an uprising on 28 February 1947, which was suppressed with the executions of some 28,000 native Taiwanese, largely members of the Taiwanese elite.⁹

Although political repression in this period removed Taiwanese elites from influence, it did not change the basic structure of Taiwan's society.

The Taiwanese Capitalists

Before the arrival of the Nationalist army, many Japanese owners, fearing land and factories would be confiscated by the Nationalists, had sold much of their assets at very low prices to Taiwanese. The Nationalists decided that all such transactions that had occurred before Japan surrendered on 15 August 1945 would be recognized as legal. The problem was how to treat contracts signed between 16 August and the arrival of the Nationalists on 25 October. Some Taiwanese businesspeople forged contracts with wealthy Japanese to secure estates, falsely dating the contracts as occurring before 15 August. The head of the Tatung Steel Company, Lin Tizao, who had collaborated with the Japanese during the war, bought more than fifty houses as well as land and machinery. Overnight he became one of the wealthiest people in Taiwan. His son, Lin Tingsheng, subsequently became a member of the Central Standing Committee of the KMT in 1969, in recognition of his economic power. The value of the estates transferred into Taiwanese ownership amounted to more than 30 billion Taiwan dollars,¹⁰ while the value of the confiscated property put up for sale by the Taiwan

⁹ Mau-kuei Chang, "On the Origins and Transformation of Taiwanese National Identity", *China Perspectives*, No. 28 (March–April 2000), pp. 62–4; Steven Phillips, "Between Assimilation and Independence: Taiwanese Political Aspirations under Nationalist Chinese Rule, 1945–1948", in Murray A. Rubinstein (ed.), *Taiwan: A New History* (Armonk: M. E. Sharpe, 1999), pp. 288–92. Two first-hand English-language accounts of the uprising are Peng Ming-min's *A Taste of Freedom* (New York: Holt, Rinehart and Winston, 1972) and George Kerr's *Formosa Betrayed* (Boston: Houghton Mifflin, 1965). Basic introductory sources to this period are Ralph Clough's *Island China* (Cambridge: Harvard University Press, 1978) and Thomas Gold's *State and Society in the Taiwan Miracle* (Armonk: M. E. Sharpe, 1986).

¹⁰ Unless noted, a Taiwan dollar refers to the old Taiwan dollar. The New Taiwan dollar (NT\$) was used after June 1949. The exchange rate between the old Taiwan dollar and the New Taiwan dollar was 40,000:1.

provincial government came to only 12 billion.¹¹ In short, some Taiwanese reaped great wealth by colluding with the Japanese during this chaotic transition.

Another kind of speculative business involved underground usury. Because the official interest rate was far below the inflation rate during this period, most available funds went into commercial or financial speculation. In the first half of 1949, the underground interest rate was as high as 80 per cent, while the official interest rate was only 20 per cent. The largest moneylender had accumulated 250 billion Taiwan dollars in deposits, more than half the total issue of 470 billion Taiwan dollar banknotes at that time.¹² In 1950 only 7 per cent of farmers' loans came from commercial banks (including the Land Bank) and 19 per cent from the Farmers' Association; 73 per cent came from private borrowing,¹³ much of it tied to the rampant underground usury. A famous case involved Hou Yuli, who became an important member of the Tainan Business Group in the 1950s. Although he owned a textiles factory, his income derived mainly from usury. He lent out more than any cooperative credit union, and as much as a branch of the First Commercial Bank (one of the three major commercial banks at that time).¹⁴

The Mainlander Bureaucrats

After the uprising of February 1947, the National Resources Commission, which was in charge of all public enterprises in China, asked public enterprises in Taiwan to report on the ethnic distribution of their staff. The Nationalists were well aware that economic inequality had been a major cause of the uprising. Tables 1–3 show that although the number of Taiwanese staff employed by these enterprises was higher than during the Japanese occupation, mainlanders occupied the majority of senior posts. Most of these mainlanders were highly educated and well qualified for their positions. Nevertheless, at that time 2,508 Taiwanese had been educated at Taiwan-based universities or colleges, more than 50,000 Taiwanese had graduated from Japanese tertiary institutions, and

¹¹ See Huang Bing, Wu Zanshi, Shen Songlai, Cai Rixin, Lin Hebo, Cai Huangzhang and Chen Jie, "Wei qingqiu weichi 815 yihou maishou richan wuxiao yuanan lianhe qingyuan yan buju liyou yishi" (Petition to the National Resources Committee to Invalidate Transactions with the Japanese after the 15th of August). A document in the archives of the Historica Sinica (14 September 1948).

¹² Liu, *Analysis of Taiwan's Postwar Economy*, p. 67.

¹³ Lee Teng-hui, "Taiwan nonggong bumenjian zhi ziben liutong" (Intersectoral Capital Flows in the Economic Development of Taiwan, 1895–1960) *Taiwan Research Paper No. 106* (Taipei: Economic Research Centre, Bank of Taiwan, 1972), p. 119, table 89.

¹⁴ Xie Guoxing, "You shang er gong: guangfu chuqi Tainan bang de tuibian" (From Commerce to Industry: the Transformation of Tainan Business Group in the Early Post-War Period), in Lai Jeh-Han (ed.), *Taiwan guangfu chuqi lishi* (Taiwan's History during the Early Post-war Period) (Taipei: Sun Yat-sen Institute for Social Sciences and Philosophy, Academia Sinica, 1993), pp. 335–64.

approximately 100 Taiwanese had overseas tertiary qualifications.¹⁵ Few of these graduates had been assigned to important posts. The evidence indicates that ethnicity rather than education determined opportunities at the time.

Table 1: The ethnic composition of staff in Japanese enterprises, 1944–45

	Date	Japanese	Taiwanese	Total
Taiwan Copper Mining Co.	1944	260	3	263
Taiwan Engineering and Shipyard Co.	1944	223	22	245
Taiwan Aluminum Co.	3/1945	286	13	299
Taiwan Fertilizer Co.	1945	231	492	723
Yanshuigang Sugar Co.	12/1945	356	44	400

Sources: Company reports submitted to the National Resources Commission, compiled by the author from documents in the Historica Sinica archive.

Table 2: The ethnic composition of staff in public enterprises under the Nationalist government, 1946–50

	Date	Mainlander	Taiwanese	Total
Taiwan Copper Mining Co.	5/1947	117	72	169
Taiwan Engineering and Shipyard Co.	5/1946	22	146	168
Taiwan Aluminum Co.	3/1947	130	187	317
	9/1948	82	39	121
		153	47	200
Taiwan Cement Co.	6/1950	257	259	516
Taiwan Steel Co.	6/1950	58	8	66

Sources: Company reports submitted to the National Resources Commission.

¹⁵ Wu Wenxing, *Riju shiqi Taiwan shehui lingdao jieceng zhi yanjiu* (Research on Taiwan's Leading Strata in Japanese Times) (Taipei: Zhengzhong Chubanshe, 1992), pp. 114–24.

Table 3: The ethnic composition of senior positions in the Taiwan Administrative Governor's Office, 1946

	Number of posts	Ratio of mainlanders to Taiwanese
Department director (ranks 11–12)	8	100:0
Vice-department director (10–11)	3	67:33
Group director (9–11)	42	90:10
Section director (central govt.) (9–10)	37	100:0
Section director (local govt.) (8–9)	96	97:6
Specialist (7–8)	87	87:13

Note: The numbers in parentheses indicate the rank of the post.

Source: Xu Bangnan, "Dare ga kimeru no ka? Kokumindo seiken no seisaku kitei kiko to jinji haichi" (Who Makes Decisions? Policy Decision-making Mechanisms and Personnel Allotments during the KMT Regime), in Wakabayashi Masahiro (ed.), *Taiwan—tenkanki no seizi to keizai* (Taiwan—Politics and Economy in Transition) (Tokyo: Tahada Shoten, 1987), p. 134.

Many of the public enterprises taken over by mainland Chinese were riddled with corruption, and theft, particularly of machinery, was rife. For example, the Taiwan Copper Mining Company reported that before the arrival of the Nationalist army:

thieves and bandits rose in swarms, and most of the equipment and small machinery sustained heavy losses. Even after the take-over, thieves and bandits were still audacious in robbing the property. Up to the end of March 1946 the loss reached 358,504.7 Taiwan dollars. From the first of April 1946 the company was restored to work, but it never stopped the burglars. By the end of May 1947 another 308,397.83 Taiwan dollars in equipment had been taken.¹⁶

¹⁶ At that time one Taiwan dollar could buy 12 kilograms of rice. See Ziyuan weiyuanhui Taiwan tongkuang choubeichu (Preliminary Work Team of Taiwan Copper and Mining Company of the National Resources Commission), *Zai tai xiufu shiye ji taibao jiuye qingxing baogao* (Reports on the Reconstruction in Taiwan and the Situation of Taiwanese Employment), unpublished document (1947). Data is from the *Historica Sinica* archive.

