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## LAND REFORM IN JAPAN\*

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### *Introduction*

POLITICAL and military developments in Asia during the past few years have caused the attention of the western world to be drawn more closely than ever before to this area and its ever multiplying problems of land and people. Discussions on measures for alleviation of these problems usually bring forth the conclusion, among others, that land reform is one of the most pressing needs. Perhaps the most thorough-going agricultural reform ever carried out through constitutional means has been accomplished in Japan since 1945. The article that follows has been prepared in the interest of bringing to the general reader an outline of some of the most pertinent facts about the accomplishments and limitations of this important program.

### *The Background*

Having an area of 142,270 square miles, Japan is slightly smaller than the State of California. Only 16 percent of the total area of the country is arable. Approximately 50 percent of the total population of about 84 million people depends on agriculture for all or part of its income. Only nine percent of farm households cultivated more than five acres of land, and 67 percent cultivated less than two and one half acres. Before the Land Reform Program approximately 70 percent of the farmers rented all or part of the land they cultivated. Rents ranged from 50 to 70 percent of the annual crop. Widespread economic instability and social strife had resulted from this inequitable land tenure system. Repulsed in their demands for remedial legislation, farmers, during the decade preceding World War II, gave strong support to the military group which held out the promise of new lands and prosperity to be won through aggressive war. This course was thwarted by defeat and surrender. The tenant class in occupied Japan, with demands for relief from their intolerable situation still foremost in their minds, remained a fertile field for any extremist ideology promising a solution to their problems.

At the time the Occupation Force entered Japan, the nature of the country's agriculture was not unfamiliar to General MacArthur or to the members of his staff responsible for agricultural activities. Japanese land tenure and other agricultural problems had been under study for many months

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before the Occupation began. Considerable research and background material had been prepared in Washington by various government agencies; and during the pre-surrender spring and summer of 1945 at the Civil Affairs staging area for the Occupation of Japan at the Presidio of Monterey, California, a unit of trained agriculturists had been at work full time studying Japanese agriculture and preparing, discussing, and revising tentative plans for agricultural programs that might need to be instituted by the Occupation Force upon its entry into the country.

#### *SCAP<sup>1</sup> Action*

In Japan during the fall of 1945, Occupation Force agriculturists continued their intensive study of agricultural conditions in the country, analysing current problems, bringing statistics up to date, and conferring with those considered capable of giving objective judgments, including some outstanding Japanese agricultural economists, natural scientists, government officials and others. The culmination of these efforts, together with those of the pre-Occupation period, was a now-famous memorandum issued by General MacArthur on December 9, 1945, to the Japanese Government directing it "to take measures to insure that those who till the soil of Japan shall have a more equal opportunity to enjoy the fruits of their labor." The memorandum outlined the elements of a broad agricultural reform, one of the important aspects being the land reform program.

Subsequent to the issuance of the memorandum, the SCAP staff entered into extended negotiations with Japanese Government and other interested agencies on the terms of the land reform. Legislation implementing the program finally was enacted by the Japanese National Diet and promulgated on October 21, 1946. The broad objectives of the reform were (1) transfer of land ownership to farmers actually cultivating the land, and (2) improvement of farm tenancy practices for those who continued to cultivate as tenants. The program emphasized private, individual ownership of the land. It differed from previous Japanese attempts at land reform in many respects, the most important of which was that it required compulsory sales by landlords, whereas the earlier reform attempts by the Japanese Government had omitted this important detail. Since, traditionally, the shortage of and demand for agricultural land in the country had caused land prices and rents to remain at much higher levels than was justified by the economic returns that could be expected from the soil, the ordinary tenant whose income principally was from his agricultural products had never entertained the thought of being able to purchase a farm of his own.

#### *Administration of the Program*

The program in each city, town, and village has been administered by a local land commission (11,322 for all Japan) elected by and from among

<sup>1</sup> Supreme Commander for the Allied Powers.

the farmers. Prefectural agricultural land commissions (also elected) coordinate and supervise the work of the local commission.<sup>2</sup> The Prefectural Commissions are under the general supervision of the Central (National) Agricultural Land Commission, of which the Minister of Agriculture and Forestry is Chairman.

