

Institutions and Institutional Changes: the Case of Taiwan's Non-Urban Land Development System

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Abstract

Land management system in Taiwan divides the national land resources into urban planning land and non-urban planning land. The aspects of land use control include development types and development intensity, and requisition procedures of urban planning land and non-urban planning land are different. For instance, there is 87.5% of Taiwan area locates in the non-urban planning regions. Since the implementation of non-urban land development system in 1976, because of disorder in land conversion behaviours, urban-rural spatial development confronts sprawling landscape, environment pollution, inadequate public infrastructure, and deteriorating living environment in recent years. According to operations mechanism of system, we find it has an orientation towards economic and political factors. The important purpose of protecting land resources and urban-rural spatial development is neglect. This situations cause debate about how to revise the institution in order to expect perfect urban-rural spatial development.

Revision of institution needs support from certain background and conditions. This paper will explore the evolve history of non-urban land development system within a theoretical background that relies on new institutionalism. In addition, we, via path dependency approach, document the characters of institutional change process. With such operation course, we not only elucidate how related economic and political factors interact with institutions to reach the path change, but also create an analytic method to clarify the non-urban land development system in Taiwan.

**Keywords: new institutionalism, non-urban land development system,
institutional change**

1. Introduction

The slogan of “promoting national economic development” has long been the core of overall national development goal and ruling highlights proposed by reigning politicians for decades. Under the circumstances, policy portfolio, connected with national economic growth, consists of policies related to land resource management, social welfare, technological development, and the like. From the opinion of land resource development, the concept of sustainable development in environment change has been gradually involved in land use policies. However, exploring practical level of these policies, urban renewal and non-urban land development activity still can be regarded as appendage facilitating overall development of national economy, enabling the land management structuring land resource utilization to be the practical facility promoting economic development. The weird phenomenon seems to differ from our cognition that land policies purposes to facilitate proper configuration of land resource and create sustainable development in the environment. In current policy frame, land policy becomes the internal player supporting national economic development policy in Taiwan, or the field of profiteering for profit-entities building conspiracy with politicians in local and central governments. Therefore, within the specific social economic frame in Taiwan, coupled with involvement of political and power operation as external factors, land development system and policy implementation lead to distortion of space structure to some extent. Moreover, in the transition of overall land development system, political environment and economic development in the society take dominant status. As a result, what is the focus of reigning politicians in the progress of institution development and proposal of corresponding policies? Do they purpose to maintain long-term development of land resource, achieve the needs of economic growth via utilizing land policy, or just further ensure continuity of reigning power?

Past relevant studies on Non-Urban Land Development System more focused on the aspects of law and implementation deficiency, and few addressed formation and transition of the system through combining special political and economic environment in Taiwan. Therefore, this paper plans to explore causal relation of Non-Urban Land Development System during the transition progress of social, political and economic environment in Taiwan. this paper also will present institutional path and changes of past decades in the progress of proposing institutional design, establishing the system, implementation, and modification within special social economic frame of Taiwan since 1970s when Non-Urban Land Control first occurred, by adopting relevant sequence analysis over events and reviewing the relationship between the institution & statutes and significant political & economic conditions.

2. Comprehending Institution and Structural Features of Institutional Change

2.1. The concept of institution

According to North(1981: 201, 1996: 344), Institutions are a set of rules, compliance procedures, and moral and ethical behavioral norms designed to constrain the behavior of individuals in the interests of maximizing the wealth or utility of principals. They are made up of formal constraints (rules, laws, constitutions), informal constraints (norms of behavior, conventions, and self-imposed codes of conduct), and their enforcement characteristics. Proper balance will be achieved in cooperation and conflict of human behaviors via institutional operation, to solve several issues generated in collective action. Agents generally establish and change institutions to achieve procedural or policy objectives (Cortell et al 2001).

Various theories address institution from different perspectives. Institutionalism emphasizes historic feature, believing that institution is embedded in the path of history development and corresponding social, economic and cultural environment. However, the theory does not provide the actor with independent space in facing institution, adopting the hypothesis of all available options comprehended by individuals, sufficient information in final remuneration distribution, and the limited roles of government. Consequently, questions occur like “if system, history or collectivity is simple restriction, limit or decision to individuals, or if they can provide individuals with feasibility in action, behavior or rational selection to make things happen”. New-institutionalism can be regarded as a response to the question. Moreover, the theory emphasizes importance of government role, organizational functions and political consultative system. Almond(1990:14) points out that the public choice people seek an anchorage in reality, a new-institutionalism, to house their powerful deductive apparatus; the political econometricians want to relate to historical and institutional processes; the humanists cringe at the avoidance of political values by scientism, and suffer from feelings of inadequacy in a world dominated by statistics and technology; and the radical and critical political theorists, like the ancient prophets, lay about them with anathemas against the behaviorists and positivists, and the very notion of a political science professionalism that would separate knowledge from action.

Focusing on the core of studied issues of this paper, Non-Urban Land Development in Taiwan can be adjusted and controlled via the operation of price system and free market, with institution and operation system different from that addressed in

institutionalism. Except consideration of transaction cost, significant factors affecting Non-Urban Land Development System consist of role of governmental organization and political interest calculation, etc. Therefore, this paper adopts institution definition and the opinion explaining modification of change path provided by new-institutionalism.