It is not known whether these goods were taken by Taiwanese workers or by mainlanders managers.

Factional struggles within the Kuomintang also affected the public enterprises.¹⁷ The Governor General, Chen Yi, assigned every provincial ministerial post in Taiwan to members of his faction, causing friction between factions in the central KMT party. To counterbalance Chen's domination, the other factions filled party and military positions. For example, the C-C Clique controlled the KMT's provincial party, the Military Statistical Bureau Clique controlled police organizations, and the Song Family Clique appointed the members of the National Resources Commission, which it controlled.¹⁸ These factional struggles made it difficult for public enterprises to function normally. Every faction member involved in the enterprises was seeking higher rewards for himself and his faction; few cared about national interests or Taiwan's best interest.

Taiwan's main exports were sugar and rice, while the largest category of imports was clothing from Shanghai. At that time the National Resources Commission, under the control of the Song Family Clique, was in charge of most of the public enterprises in both China and Taiwan. By manipulating trade between Taiwan and China, the commission reaped enormous profits. In 1946 the commission, without any financial outlay, shipped 150,000 tons of sugar from Taiwan to the mainland and purchased 400 million tons of Taiwan's coal at a very low price. In 1947 it ordered Taiwan to ship a further 150,000 tons of sugar, 300–400 million tons of coal and 500,000 tons of rice to China, again without reimbursement.¹⁹

At the same time, the National Resources Commission exported clothing to Taiwan from the textile factories that it controlled in China. So too did the Song Family Clique, using capital derived from the takeover of Japanese textiles companies in China. It reorganized these companies into the China Textile Construction Company (Zhongguo Fangzhi Jianshe Gongsi), which was mainly based in Shanghai. In 1947 the company produced 37 per cent of China's silk and cotton fabrics and 40 per cent of Chinese cotton garments.²⁰ Clothes were sold to

¹⁷ There were five main factions within the party at that time: the C-C, Military Statistical Bureau, Song Family, Political Science and Tuan Cliques. The following paragraph draws mainly on information in Chen Mingtong's article "Paixi zhengzhi yu Chen Yi zhitailun" (Factional Politics and Chen Yi's Policy to Taiwan), in Lai, *Taiwan's History*, pp. 223–302.

¹⁸ Chen, *Factional Politics and Chen Yi's Policy to Taiwan*, pp. 264–71.

¹⁹ *Ibid.*, p. 264.

²⁰ Watanabe Nagao, *Chugoku shihonshugi to sengo keizai* (Chinese Capitalism and the Postwar Economy) (Tokyo: Taiga Keizai Shinbunsha, 1950), p. 59. This is cited in Liu, *Analysis of Taiwan's Postwar Economy*, p. 231, note 9.

Taiwan at a relatively high price. Between January 1946 and September 1948, the price of clothes in Taiwan rose by 94 per cent, while the price of sugar fell slightly.²¹ The price of clothing was so high because imports were controlled and because the Taiwan dollar was undervalued relative to the Chinese currency.²² China was experiencing hyperinflation, and the fixed exchange rate between China and Taiwan meant that Taiwanese importers had to pay much more to buy the same quantity of goods from China. Mainlander capitalists connected to the Song Family Clique exploited this situation by using their political and economic power to amass huge profits.

Because each public enterprise in Taiwan was the fortress of a particular faction, cooperation was impossible and there was little economic integration among enterprises. It is therefore not surprising that a foreign advisor, submitting a *General Report on Taiwan* to the National Resources Commission, found that "the general tenor in Taiwan is: each factory for itself, each manager by himself; if inflated big profits are made, then the industry is in order".²³ Corruption became endemic. In one example, Li Zhuozhi, a member of Chen Yi's faction and general manager of the public enterprise the Taiwan Paper and Printing Company, sold company machinery worth more than 10 million Taiwan dollars at a price well below value, and later bought these machines for his own private company for only 400,000 Taiwan dollars.²⁴

Taiwanese Landlords

Taiwan was predominantly agricultural up until 1960. In 1946, 57.8 per cent of the population was engaged in farming. Approximately 40 per cent of the agricultural population were tenants, and another third were semi-tenant farmers (Table 4). In 1944 landlords owned about 32 per cent of the total arable land, but comprised only 3.5 per cent of the agricultural population.²⁵

The land tenure system remained unaltered during the transition period. Rent was paid in kind and ranged from more than 70 per cent of the year's crop to less

²¹ Liu, *Analysis of Taiwan's Postwar Economy*, p. 56, table 13.

²² The Taiwan dollar's real purchasing power was about 30 per cent undervalued in relation to the Chinese currency. See *ibid.*, p. 49.

²³ S. Trone, *General Report on Taiwan*, unpublished manuscript submitted to the National Resources Commission, Nanking, China, 21 January 1948, p. 7.

²⁴ Chen, *Factional Politics and Chen Yi's Policy to Taiwan*, p. 272.

²⁵ In 1944 there were approximately 114,000 landlords in an agricultural population of 3.3 million. Wu Tianquan, *Taiwan de tudi wenti* (The Land Problem in Taiwan) (Taipei: unknown publisher), p. 30; Zhou, *Taiwan Economic History during Japanese Colonial Times*, p. 14.

than 10 per cent, depending on the fertility of the land and the relationship between landlord and tenant.²⁶

Table 4: The agricultural population by numbers of households

	1946		1948	
Landowner	172,314	(32.7%)	216,736	(33.5%)
Semi-tenant	148,580	(28.2%)	154,460	(23.9%)
Tenant	206,122	(39.1%)	231,224	(35.8%)
Farm labourer	–	–	43,521	(6.7%)
Total	527,016	(100%)	645,941	(100%)

Note: Semi-tenants owned some land but not enough to provide sufficient income, and had to rent additional land to cultivate. The category of landowner includes farm owners and landlords. Farm labourers had no land and worked entirely for others.

Sources: Wu Tianquan, *Taiwan de tudi wenti* (The Land Problem in Taiwan) (Taipei: unknown publisher, 1949), Table 10, appendix p. 5; Zhongguo Dizheng Yanjiusuo (Research Institute of Chinese Land Policy), *Taiwan nongdi jianzu baogao* (Report on Rent Reduction in Taiwan) (Taipei: Zhongguo Dizheng Yanjiusuo, 1951), pp. 13–14.

Rents climbed after the war.²⁷ The government raised land taxes and landlords passed the burden on to their tenants. Straight after the war, the Nationalist

²⁶ A 1952 survey of 351 tenants recorded the rent paid in 1948 as the following percentages of the year's crop:

Rent	<37.5%	37.5–50%	51–60%	>60%	No answer
% of Tenants	16%	21%	16%	16%	31%

See Joint Commission on Rural Reconstruction, *Rural Survey of Taiwan*, October–December, 1952 (Taipei: Joint Commission on Rural Reconstruction, 1953), “Tabular Materials Compiled from 1,176 Detailed Household Schedule”, p. 9.

²⁷ For example, land rentals in Xinzhu were raised from 51 per cent of the year's crop to 58 per cent, and in Tainan from 46 per cent to 51 per cent. Hou Kunhong (ed.), *Tudi gaige shiliao*

government was fighting the Communists on the mainland, and needed a secure grain supply. Three measures were adopted to collect more grain and at the same time keep inflation under control in Taiwan. First, in 1946 all farmers in Taiwan were required to pay the land tax in grain. Second, landlords were forced to sell a certain portion of their grain to the government according to the amount of land tax they paid. Third, those landlords with medium- or large-scale operations had to sell a proportion of their output to the government at a compulsory purchasing price: the more rice they produced, the more they had to sell.²⁸ The landlords compensated for their losses by raising rents. In Tainan the proportion of the crops going to landlords rose from 50 per cent in 1946 to 55 per cent in 1947 to 60 per cent in 1948.²⁹

However, not every landlord relied on rental income to survive. Most large landlords had inherited their lands during the Qing Dynasty and had diversified into commercial and industrial activities during colonial times. The largest landlord at that time, Gu Zhenfu (Koo Chen-fu), and the second largest, Lin Xiantang, had established factories and banks.³⁰

Some other landlords owned local rice mills. Rice mills often functioned as underground financial intermediaries, lending money to poor farmers and tenants at usurious rates.³¹ One form of usury was *maiqing*: farmers were lent funds before the planting season and repaid the loan in kind from the harvest. These informal lenders charged high interest rates. The “normal interest rate in Pingdong was 25 per cent in 1952, while in an emergency, it could reach 40 per cent, and in eastern Taiwan, the interest rate was even higher”.³² Some other landlords took posts in cooperatives, or in farming or fishing associations in the local areas, and most of their income came from the profits of these organizations.³³ In the transition period, these landlords were not greatly affected by the chaotic political and economic changes in Taiwan.