With respect to the local land commissions, the ratio of tenants, owners, and owner-cultivators<sup>3</sup> on each commission was originally established by law at five, three, and two respectively. Later, however, as the land transfer phase of the Reform progressed and the number of owner-cultivators increased, it became necessary to change representation on the commissions. Accordingly, just prior to the second general election for land commissioners held August 18, 1949, farmers were divided into three new categories (roughly describable as tenants, landlords, and owner-farmers).<sup>4</sup> In each village, Categories I and II each elected two representatives, and Category III, six representatives to the village commission.

#### *Lands Subject to the Reform*

Agricultural lands subject to purchase under the land transfer program are: (1) lands owned by absentee landlords; (2) tenant-operated lands in excess of specified retention rates (which vary locally, but whose average must not exceed one cho<sup>5</sup> in Kyushu, Shikoku, and Honshu, or four cho in Hokkaido); (3) owner-operated lands in excess of specified retention rates (which also vary locally but whose average must not exceed three cho in Kyushu, Shikoku, and Honshu, or 1½ cho in Hokkaido), except those that can be reasonably operated by the farmer and his immediate family; (4) corporation-owned lands that do not contribute directly to the principal work of the corporation; and (5) lands capable of reclamation for agricultural use.

#### *Persons Eligible to Acquire Land*

Lands subject to transfer were purchased by the Government through the agency of the village land commissions for resale to eligible buyers. Tenants on the land as of November 23, 1945, other tenants and other per-

<sup>2</sup> A prefecture is a political entity in Japan occupying a position in many respects similar to that of a state in the United States.

<sup>3</sup> The Japanese Ministry of Agriculture and Forestry generalizes these groups as follows:

- I. Tenant: a person engaging in cultivation who either owns no agricultural land or owns an amount equal to less than one third of that cultivated by him.
- II. Owner: a person who does not engage in cultivation of his land or whose owned lands exceed twice the amount cultivated by him.
- III. Owner-cultivator: a person who engages in cultivation and owns agricultural land but who does not fall into either Class I or II above.

<sup>4</sup> Category I, those who cultivate leased lands exceeding two tan (Hokkaido, five tan); Category II, those who lease to others agricultural land exceeding two tan (Hokkaido, five tan); Category III, all those not included in Categories I and II. The category of a farmer who both leases to and leases from others is determined by the classification in which lies the greatest area of the land cultivated by him.

<sup>5</sup> One cho = 2.45 acres.

sons who wished to cultivate the land had priority to purchase in the order named.

Contrary to the impression of many not completely familiar with the Land Reform, little movement of farmers resulted from the program. For the most part, tenants who were cultivating land continued to cultivate the same land and live in the same houses. They simply purchased the land they had been cultivating as tenants.

### *Land Prices under the Reform*

Procedure to determine the official purchase price of land under the Land Reform Program was based on that used by the Japanese Government during World War II, when land prices were frozen at levels current in 1938. A "record rental value" had long been established for almost every piece of agricultural land in Japan. This rental value was an officially calculated figure (based originally on actual rentals) to be revised every 10 years and used for assessing taxes. Under wartime Japanese control (Temporary Control Ordinance for Pricing Agricultural Lands, No. 109, January 30, 1941) the price of land had been frozen at the September 1939 level, which was calculated to be an average of 33 times the 1938 rental for paddy land and 40 times the 1938 rental for upland. In 1946 under the Owner-Farmer Establishment Special Measures Law, the ceiling price for land was set at 40 times the 1938 rental value for paddy land and 48 times the 1938 rental value for upland. The purchase prices for all Japan accordingly, averaged Y760 per tan<sup>6</sup> for paddy and Y448 per tan for upland<sup>7</sup>. At that time the purchase price ceiling, as set, was approximately equivalent to market price. The purchase price of each parcel was set by the appropriate city, town, or village agricultural land commission, which had limited discretion as to local price levels within the general requirement that ceiling prices could not exceed those stated above.

In the months and years following the establishment of the official land prices, serious postwar inflationary pressures<sup>8</sup> gave rise to demands on the part of former landowners for substantial increases in these prices. The demands were not acceded to, however, since during the period of the initial transfer of land to tenants, a change of price would have been impractical. Resistance by each seller to early transfer of his land in the hope that he could obtain higher prices effectively would have stopped the transfer program. Further, those whose lands were purchased at an early date would

<sup>6</sup> One tan = 0.25 acres.