Small landlords, on the other hand, were quite adversely affected. Natural disasters in 1946 and 1947, hyperinflation and the taxation policy all contributed

(Land Reform Data of Modern China) (Taipei: Historica Sinica, 1988), p. 404. Wu, *The Land Problem in Taiwan*, appendix p. 6, table 12.

²⁸ For details of the process of forced grain selling, see Liu, *Analysis of Taiwan's Postwar Economy*, pp. 60–5.

²⁹ Hou, *Land Reform Data of Modern China*, p. 366.

³⁰ See Tu, *Taiwan under Japanese Imperialism*, pp. 412–64; and Zhao Wenshan, *Taiwan “sanqiwu” dizu yundong de toushi* (A Thorough Understanding of Taiwan's “Three-Seven-Five” Rent Reduction Movement) (Taipei: Ziyou Chubanshe, 1949), pp. 131–2.

³¹ Zhao, *Thorough Understanding*, p. 132.

³² Deng Xuebing, *Taiwan nongcun fangwen ji* (Visiting Taiwan Peasant Villages) (Taipei: unknown publisher, 1954), p. 96.

³³ Zhao, *Thorough Understanding*, p. 132.

to their burden. Although they were able to recoup some of their losses by raising rents, their landholdings were generally too small to provide a sufficient income.

Taiwanese Peasants and Tenants

In 1948 farm households, including those of landlords, owned on average only 1.4 hectares. While farm owners now had to pay high taxes to the government as well as having to cope with natural disasters and hyperinflation, times were even tougher for tenants, who had to pay higher rents than in colonial times. A survey in October 1949 of 3,967 tenants, 1,032 farm owners and 493 landlords provides a rough sketch of their living conditions.³⁴ The expenditures of farm owners amounted to 63.2 per cent of the expenditures of the landlords, while tenants' expenditures were much lower, at 37.7 per cent. For tenants, 58.5 per cent of all expenditure went on food and drink, a share that rose to 61 per cent in 1949, reflecting a drop in living standards. The less land a tenant farmed, the higher the percentage of income that was spent on basic needs.³⁵

One study estimated that 18.7 per cent of tenants but only 9.3 per cent of farm owners were in debt. Because usury was illegal, people were unlikely to report such debts and these figures are likely to be underestimates.³⁶ At this time the interest rate charged by private lenders in rural areas was almost five times higher than the official rate, and in some cases reached as high as 432 per cent per annum.³⁷

Taiwanese Personnel

Mass unemployment among native Taiwanese wage earners began to emerge at the end of the war.³⁸ At least three kinds of unemployment were evident. The first involved an estimated 100,000 Taiwanese veterans, demobilized from the

³⁴ Zhongguo Dizheng Yanjiusuo, *Taiwan nongdi jianzu baogao* (Report on Rent Reduction in Taiwan) (Taipei: Zhongguo Dizheng Yanjiusuo, 1951), p. 2.

³⁵ *Ibid.*, pp. 6–7.

³⁶ Guomindang Zhongyang Gaizao Weiyuanhui Diliuzu, *Taiwan nongjia jingji—dang de shehui diaocha, nongcun dianxing diaocha baogao* (Peasant Economy in Taiwan—Social Survey of the Party, Report on a Typical Village) (Taipei: KMT, 1952), p. 17. This states: “farmers were afraid that usury is illegal so that they did not like to report. Every interviewer had a similar report. Their disguised reasons could be ‘it’s only a short-term turnover’, ‘it’s not easy to report’, or ‘I am afraid it might affect my loan in the future’”.

³⁷ Zhongguo Dizheng Yanjiusuo, *Report on Rent Reduction*, p. 9.

³⁸ This was recognized by the secretary of the Taiwan Zhangguan Gongshu, Ge Jingen, in his address to the Provincial Assembly in June 1946. Chen Xingtang (ed.), *Taiwan “2.28” shijian dangan shiliao—Nanjing dier lishi dangan guancang* (Documents of Taiwan “Uprising February 28”—From Nanjing Second Academia Historica) (Taipei: Renjian Chubanshe, 1992), pp. 78–88.

Japanese army back to Taiwan, who were unable to find work.³⁹ Another was “bureaucratic unemployment”. In 1945 there were 46,944 Taiwanese civil servants in the colonial bureaucracy; by December 1946 this figure had fallen to 31,193. In other words, about one-third of the Taiwanese civil servants had been laid off.⁴⁰ Similar cutbacks occurred in the nationalized public enterprises, which laid off large numbers of workers because of a lack of capital. A third kind of unemployment arose from the bankruptcy of small private enterprises, which had been cut off from needed Japanese supplies. New government regulations caused further bankruptcies. For example, the government ordered that all school reading materials should be ordered from the Taiwan Printing Company, a public enterprise, driving many small private printing companies out of business. The situation was the same for private tobacco and wine manufacturers and import-export companies.⁴¹

Life was hard for the unemployed. Most of them returned to their villages, adding to the hidden unemployment in the countryside. From 1946 to 1948, the agricultural population increased by almost 23 per cent (Table 4). Semi-skilled workers were not the only group affected: skilled professionals also suffered. In 1946 the doctors at the National Taiwan University Hospital went on strike because their wages were being eroded by inflation.⁴² The government ran out of money to pay teachers. In Taipei county in mid-1946, teachers were being paid three months late.⁴³ Arrears were also reported in 1952, a more normal year.⁴⁴

The class structure among the native Taiwanese was essentially left untouched in this period, although income disparities increased. The living standards of small landlords, farm owners, semi-tenants, tenants, many

³⁹ Xiao Shengtie, “Taiwan 228 Shijian de Jingji yu Wenhua Beijing—Shehui Qiwan Lilun zhi Yingyong” (Economic and Cultural Background of the Uprising February 28 in Taiwan—Application of Social Expectation Theory) in *Ereba minjian yanjiu xiaozu* (Folk Research Team on the Uprising of February 28), *Ereba xueshu yantaohui lunwenji* (Essays on the Uprising of February 28) (Taipei: Ereba minjian yanjiu xiaozu, taimei wenhua jiaoliu jijinhui, xiandai xueshu yanjiu jijinhui, 1992), p. 90.

⁴⁰ *Ibid.*, p. 93; Chen, *Documents of Taiwan “Uprising February 28”*, p. 664.

⁴¹ Zhang Qin, “Taiwan Zhenxiang” (The Real Facts in Taiwan), in Chen, *Documents of Taiwan “Uprising February 28”*, pp. 135–62.

⁴² Chen, *Documents of Taiwan “Uprising February 28”*, p. 68.

⁴³ Xiao, “Economic and Cultural Background of the Uprising February 28”, p. 93.

⁴⁴ In 1952 it was reported that the mining companies owed workers up to three months wages. Workers were given a “wage card” that could be reimbursed in the future. Most workers could not wait for their reimbursement and sold the card for cash at a value that was approximately 30 per cent lower. See Guomindang Zhongyang Weiuyuanhui Sheji Kaohe Weiuyuanhui (Scrutiny Committee in Central Committee, KMT), *Taiwansheng changkuang laogong zhuangkuang kaocha naogao* (Reports on Labourers’ Conditions in the Mining and Manufacturing Industries of Taiwan Province) (Taipei: KMT, 1954).

professionals and workers worsened. Mainlander bureaucrats simply replaced their Japanese predecessors in the public sector and the new antagonisms resembled those of Japanese times.

Class Structure and Mobility in the 1950s

Scholars have described the 1950s as Taiwan's "white terror period". Many political dissidents were jailed or purged, regardless of whether they were Taiwanese or mainlanders. At the same time, in an attempt by the Nationalists to solidify control of Taiwan, some political reforms were implemented that allowed Taiwanese elites to participate in local politics.⁴⁵ The government's economic initiatives included an import substitution policy that encompassed high import tariffs, a dual exchange rate and an "entrustment" scheme to help the infant textile industry, all of which had significant benefits for mainlander businesspeople.

Of greater significance to Taiwan's indigenous social landscape was the land reform program that abolished tenant farming and landlordism, thereby strengthening the KMT's rule in the countryside.⁴⁶

A New Regime's Land Reform Policies

When the Nationalists took over Taiwan in 1945, many tenant farmers had believed they would be able to ask landlords to reduce rents according to China's Rent Reduction Act. This 1930 law was supposed to limit farm rent to a maximum of 37.5 per cent of the annual main crop yield, although it was poorly enforced on the mainland. After the KMT's defeat in China, however, enforcement of the law became politically advantageous to the government in Taiwan. One of Chen Cheng's first acts on being appointed governor in 1949 was to announce its implementation. His aim was to create a new alliance with the rural population, which made up more than half of Taiwan's labour force.

Rent reduction was the first step in reforming the land tenure system. The second step was the sale of public farmland. In 1947 the government owned more than 20 per cent of Taiwan's arable land, much of which had been confiscated from the Japanese. This included land owned by the Taiwan Sugar Company, previously a conglomerate of Japanese sugar companies. Although the sale of

⁴⁵ Lin Shuzhi, *Baise kongbu X dangan* (The White Terror X Files) (Taipei: Qianwei Chubanshe, 1997); Lan Bozhou, *Baise kongbu* (The White Terror) (Taipei: Yangzhi Wenhua, 1993).

⁴⁶ A primary English-language source for this period is H. McClear Bate's *Report From Formosa* (London: Eyre and Spottiswoode, 1952). Readers can also refer to Murray A. Rubinstein, *The Protestant Community on Modern Taiwan* (Armonk: M. E. Sharpe, 1991), Ch. 1; Wang Chen-main, "A Bastion Created, A Regime Reformed, An Economy Reengineered, 1949–1970", in Murray A. Rubinstein (ed.), *Taiwan: A New History* (Armonk: M. E. Sharpe, 1999), pp. 320–38.

public farmland to tenants had been suggested earlier, the proposal was not taken seriously until 1949. Between 1949 and 1953, 30 per cent of public farmland was sold,⁴⁷ but the Taiwan Sugar Company's most productive land was left almost intact because these holdings provided the government's main source of foreign exchange earnings in the 1950s. Only about 14 per cent of the company's second-grade land was sold to tenants,⁴⁸ as the government was unwilling to lose any further revenue from this cash cow.

The third element of the land reform was the land-to-the-tiller program, which enabled tenant farmers to own the land they tilled. The program involved the compulsory purchase of private tenanted farmland by the government and its resale to the tenants. The aim was to forge an alliance with rural Taiwanese and eliminate the influence of the landlord class. The KMT also wanted to satisfy the expectations of the United States. Having successfully implemented a land reform in Japan, America was pushing other East Asian countries to reform their land tenure systems to prevent Communist infiltration.⁴⁹ The success of the KMT's land reform policies relied strongly on the implicit threat posed by the government's willingness to resort to force in this period.⁵⁰

Land reform dramatically changed Taiwan's traditional agrarian social structure.⁵¹ The politically powerful landlord class was replaced by new owner-

⁴⁷ Tang Hui-sun, *Land Reform in Free China* (Taipei: Chinese-American Joint Commission on Rural Reconstruction, 1954), pp. 80-1.

⁴⁸ *Ibid.*, pp. 69, 84. Taiwan's land is classified according to the fertility of the land, and is taxed accordingly.

⁴⁹ Theodore Reynolds Smith, *East Asian Agrarian Reform: Japan, Republic of Korea, Taiwan and the Philippines* (Connecticut: John C. Lincoln Institute, unknown year, likely between 1967 and 1970), pp. 14-17.

⁵⁰ A number of scholars have pointed out that the success of land reform in Taiwan was based on this military threat, especially after the massacre of 28 February 1947. The speaker of the Pingdong local parliament noted: "a driver in Taipei was sentenced to death because he caused a traffic accident. If a driver could be killed just because he violated a traffic law, we can imagine what the result would be if the landlords do not obey the law. Because landlords have the driver case in mind, the rent reduction program was implemented more easily". See Zhao, *Thorough Understanding*, p. 71.

⁵¹ Only a few academic papers discuss the social effects of land reform. The best materials are from the research reports of the Joint Commission on Rural Reconstruction. See Arthur F. Raper, *Taiwan zhi chengshi yu gongye* (Urban and Industrial Taiwan: Crowded and Resourceful) (Taipei: U.S. Mutual Security Mission to China and National Taiwan University, 1954); E. Stuart Kirby, *Jinbuzhong de Taiwan nongcun* (Rural Progress in Taiwan) (Taipei: Joint Commission on Rural Reconstruction, 1960); Arthur F. Raper, *Taiwan muqian zhi nongcun wenti yu qi jianglai zhi zhanwang* (Rural Taiwan—Problems and Promises) (Taipei: Joint Commission on Rural Reconstruction, 1953).

farmers and local rural KMT branch cadres,⁵² investors turned from land to more productive spheres, and agricultural productivity rose. The following sections look at the impact of the reforms on the economic status and the mobility opportunities of different classes.

Taiwanese Landlords and Capitalists

A survey in June 1952 showed that landlords comprised 12.6 per cent of farm households. Among the landlords, 87.3 per cent owned paddy fields of less than two jia (1 jia is about 1 hectare), 9.3 per cent owned between two and four jia, while only 3.4 per cent owned more than four jia.⁵³ Initially the reduction in rents decreased the rental income received by landlords by 29.3 per cent in 1949, and the living standards of 73 per cent of landlords dropped that year. But among those landlords who held another job, only 56 per cent were significantly affected.⁵⁴ Landlords with large and medium-sized landholdings were the least affected, as most had non-farm jobs in cities or towns. Many of the small landlords, however, were forced to terminate leases and to farm the land themselves or use hired workers.⁵⁵ From the beginning of 1950 to the end of June 1951, 16,349 cases of lease terminations and tenancy disputes were recorded, increasing to 35,313 a year later.⁵⁶ Lacking other skills, many small landlords felt trapped.

The reduction in rents caused the prices of farmland to fall. Even a year earlier, in 1948, landlords had begun to sell after hearing that the Nationalist government intended to reduce rents. The supply of land for sale increased abruptly from 4,935 hectares in 1948 to 10,791 hectares in 1949, the year rents were reduced,⁵⁷ and the price of land plummeted from 18,600 kilograms of unhulled rice per jia in 1948 to 9,000 kilograms in 1950. Leased farmland could only be sold for half the price of owner-cultivated land.⁵⁸ Of the farms sold, 60.9 per cent had been owned by landlords with more than 5 jia. What did landlords

⁵² For the details of the consolidation of the KMT's control in local politics, see Cheng Mingtong, *Paixizhengzhi yu Taiwan zhengzhi bianqian* (Factional Politics and the Development of Taiwan Politics) (Taipei: Yuedan Chubanshe, 1995), pp. 152–66.

⁵³ Tang, *Land Reform in Free China*, p. 103.

⁵⁴ Zhongguo Dizheng Yanjiusuo, *Report on Rent Reduction in Taiwan*, p. 7.

⁵⁵ Zhao, *Thorough Understanding*, pp. 72–3.

⁵⁶ Tang, *Land Reform in Free China*, pp. 50–6.

⁵⁷ Mao Yugang, “Taiwan tudi gaige zhi jingji yanjiu” (Economic Research on Taiwan's Land Reform), in Yu Yuxian (ed.), *Taiwan nongye fazhan lunwenji* (Essays on Taiwan's Agricultural Development) (Taipei: Lianjing Publishing Co., 1975), p. 163, table 12. Calculations are based on land transactions in Xinzhu, Taizhong, Gaoxiong, Taidong, Hualian and Tainan.

⁵⁸ Tang, *Land Reform in Free China*, pp. 62–3.

use the sale proceeds for? A total 84.5 per cent of large landlords invested the proceeds in industry or commerce, but only 16.5 per cent of small landlords did likewise—26.2 per cent choosing to clear outstanding debts.⁵⁹

The Influence of the Land-to-the-Tiller Program

The Land-to-the-Tiller Act of 1953 transferred 56.5 per cent of tenanted farms from landlords to tenants. Table 5 shows that 70 per cent of the appropriated lands were jointly owned, affecting 87,149 landlords. If we divide the size of the appropriated land by the number of landlords affected, the average size of compulsorily purchased land per landlord was 1.15 jia for joint owners and 2.12 jia for individual owners. A reason why most of the appropriated lands were jointly owned was that joint landlords had smaller holdings than individual landlords did, and the government faced less resistance from small landlords than from landlords with larger holdings. The table shows that only 19.2 per cent of individually owned land was purchased, while almost all of the jointly owned land was appropriated.⁶⁰

There were many ways to evade appropriation. Farmers divided up property among their sons or cancelled tenancy contracts and cultivated the land themselves. Another method was to alter the tenure contract so as to transform the tenants into “wage labourers”, as wage labourers were not entitled to buy the land they were farming.

Table 5: The compulsory purchase of land by type, 1952–53 (jia)

	Individual	Joint	Corporate
Total area of tenanted land	113,849	121,989	18,119
Compulsorily purchased land	32,063 (28.2%)	99,796 (81.8%)	11,709 (64.5%)
Affected landlord households	15,146 (19.2%)	87,149 (94.6%)	3,754 (47.3%)

Source: Tang Hui-sun, *Land Reform in Free China*, pp. 101, 105, 140.