<sup>7</sup> In addition to prices so fixed for the land purchase, the owner received a subsidy on that portion of the area purchased which corresponded in size to his retention rate. This subsidy averaged Y220 per tan for paddy fields and Y130 per tan for upland fields.

<sup>8</sup> Reflecting the depreciation in the value of the yen, the official occupation rate fell from Y15 to \$1 at the time basic land reform legislation was enacted, to Y360 to \$1 as of the current date (December 12, 1950); the official price to producers of brown rice rose from Y220 per bale (60 kg.) in November 1946 to Y1747 in November 1949.

have been unjustly discriminated against if later transfers were concluded at higher prices. Still another factor was the reluctance of the Japanese Government to add fuel to the inflationary fire by increasing the land prices.

Land purchased by the Japanese Government from landowners was paid for in 24-year bonds bearing 3.66 percent interest. Bonds were issued in denominations of ¥1,000. Residual fractions of the purchase price for any particular tract of land were paid in cash by the government to the seller. New owners purchasing land from the government were authorized by law to pay all or part of the purchase price of the land at the time of purchase; the balance, if any, could be paid in 24 equal annual installments with interest at 3.2 percent. Payments for the land by the new owner, plus other expenses coincident with landownership, may not in any year exceed one third of the gross income from the land in that year. In the event of crop failure or low farm prices, the Government may reduce, defer, or cancel the annual payment.

Purchasers of land under the program were not permitted to use the land as collateral for loans during the amortization period without specific approval of the Government. Tenant-purchasers desiring to discontinue their purchase contracts during the amortization period or failing to use their land for agricultural purposes were required to sell it back to the Government on terms similar to those of the original contract. All future land transactions were made subject to approval by the agricultural land commissions.

#### *Accomplishments under the Program*

By July 2, 1950, the Japanese Government had acquired under the Land Reform Program 4,759,798 acres of cultivated land. Of the total amount acquired, 4,673,751 acres had been resold to new owners. The cultivated area operated by tenants thus has been reduced from an estimated 6.3 million acres (46 percent of total cultivated area) to approximately 1.63 million (11 percent of total cultivated area). As of July 1950 also, 899,760 acres of pasture land had been acquired by the government, of which 645,735 acres had been sold to new owners. In addition to cultivated and pasture land, 3,055,713 acres of land had been acquired as of July 2, 1950, for reclamation and future resale to owner-farmers as part of a long range program for increasing the total cultivated area of the country. By June 30, 1950, 750,739 acres of this land had been reclaimed by the government and sold to individuals, or sold to individuals for private reclamation.

During this initial phase of the Land Reform Program, approximately 30 million parcels of land were transferred. In order to transfer title legally, each parcel was first checked with the local tax office and thereafter with the local land registry office as to accuracy of boundaries and adequacy of title. A writ of transfer was then filed with the land registry office by the village land commission in the name of the prefectural governor. Formal ac-

ceptance of the writ by the registry office constitutes, in Japan, a legal registration of title. Since each parcel was transferred first to the Japanese Government and thereafter was re-transferred to the new purchaser, some 60 million entries in the official land registry books were involved. This gigantic task of registration was virtually complete by the deadline which had been set, March 31, 1950.

Although the Land Reform Program is dedicated primarily to creating owner-farmers, total elimination of farm tenancy was not considered feasible. A small reservoir of land subject to tenancy is essential to a program of maximum food production. Flexibility in the land tenure pattern must be preserved to prevent withdrawal of land from cultivation in instances where the owners become temporarily unable to cultivate for themselves. The Land Reform Program, therefore, also includes provisions to insure fair tenancy practices for those who remain as tenants. The most important of these provisions are: (1) cash payment of rents; (2) rent ceilings of 25 percent of the production from irrigated rice land and 15 percent from upland fields; and (3) rental contract cancellation or alteration subject to approval by the village land commission. A model lease contract form to be used by tenants and landlords as a guide in drawing up their own contracts has been widely distributed by the Japanese Government.

#### *Costs of the Program*

The total cost to the Japanese Government of administering the Land Reform Program was ¥13,480,606,660 for the period September 1, 1946 through June 30, 1950.<sup>9</sup> Of this amount, ¥9,061,130,978 was spent for the support of the 11,322 local land commissions. Principal responsibility and credit for the success of this program accrue to these local land commissions.