Landlords received 30 per cent of the compensation for their land through shares in the four public enterprises and 70 per cent through land commodity bonds. Some landlords believed that the Nationalist government would not make

⁵⁹ Calculated from Zhongguo Dizheng Yanjiusuo, *Report on Rent Reduction in Taiwan*, pp. 81–2, table 15.

⁶⁰ Liu, *Analysis of Taiwan's Postwar Economy*, p. 82.

payments on the land commodity bonds for a considerable time and sold the bonds at a very low price soon after receiving them.⁶¹ Nonetheless, research conducted in 1969 revealed that 85 per cent of the landlords interviewed kept the commodity bonds to meet their living expenses. These bonds became the major source of income for small landlords immediately after the land reform.⁶²

Public enterprise stocks, in contrast, were sold by landlords quite quickly. In a 1966 survey of 500 ordinary landlords and 75 large landlords, Martin M. C. Yang found that 98.4 per cent of the ordinary landlords and 90.6 per cent of the large landlords sold their stocks early on, and that the prices they received, except for Taiwan Cement Company shares, were 35 per cent to 65 per cent lower than par value.⁶³ Small landlords sold their shares because they saw no benefits in keeping stocks that did not provide immediate dividends. These shares came to be concentrated in the hands of some of the former large landlords, who had already been capitalists before the reform. For example, after the election of the executive board in October 1954, the Taiwan Cement Company, the most profitable company among the four, was controlled by the Lin family of Banqiao, the Gu family of Lugang, the Lin family of Wufeng and the Chen family of Gaoxiong.⁶⁴ An interviewee who worked as a financial manager for the Yan family of Jilong confirmed that the four privatized public companies—including the Taiwan Mining Company and the Taiwan Agriculture and Forestry Company, which had been agglomerations of Japanese small and medium-sized enterprises—came to be controlled by the big landlords.

How did the landlords employ their capital when they sold their commodity bonds or stocks? Theodore Reynolds Smith found that the small landlords who sold commodity bonds used the money for their living expenses, and that even among large landlords, only one-fourth invested in industry or commerce.⁶⁵ In Smith's survey only 12.9 per cent of the small landlords and 26.1 per cent of the large landlords used the sale of bonds or stock shares as capital for another investment, or to change occupations. In Martin M. C. Yang's survey, 9.2 per cent of the small landlords and 17.6 per cent of the large landlords used the sale proceeds for capital investment. It is clear that, contrary to the claims of the government and some scholars, the major part of the capital generated was not

⁶¹ It was reported that some landlords wanted the government to buy the commodity bonds from them. They sold the commodity bonds for as low as 25 per cent of the market price of rice. Deng, *Visiting Taiwan Peasant Villages*, pp. 200, 223.

⁶² Reynolds Smith, *East Asian Agrarian Reform*, pp. 93, 96.

⁶³ Yang, *Socio-Economic Results of Land Reform*, p. 238.

⁶⁴ Liu, *Analysis of Taiwan's Postwar Economy*, p. 239.

⁶⁵ Reynolds Smith, *East Asian Agrarian Reform*, p. 96.

invested in industry or commerce.⁶⁶ Those landlords who did transfer their wealth into industrial and commercial activity tended to invest in businesses operated by their children.⁶⁷

Yang's survey does, however, show that 20 per cent of the ordinary landlords and 30 per cent of the big landlords did change their occupation. He notes that, "big landlords had, in general, been able to enter comparatively large and modern businesses or industries, whereas the small and ordinary landlords had to pick up many kinds of non-farming jobs".⁶⁸

Even when landlords invested in non-farming activities, it did not mean that the capital was put into productive industry. In 1957–58 there were many reports of land transfers,⁶⁹ a kind of land speculation that cannot be regarded as a productive investment. Such funds also became the source of a financial black market in the countryside.

Farm Tenants

After the rent reduction program, the standard of living of tenant farmers did not improve significantly. A survey showed that on average their debt repayments rose slightly from 18.7 per cent to 20.2 per cent of their total expenditure. Owing to their poverty, those tenants who benefitted from the policy spent most of their increased income on consumables (51.9 per cent). Only 0.1 per cent of them invested in commerce.⁷⁰ At the same time, plummeting land prices made land more affordable to this group. Near the start of the land-to-the-tiller program, 28,960 tenant families purchased 15,646 jia of farmland directly from landlords

⁶⁶ Mao, *Economic Research on Taiwan Land Reform*, pp. 146, 162; Wolf Ladejinsky, "Agrarian Reform in Asia", *Foreign Affairs*, April 1964; Shirley Kuo, Gustav Ranis and John C. H. Fei, *The Taiwan Success Story: Rapid Growth with Improved Distribution in the Republic of China, 1952–1979*. (Boulder: Westview Press, 1981).

⁶⁷ A survey by Huang Dazhou found that 53 per cent of this investment was in businesses owned by landlords' children and 12 per cent in businesses owned by their brothers. See Huang Dazhou, "Taiwan nongdi gaige dui nongcun dizhu zhi yingxiang" (The Influence of Land Reform on Landlords), in Lee Teng-hui (ed.), *Taiwan nongdi gaige dui xiangcun shehui zhi gongxiang* (Contribution of Land Reform to Taiwan's Rural Areas), pp. 70–119.

⁶⁸ Yang, *Socio-Economic Results of Land Reform*, pp. 244–5.

⁶⁹ A document of the Ministry of Economic Affairs reported: "rich people felt depressed because they did not know how to use their capital. Depositing it in a bank secured little interest; loaning it as usury was too risky; stocking speculative commodities was illegal; running a business meant paying high taxes ... So the surplus capital in rural areas began to be used to buy land ... whose after-tax income was better than interest, and without any risk. The transfer of land became more frequent". Hou, *Land Reform Data of Modern China*, p. 744.

⁷⁰ Zhongguo Dizheng Yanjiusuo, *Report on Rent Reduction in Taiwan*, p. 160.

in 1953, comprising 6.2 per cent of tenanted land.⁷¹ The land-to-the-tiller program helped 194,823 farming families to purchase a total of 143,568 jia of farmland offered by the government for resale in 1953.⁷² The percentage of tenant households in the agricultural population fell from 36 per cent in 1948 to 15 per cent in 1959. Tenanted land was reduced from 44 per cent to 14 per cent over the same period. This was a dramatic change.

Although many tenants became farm owners, their financial situation did not notably improve in the next half decade. Because the land was mortgaged for 10 years, the new owners were tied to their farms during that period and had no surplus capital to invest in the land. Essentially, they were tenant-owners who paid rent to the government instead of to landlords. In fact, both Bernard Gallin's research in Hsin Hsing village and the Joint Commission on Rural Reconstruction's survey in 1954 showed that the financial burden on the tenants who bought land *increased* because, in addition to their mortgage, they had to pay both a land tax and a house tax, and these taxes were not reduced even if there was a natural disaster.⁷³ Although the sources of income of tenant farmers and landlords were redistributed after the land reform, this did not necessarily mean that tenant farmers gained what the landlords lost. The government used a variety of methods to collect taxes, endeavouring to finance its budget through the surpluses from agriculture. By Lee Teng-hui's estimation, the landlords' share of agricultural income decreased from 25.2 per cent in 1936–40 to 9.8 per cent in 1950–55 to 6.3 per cent in 1956–60; for non-landlords the share of agricultural income increased from 67.1 per cent in 1936–40 to 77.2 per cent in 1950–55 to 81.4 per cent in 1956–60. The share taken by the government and other public groups increased from 7.7 per cent in 1936–40 to 13.1 per cent in 1950–55 to 12.3 per cent in 1956–60.⁷⁴ It appears that the government appropriated 41.0 per cent of the income released from the landlords after the land reform up to 1955 and 24.2 per cent during 1955–60.

After six years of the land-to-the-tiller program, E. Stuart Kirby conducted a survey in 1959 on rural development and reported that, "according to local leaders' opinions, more and more farmers had to find non-farming jobs because of insufficient arable land and population pressure".⁷⁵ In addition the size of farm families was increasing in the 1950s and early 1960s: six or more children were

⁷¹ Tang, *Land Reform in Free China*, pp. 105, 137.

⁷² *Ibid.*, p. 137.

⁷³ Bernard Gallin, *Hsin Hsing, Taiwan: A Chinese Village in Change* (Berkeley: University of California Press, 1966).

⁷⁴ Lee, *Intersectoral Capital Flows*, p. 83, table 49.

⁷⁵ Kirby, *Rural Progress in Taiwan*, p. 75.

common.⁷⁶ The average farm household increased from 6.26 members in 1952 to 6.75 in 1962.⁷⁷

Insufficient land resulted in disguised unemployment in rural areas, as well as the creation of a large number of propertyless rural labourers. Liu Jinqing estimated that in 1961 there were about a million surplus workers in the agricultural sector.⁷⁸ Yet the share of households who were farming only part-time decreased from 60 per cent to 52 per cent over the period, implying that there were few industrial jobs available and that farmers had to put even more intensive labour into their own farms. At the same time, the proportion of agricultural wage-labourers increased from 0.7 per cent to 4 per cent of the total farming population between 1956 and 1961.⁷⁹

In summary, the newly created farm owners faced a difficult decade: they had 10 years of mortgage payments to meet, and the increase in population exacerbated their financial burden.

Mainlander Bureaucrats

From 1946 to 1957 the population of civilian mainlanders increased by more than one million to become 8 per cent of the civilian population. Most arrived in 1949 or immediately thereafter. Soldiers fleeing the mainland made up another 2 per cent of Taiwan's population, but were not counted in labour force statistics in the 1950s.⁸⁰ This large influx of new immigrants in such a short period had a strong impact on the indigenous society.

A computer analysis of raw survey data indicates that almost 68 per cent of the mainlanders were employed in tertiary industry (Table 6), mostly in professional, clerical and sales work (Table 7). Because these personnel were loyal to the Nationalist government, having largely worked for the Nationalists on the mainland, the government felt obliged to take care of them. The result was that public offices and enterprises effectively became refugee shelters for these immigrants. A Western observer at the time noted: "the government's policy is to arrange for as many Mainlanders as possible to work in government ... Those who were from the mainland want to go back, but at the moment they have to get a job to survive, so it is almost impossible to lay off the redundant staff".⁸¹

⁷⁶ David Schak kindly supplied this research data.

⁷⁷ Ryozauro Minami (ed.), *Taiwan no jinko to keizai* (Population and Economy in Taiwan) (Tokyo: Ajia Keizai Kenkyusho, 1971), p. 92, table 6.

⁷⁸ Liu, *Analysis of Postwar Taiwan Economy*, p. 353.

⁷⁹ *Ibid.*, p. 350, table 89.

⁸⁰ Ryozauro Minami (ed.), *Population and Economy in Taiwan*, p. 30, table 10.

⁸¹ Raper, *Urban and Industrial Taiwan*, pp. 121, 53.

Table 6: The industrial breakdown of the labour force in the 1950s

	Primary Industry		Secondary Industry		Tertiary Industry	
Taiwanese	1,143	(54.7%)	331	(15.9%)	610	(29.4%)
Mainlanders	21	(16.7%)	19	(15.1%)	86	(68.2%)
Total	1,164	(52.7%)	350	(15.8%)	696	(31.5%)

Note: The category "number of unknown" was excluded, leaving a total of 2,201. Primary industry includes agriculture and mining; secondary industry includes manufacturing, power and construction; and tertiary industry includes commerce, transportation, finance and services. See Hei-yuan Chiu, *Taiwan diqu shehui bianqian jiben diaocha jihua* (The General Survey Project on Social Change in Taiwan, 1992) (Taipei: Ethnology, Academia Sinica, 1993), pp. 357–8.

Source: Author's calculations using raw data from *The General Survey of Social Change in Taiwan*, 1990 and 1992.

Table 7: Occupational distribution among Taiwanese and mainlanders in the 1950s

Occupation	Taiwanese		Mainlanders	
Soldiers	2	(0.1%)	28	(17.9%)
Professional, technical and related workers	110	(4.6%)	17	(10.9%)
Representatives and officers	8	(0.3%)	3	(1.9%)
Managers in public and private enterprises	29	(1.2%)	5	(3.2%)
Clerical and related workers	122	(5.1%)	15	(9.6%)
Sales workers	209	(8.7%)	14	(9.0%)
Service workers	85	(3.6%)	4	(2.6%)
Agricultural, animal and forestry workers, fishermen and hunters	1,084	(45.4%)	20	(12.8%)
Production and related workers, transport equipment operators and laborers	428	(17.9%)	20	(12.8%)
Other	312	(13.1%)	30	(19.2%)
Total	2,389	(100%)	156	(100%)

Note: The method of calculation is available from the author on request.

Source: See Table 6.

A second large group, more than a quarter of the mainlanders, were soldiers (Table 7). This huge army was supposed to defend the island against a Communist invasion, with the help of the American Seventh Fleet. Most of the government's budget was spent in maintaining the army. From 1952 to 1956, national defence expenditures averaged 80.9 per cent of the central budget. Even in the late 1980s, more than half of central government spending went to defence. The budget deficits in the 1950s were financed by US aid, which made up between 5.3 per cent to 20.1 per cent of the budget.⁸² Without this aid, hyperinflation similar to that experienced in the immediate post-war period would have arisen.⁸³

Although there was universal compulsory military service after 1951, the standing army was formed mainly by mainlanders, who were totally under the state's control. Soldiers were not allowed to marry until the "successful recovery of the mainland", a policy that was eased only in the late 1950s; and they were not counted in population and labour force statistics until 1969 unless they married and registered as a household.

The official unemployment rate was reported to be between 2.4 per cent and 2.9 per cent in the 1950s, but this was an underestimate. A survey of rural areas in 1952 suggests that rural unemployment rate was about 13 per cent,⁸⁴ while urban unemployment in 1953 was estimated at 12.5 per cent.⁸⁵ Unemployment figures did not include the underemployed: at the time about half of the working class had temporary or part-time jobs.⁸⁶

In contrast, personnel in public offices or public enterprises were in relatively stable employment. They received wages in cash and in kind, including free housing or a housing allowance, rice, coal, oil and salt. In June 1953 a civil servant's annual income was NT\$9,174, half of which was paid in kind. This wage was about 19 per cent higher than the average income of NT\$7,722 (Table 8). As expected, their educational levels were also somewhat higher than the average. According to my calculations using raw data from the General Survey of

⁸² Liu, *Analysis of Postwar Taiwan Economy*, p. 175, table 49; p. 189, table 57.

⁸³ The government also financed the budget deficit by increasing the money supply through the reform of the New Taiwan Dollar from 15 June 1949 to 1952. Inflation rose by 57 per cent in 1951 and 17 per cent in 1952. The arrival of US aid in 1952 relieved the pressure to issue more banknotes. See Wu Congmin, "Meiyuan yu Taiwan de jingji fazhan" (US Aid and Taiwan's Economic Development), in *Taiwan shehui yanjiu jikan* (Taiwan: A Radical Quarterly in Social Studies), Vol. 1, No. 1 (Taipei: Spring 1988), pp. 145–58. Proponents of the developmental state theory need to take this "irrational" developmental budget into account.

⁸⁴ See Joint Commission on Rural Reconstruction, *Tabular Materials Compiled from 1,176 Detailed Household Schedules* (Taipei: unpublished manuscript, 1953), p. 4, table 1; p. 6.

⁸⁵ Raper, *Urban and Industrial Taiwan*, p. 218.

⁸⁶ *Ibid.*, p. 215.

Social Change in Taiwan, 1992, the young men whose first formal jobs in the 1950s in this sector had an average of seven years of schooling compared with 5.8 years for young men in Taiwan as a whole.

Table 8: Annual household incomes, 1953

	Income (NT\$)
Employers	27,271
Self-employed	9,206
Workers	5,148
Professionals	11,708
Civil Servants	9,174
Others	7,128
Average	7,722

Source: Raper, *Urban and Industrial Taiwan*, p. 124, table 4.

Mainlander Capitalists

The more affluent political refugees brought gold bullion and US banknotes to Taiwan after the Communists came to power in China. These resources were used in three ways: industrial investment, underground speculation and hoarding.⁸⁷

Those who invested their capital in industry typically had political connections with the Nationalist government. This was especially true in textiles. Mainlanders shipped their machinery from the factories they abandoned in China, mainly in Shanghai, and went into operation under the Nationalist government's protection. In 1953, seven out of the twelve large cotton textile factories were directly owned by mainlanders, while four were public enterprises that were firmly controlled by mainlander bureaucrats.⁸⁸ For example, the head of the Tai Yuen Textile Company was Yan Qingling, who was the brother of the late president Yan Jiagan. The company belonged to the Yulon (Yulong) business group, in which Madam Chiang Kai-shek held investments.⁸⁹ The other

⁸⁷ Ziyou Zhongguoshe, "Women de jingji" (Our Economic Situation), in *Jinri de wenti* (Problems Nowadays) (Taipei: Ziyou Zhongguoshe, 1958), pp. 48–9.