#### *Changes in the Program to Meet Long Term Requirements*

With the initial task of reducing farm tenancy virtually completed, the Japanese Government promulgated Cabinet Order No. 288, September 11, 1950, under the authority of Imperial Ordinance No. 542, 1945. This order modifies the Land Reform Program to meet long range land tenure requirements by decontrolling agricultural land prices and changing the system of government purchase and resale of agricultural land to a system of compulsory sales, transfers to be effected directly between individuals, but under strict limitations as to who may acquire farm land and how much may be held.

Under the system of compulsory sales, the local land commissions must require landowners who become absentee owners, or whose holdings otherwise exceed retention rates, to offer their excess lands for sale to eligible bidders. An eligible bidder will be any individual certified by the local land

<sup>9</sup> ¥360 = \$1.00.

commission as being a cultivator and meeting the retention rate requirements. Normally, therefore, transfers will be made directly between individuals without restrictions as to maximum price, but subject to strict government supervision with regard to retention rates. In the event no bidder appears, the Government stands ready to purchase the land at an "official government purchase price." This price, which the Ministry of Agriculture and Forestry proposes to set at about Y5,000 per tan, or about seven times the former legal price level, will be, in effect, a floor price. Instances in which the Government would actually conclude purchases of land are expected to be rare, since in all normal cases at least one eligible buyer will bid for the land. Any profits resulting from sales of land within 10 years of its acquisition by farmers from the Government under Land Reform must be shared with the Government.

The Japanese Government's action decontrolling agricultural land prices was considered necessary to adjust the price of agricultural land to the general price level. Decontrol is expected to result in a free market level of agricultural land prices that will not exceed levels justifiable in terms of the income potentials of the land. Limitations on retention rates and eligible purchasers remain unaffected. These limitations are the basic features of the Land Reform Program necessary for insuring continued widespread ownership of land by those who cultivate it.

#### *Evaluation and Outlook*

One of the most common errors committed by those unfamiliar with the details or limitations of the Land Reform Program in Japan is to conclude that the program is the panacea for all the problem of agriculture in this country. However, such is not the case, nor was it General MacArthur's intention that the program be so considered. The original SCAP Memorandum, referred to earlier in this discussion, recognized that transfer of land-ownership alone without correction of other basic evils in the agrarian economy would be no effective solution for the agricultural problems of the country. Accordingly, the memorandum outlined a comprehensive program of reform needed for the long range stabilization and improvement of agriculture. Land reform was only one of the important aspects of that program. Other important measures specified were:

- a. The development of a program for providing long and short term farm credit at reasonable interest rates.
- b. The initiation of measures to protect farmers against exploitation by processors and distributors.
- c. The initiation of measures to stabilize prices of agricultural produce.
- d. The development of an effective democratic agricultural extension program.
- e. The development of a program to foster and encourage an agricultural cooperative movement free of domination by non-agrarian interests and dedicated to the economic and cultural advancement of the Japanese farmer.



Although it is not within the scope of this paper to discuss these programs and the progress that has been made in their implementation during the past five years, the story is an impressive one.

In addition to the benefits they gained from the agricultural reform programs under the Occupation, farmers also have benefited from the inflationary conditions that developed following the end of World War II, particularly up through the year 1948. The shortage of food in the country enabled farmers to sell significant quantities of their products at extremely favorable prices. The rural population enjoyed a farm prosperity unprecedented in Japan's history. This era, however, appears to be approaching its end. With decreasing effective prices and rapidly increasing fertilizer and other costs, farm income has declined significantly during the past two years. Farmers are finding it more difficult to obtain funds necessary for production operations. Although they no longer pay high rents, farmers now pay land taxes, irrigation and drainage costs, and some other imposts formerly borne by the landlords. The potential adverse effect of food imports on farm prices also is assuming increasing importance. Another significant question mark is the attitude that the Japanese Government will maintain toward agriculture in the future as its emphasis on foreign trade is intensified. The pre-World War II pattern was to sacrifice agriculture's welfare for that of the export trade.

The real test of the permanent benefits from the agricultural reform programs that have been instituted under the Occupation will come during the next several years. Positive efforts will be required by government officials and farmers alike, if the progress made by the rural population on their two and one half acre farms since World War II is to be maintained on a permanent basis.