⁸⁸ Hong-zen Wang, *Zhanhou Taiwan siren duzhan ziben zhi fazhan* (The Development of Private Monopoly Capital in Postwar Taiwan) (unpublished Masters thesis, National Taiwan University, 1988), p. 27.

⁸⁹ Liu, *Analysis of Postwar Taiwan Economy*, p. 219.

mainlander capitalists who formed large business groups all benefited from the government's protectionist policy in the 1950s.⁹⁰

After the outbreak of the Korean War in 1950, the United States resumed military and economic aid to the Nationalist government on Taiwan. Cotton was one of the most important products supported by this assistance. From 1951 to 1959 the value of US aid to the cotton industry totalled US\$139 million, or about 16 per cent of total economic aid.⁹¹ The Economic Stabilization Board rationed raw materials for cotton production according to each firm's productive capacity. Cotton textiles were produced by both machine and hand weaving, but because it was difficult for bureaucrats to measure the productive capacity of hand-weaving firms, cotton was rationed only on the basis of the number of machines each firm operated.

Given that mainlanders controlled a majority of the textile firms, they also benefited the most from the government's policy. The official price for raw cotton was NT\$4,150 (about US\$100), but the black market price was triple this, and the finished product could be sold for up to NT\$26,000.⁹² These large mainlander-run companies not only benefited more from rationing of the supply of raw materials, they also received the lion's share of US-financed loans: "According to the local reports, most large private companies got help from USAID, but only a little reached the hands of smaller private firms".⁹³ Thomas Gold notes: "Mainlanders had an inside track, being familiar with procedures and having friends or relatives in the bureaucracy".⁹⁴

Another reason why most of the aid flowed to the larger companies was that government policies specifically aimed at encouraging the development of large corporations. In 1954, a year of cut-throat competition and mergers between textile firms, K. Y. Yin (Yin Zhongrong), who was heavily influential in developing the broad framework of Taiwan's economic policies in the 1950s, stated: "the government should encourage large firms to expand and to amalgamate small firms. It is a natural tendency in industrial development. From

⁹⁰ These included the Zhongxing Textile Business Group, Yuandong Business Group, Hualong Business Group, Jiaying Business Group, Guofeng Business Group and Pacific Business Group. See Wang, *The Development of Private Monopoly Capital*, p. 23; Hsiao Hsin-Huang Michael, "The Entrepreneurial Process of Taiwan's Small, Medium and Big Business", *Zhongguo Shehui Xuekan* (Chinese Sociology Journal), No. 16 (1992), pp. 139–68.

⁹¹ Liu, *Analysis of Taiwan's Postwar Economy*, pp. 220, 372.

⁹² From my fieldwork interviews, conducted in 1992.

⁹³ Raper, *Urban and Industrial Taiwan*, p. 49.

⁹⁴ Gold, *State and Society in the Taiwan Miracle*, p. 70.

small to big, from many to few, the government can easily regulate the firms".⁹⁵ Another policymaker, reflecting on these government positions, declared in 1965 that, "in the past few years, the government only paid attention to the development of some key industries and ignored the potential contributions of small and medium-sized enterprises for economic development".⁹⁶

Nonetheless, this kind of industrial investment by mainlander capitalists contributed to Taiwan's economy at that time, and to later development. Many small Taiwanese businesspeople began their careers in these companies, gaining valuable skills before leaving to run their own businesses when opportunities emerged in the 1960s.

Another type of mainlander capitalist specialized in financial activities. Some of the experienced Shanghai dealers managed the share portfolios of privatized public enterprises. Small landlords had been given corporate shares as compensation for the sale of their land to tenants during the land-to-the-tiller program. The Shanghai dealers established businesses in Taipei and linked up with small brokers in rural areas to purchase the shares owned by landlords. The shares of the four privatized companies became speculative targets: the price rose five-fold in one year, only to drop by four-fifths in the succeeding year because of the actions of the same speculative capitalists.⁹⁷

Employers and the Self-Employed

According to Taiwan's census, there were 86,650 employers and 952,728 self-employed in 1956. Employers composed 3.23 per cent of the total labour force, while the self-employed, who were mainly in the agricultural sector, were 35.5 per cent.⁹⁸ The income earned by employers in urban areas averaged NT\$27,271

⁹⁵ Yin Zhongrong, "Wo dui Taiwan jingji de kanfa" (My Opinion on the Taiwan Economy) (Taipei: self-published, 1954), p. 30.

⁹⁶ Zhao Jichang, "Geguo zhongxiao qiye fuzhi cuoshi yu women nuli de fangxiang" (Small and Medium-sized Enterprise Support Policies in Different Countries and What We Should Do), in Zhao Jichang (ed), *Geguo zhongxiao qiye fudao cuoshi* (Small and Medium-sized Enterprise Support Policies in Different Countries) (Taipei: Guoji Jingji Ziliao Zhongxin, 1965), p. 11.

⁹⁷ As the economic planner Yin Zhongrong noted, Taiwan's new stock market resembled the market in Shanghai before 1949: very few people participated in the stock market and the effect on savings and industrial capital was limited. Yin Zhongrong, "Dui Taiwan sheli zhengjuan jiaoyisuo zhi yijian" (Comments on the Establishment of Taiwan Stock Market), in his *Wo dui Taiwan jingji de kanfa* (My Opinions to Taiwan Economy) (Taipei: Economic Planning Board, Executive Yuan, 1961), Part 2, p. 25.

⁹⁸ The Taiwan Provincial Government, "A Summary Report on the 1956 Census" (Taizhong: The Taiwan Provincial Government, 1957).

in 1953—about four times more than the average urban resident's income—and they belonged to the top 6 per cent of households.⁹⁹

The non-farming self-employed were concentrated in tertiary industry—that is, services. Usually the services sector absorbs a huge number of disguised unemployed or marginally employed. It may accommodate landless farmers who leave their villages to find employment in an urban area. According to a survey conducted in urban Taiwan in 1952, 31.8 per cent of the sampled families were self-employed. Although their annual income was 20 per cent higher than the average income and close to that of a public servant, the diverse occupations in this category produced great income disparities. For example, one category included shopkeepers, drivers owning a three-wheeled bike or wooden trailer, and a variety of marginal labourers. As Arthur F. Raper wrote: “some self-employed are the result of surplus population. They cannot find any wage job, so they create these marginal jobs to survive. Most marginal labourers will be happy to accept any possible constant jobs”.¹⁰⁰

Hence, we can conclude that the self-employed category contained two income groups: one group had some capital and ran small shops or businesses; and the other was made up of hawkers and labourers whose incomes were unstable and meagre, and whose status was no more than that of a wage worker, and perhaps worse.

The Working Class

The number of employees increased steadily from 737,000 in 1951 to 1.2 million in 1960, but because of a surge in the size of the working-age population, this only translated into a slight increase from 35.8 per cent to 36.8 per cent of the total labour force. The workforce's distribution across industries also remained relatively stable: 20 per cent in primary, 30 per cent in secondary and 50 per cent in tertiary industry.¹⁰¹

The employees in primary industry were mainly ex-farmers, who did not own enough land at the time of the land reform to make a living, or cane workers employed by the Taiwan Sugar Company. In 1952 half of the surveyed tenants also worked for others, while the percentage for landlords was only 25 per cent.¹⁰²

⁹⁹ Raper, *Urban and Industrial Taiwan*, p. 124; Zhang Guowei, “Minguo sishiernian Taiwan geren suode fenpei zhi guji” (Estimation on Personal Income in 1953, Taiwan), in his *Jiaoshou Zhang Guowei jingji lunwenji* (Economic Essays by Professor Zhang Guowei) (Taipei: Chinese Culture University, 1980), pp. 45–85.

¹⁰⁰ Raper, *Urban and Industrial Taiwan*, p. 145.

¹⁰¹ Calculated from Kadoo Hisanobu, “Taiwan no rodoryoku jinko” (The Labour Force in Taiwan), tables 7, 13, in Ryozauro Minami (ed.), *Taiwan no jinko to keizai* (Population and Economy in Taiwan) (Tokyo: Ajia Keizai Kenkyusho, 1971), pp. 61–85.

¹⁰² Guomindang Zhongyang Gaizao Weiyuanhui, *Peasant Economy in Taiwan—Social Survey of the Party*, p. 24, tables 4–8.

Hired farm labourers were not entitled to purchase landlords' land in the land-to-the-tiller program, and their living conditions deteriorated. The survey by Martin M. C. Yang noted that 72 per cent out of 250 interviewed farm-labourer households complained about this restriction.¹⁰³ One reason for the deterioration in living conditions was that many landlords had to sell their land and leave farming, and therefore no longer needed farm labourers. This group represented 0.4 per cent of the agricultural labour force in 1956, increasing to 4 per cent in 1961, largely as a result of insufficient land and increasing population.

The income earned by industrial workers was one-third below the average income in urban areas (Table 8). Because the mining, textiles and the metal machinery industry employed half of the workers, working conditions in these industries can be used to illustrate the situation for industrial workers in this period.

The average monthly wages in these three industries in 1953 were NT\$455, NT\$450 and NT\$439, respectively.¹⁰⁴ A KMT report observed that some mining companies were unable to pay wages on time, which meant many workers had to discount their wage cards up to 40 per cent to borrow money for living expenses.¹⁰⁵ Furthermore, the accidental death rate in the coal mining industry in 1951 was 61 deaths per hundred million tons of coal mined, while the figure for Japan was 24, and for the United Kingdom only 2.3.

Arthur Raper reported that only half of the workers had permanent employment, while the other half were in temporary positions.¹⁰⁶ Almost 50 per cent of all of those employed were in tertiary industry, mostly in services sector, which included hairdressers, entertainers, housemaids, cleaners, and the like. Most workers in this sector were marginal labourers, and regarded their jobs as a means to survive in an urban area until they could find work in manufacturing. After Taiwan's economic take-off, this surplus population was absorbed, step by step, by the expanding manufacturing sector.

Since the incomes of members of the working class were so low, it was almost impossible for them to accumulate capital during this period. But even though their situation was initially poor, the working class provided a reserve army of small businesspeople during the economic take-off. They utilized the skills they had learned in the factories to export products via trade agencies to the world market.

¹⁰³ Yang, *Socio-Economic Results of Land Reform*, p. 347.

¹⁰⁴ Guomindang Zhongyang Weiyuanhui Sheji Kaohe Weiyuanhui, "Reports on Labourers' Conditions", pp. 17, 73-4, 137-8. For the textile and metal machinery industries, I take the median as the average income because different factories had different average wages. When converted to annual average incomes, these figures were close to those reported by Raper.

¹⁰⁵ See Raper, *Urban and Industrial Taiwan*, pp. 17-18.

¹⁰⁶ *Ibid.*, p. 215.

Conclusion

We have observed some of the features of Taiwan's class structure during the initial post-war period. Although Taiwan went through a chaotic political transition from 1945 to 1949, the socio-economic status of most of Taiwan's native population barely changed.

Most Taiwanese farmers, small landlords, tenants and workers were trapped in poverty. Another segment of the native Taiwanese population, the economic elite of colonial times, maintained an influence under the new regime. With their lands and enterprises largely untouched, they used their power to appropriate profits and held onto their prestige through political involvement. Having already diversified their wealth into commercial and financial activities, they were able to accumulate additional capital. After the suppression of the uprising of 28 February 1947, some withdrew from politics, but their economic power remained strong, so long as they did not defy the new regime.

The new Kuomintang rulers from mainland China benefited the most from the power reshuffle. This privileged group of "carpetbaggers" replaced the Japanese colonizers without initially changing Taiwan's fundamental social and economic structure. Different government cliques from China extended their jockeying for resources to Taiwan, thus contributing to economic and political underdevelopment in the period. They occupied every high post in the government bureaucracy and were granted privileges in doing business. The cleavage between Taiwanese and mainlanders emerged in this period, especially after the violent suppression of the 28 February uprising.¹⁰⁷

The shifts in class structure in the 1950s mainly resulted from political forces that created an ethnicized class structure in Taiwan's subsequent economic development. The mainlanders were placed throughout the public sector, including the army. In an era of high unemployment, work in the public sector meant a guaranteed income. A number of the most influential mainland capitalist who moved to Taiwan after 1949 to escape the confiscation of their wealth by the Communists had been in textile manufacturing. No sooner had they fled to Taiwan than the Nationalists instituted an infant industry policy to protect textile production.

The KMT introduced a land reform in the early 1950s, intending to consolidate the party's legitimacy among peasants and to weaken the local elite's power. The landlord class vanished but large landlords who were able to successfully transfer their capital into industry benefited from the reform. Large Taiwanese capitalists who had a long history in business before the Nationalist takeover ventured into industries that had previously been monopolized by the

¹⁰⁷ Yang Feng, *Taiwan guilai* (Return from Taiwan) (Shanghai: Wenhui Newspaper, 4 March 1947), in Chen, *Documents of the Taiwan February 28 Uprising*, p. 113. The newspaper reports that the Taiwanese called people from the mainland "people from the fatherland" in 1945, but one year later called them "Chinese". After the military repression, they used a more discriminatory phrase, *waisheng zhu* (mainlander pig), to express their resentment.

state, including the cement, mining, pulp and processed agricultural products industries—as did the large landlords, who benefited from the privatization of public enterprises.

Most landlords with medium-sized farms had held white-collar jobs in rural areas, and the land reform simply accelerated their departure from agricultural activity. Smaller landlords did not retain enough land to make a sufficient living, and did not enter into business because they lacked business skills or because the compensation they received for their land was too little to invest.

The other classes were too poor to venture into other economic activities. The former tenant farmers had to pay the mortgage on their newly acquired land plus an extra hidden tax. They were tied to the land for 10 years, and were neither geographically nor socially mobile. The non-agricultural working class earned only two-thirds of the average national income, and most were employed in the services sector, many in part-time or temporary jobs. Those working in industry were better paid than those in the more marginal services sector or the new small farmers, but their working conditions and wages were still poor.

After the reform of the exchange rate system in the late 1950s,¹⁰⁸ and encouraged by advantageous international factors, Taiwan's businesspeople in both large and small firms rushed into foreign trade. The state was no longer able to maintain its strong control over international trade, and opportunities arose for those who had little chance for success in the 1950s.¹⁰⁹ Inflows of capital from the United States and Japan in the 1960s created opportunities for assembly firms, and in turn produced spillover effects that helped local industries.

Many of the mainlanders and their children held salaried positions in the labour market and therefore had less incentive to strike out on their own, while ambitious Taiwanese, cut off from public-sector positions, sought upward mobility by starting small enterprises in the 1960s.¹¹⁰ Taiwanese farmers had begun to leave the countryside to work in urban manufacturing industries, and some of them subsequently used their new-found skills to start their own tiny

¹⁰⁸ A brief discussion of this reform is summarized by Jia-dong Shea, "The Liu-Tsiang Proposals for Economic Reform in Taiwan: A Retrospective", in Erik Thorbecke and Henry Wan (eds.), *Taiwan's Development Experience: Lessons on the Roles of Government and Market* (Boston/Dordrecht/London: Kluwer Academic Publishers, 1999), pp. 165–75.

¹⁰⁹ Zhou Tiancheng, "Quanli bianchui de zhongxiao qiye" (Small and Medium-sized Enterprises Whose Power is Peripheral), in *Longduan yu boxue—weixuan zuyi de zhengzhi jingji fenxi* (Monopoly and Exploitation—The Political Economy of Authoritarian Rule) (Taipei: Taiwan Yanjiu Jijinhui, 1989), pp. 97–118.

¹¹⁰ Gwo-shyong Shieh, "Boss" Island: *The Subcontracting Network and Micro-entrepreneurship in Taiwan's Development* (New York: Peter Lang, 1992).

firms, often initially in partnership with relatives or colleagues.¹¹¹ An ethnicized social mobility structure emerged: “being Taiwanese” meant drawing on family, community and religious ties to climb through small-scale business and then larger-scale entrepreneurship into the commercial and industrial elite. “Being mainlander” meant taking advantage of a higher education and contacts within the bureaucracy to obtain a white-collar job in government, and hence a secure position in the bureaucratic elite.¹¹²

The booming world economy in the 1960s gave both Taiwanese and mainlander capitalists a chance to expand their businesses. The mainlander textile companies started to export low-quality clothes to the United States, and diversified their investments in the artificial-textile industry. Cement companies controlled by former Taiwanese landlords began to export their products to Southeast Asia. The growing exports of cheap sporting shoes and toys produced backward linkages: the establishment of a complete industrial structure in the petrochemical industry, dominated by large capitalists who had started up these businesses in the 1950s. In summary, the past half century of ethnicized social mobility patterns and industrial expansion in Taiwan originated in the class structures of the initial post-war period.

¹¹¹ Hong-zen Wang, “Alternative Paths to Profit: The Financial Practices of Overseas Taiwanese Small- and Medium-Scale Enterprises”, *American Asian Review*, Vol. 19, No. 3 (2001), pp. 168–9.

¹¹² Susan Greenhalgh, “Networks and Their Nodes: Urban Society on Taiwan”, *The China Quarterly*, No. 99 (September 1984), pp. 529–52; Hill Gates, “Ethnicity and Social Class”, in Hill Gates and Emily M. Ahern (eds), *The Anthropology of Taiwanese Society* (Stanford: Stanford University Press, 1981), pp. 241–81.