2.2. The structure of institution change

New-institutionalism can label three schools of thought: historical institutionalism, rational choice institutionalism, and sociological institutionalism (Hall et al 1996). These provide different interpretations of institutions. In the historical perspective, institutions as systems of social, economic, and political power relations, which frame the regulation and coordination of economic activity? The historical institutionalism approach considers that institutions are durable over long period, built up through slow accretion, and subject to hysteretic path dependence and lock-in. In the rational choice perspective, the focus is on how institutions generate particular organizational forms under capitalism. Institutions are seen as the outcome of market behavior, constantly changing through a process of “competitive selection” in response to shifts in relative prices and transactions costs. By contrast, the sociological model seeks to understand the economy as a socio-institutionally “embedded” system. Institutional change is process of social construction around new logics of social legitimacy or new-shared cognitive maps (Granovetter 1985, Zukin et al 1990, Swedberg 1997, Martin 2000: 83).

Institution change occurs in the progress, caused by introduction of external force, intrinsic capacity of the institution, or interaction of both factors. The new-institutionalism conceptualizes institutions as dynamic entities. Scholars have identified numerous examples of institutional change, both incremental and radical, that have had significant consequences for actor preference, coalition formation, and policy choices (Cortell et al 2001). The institutional changes will increase net social dividend. However, how can we characterize the process of institutional change? North (1990: 83) describes institutions change typically consists of marginal adjustments to the complex of rules, norms, and enforcement that constitute the institutional framework. The interaction of actor and institution via social practices adopts custom as media for transition, and causes change of institution path. Alston(1996 : 27-28) makes clear that institutional change can be thought of as the result of supply and demand forces in a society. He put forward the view of institutional change. First, institutional change is endogenous to the system but exogenous to individual demanders and suppliers. Institutional change is not seen as a choice variable for any individual but is the result of the aggregation of the preferences of individuals for change. Second, Institutional change as endogenous to

the certain demanders. The analyst must specify who in society the demanders for the status quo or institutional change are. Finally, Institutional change as endogenous to the suppliers. The analyst must specify the scope for discretion faced by the suppliers of institutional change, usually government actors.

No institution is created *de novo*. Institutions are historically specific, and for this reason it is necessary to be sensitive to historical context. This is particularly true for the dynamics of institutional change. Much of the developmental path of societies is conditioned by their past. Even after revolutions, institution builders do not start off in a historical vacuum (Riker 1995: 121, Alston 1996: 25). Therefore, no matter if we discuss the basis of institution establishment or modification and change of institution during implementation, current and past events should be reviewed as the base to explore system issues. At the phase of origin, actions selected by the actor caused the system to develop towards specific path; during implementation, external condition and response to the path would become the change point of institutional development and transition. Therefore, more and more studies have noted the importance of path dependence, increasing returns, positive feedback, etc., in explaining behavior and institutional change.

2.3. The characteristics of path dependent processes

Institutions are characterized by “path dependence, ” that is they tend to evolve incrementally in a self-reproducing and continuity-preserving way. As such, institutions are therefore important “carriers of history, ” in that they serve to impart path dependence to the process of economic development (David 1994, Setterfield 1997, Martin 2000) . As North (1990:118) expresses that institution connects the past with the present and the future, so that history is a largely incremental story of institutional evolution in which the historical performance of economies can only be understood as a part of a sequential story. Moreover, they are the key to understanding the interrelationship for economic growth (or stagnation and decline).

According to Pierson, “The conception of path dependence, in which preceding steps in a particular direction induce further movement in the same direction, is well captured by the idea of increasing returns. In an increasing returns process, the probability of further steps along the same path increases with each move down that path. This is because the relative benefits of the current activity compared with other possible options increase over time” (Pierson 2000). In other words, Once technology develops along a particular path; given increasing returns, alternative paths and alternative technologies may be shunted aside and ignored. It is not possible to reverse the process and return to a previous equilibrium position because it has been eliminated as the structure changed. An existing path may have been determined by a

chance event in the past or by the cumulative effects of past actions. (North 1990: 76, Atkinson et al 1996)

In the path dependent processes, positive feedback means that history is “remembered.” These processes can be highly influenced by relatively modest perturbations at early stages. “small” events early on may have a big impact, while “large” events at later stages may be a less consequential. To put another way, outcomes of early events or processes in the sequence are amplified, while later events or processes are dampened. Thus, when a particular event in a sequence occurs will make a big difference. In politics, the crucial implication of path dependence arguments is that early stages in a sequence can place particular aspects of political systems onto distinct tracks, which are then reinforced through time (Pierson 2000). A critical feature of path dependent processes is the relative “openness” or “permissiveness” of early stages in a sequence compared with the relatively “closed” or “coercive” nature of later stages (Mahoney 2000). Hence, Pierson describes the path dependent processes involve three distinct phases – three stages in a temporal sequence: (1) the initial “critical” juncture, when events trigger movement toward a particular “path” or trajectory out of two or more possible ones ; (2) the period of reproduction, in which positive feedback reinforces the trajectory initiated in phase one ; (3) the end of path, in which new events dislodge a long-lasting equilibrium (Pierson 2000).

Overall, the opinion of path dependence serves the discussion of institutional change, and helps to understand relevant restricting and facilitating factors in system adjustment. Therefore, this paper addresses the change progress of relevant statutes and regulations of Non-Urban Land Development System in Taiwan based on above discussion.

3. Background Analysis of Special Political Structure and Land Management System in Taiwan

At the end of 1949, Kuomintang (KMT, the Chinese Nationalist Party) state started to rein Taiwan after retreating from China mainland, when the government decided to implement a series of farmland reform policies, focusing on serious inflation and living difficulty of farmers because of rice expropriation. The farmland reform proceeded in three stages. First, in April 1949, farm rents were limited to a maximum of 37.5 percent of the total annual main-crop yield as approved by specially appointed Rent Campaign Committees. In stage two, lasting from 1948 to 1951, public farmland, which had formerly belonged to the Japanese government or individuals and had been confiscated by Nationalists, was leased or sold to tenant farmers? By 1953, 151,200

acre had been sold. The third stage, “land to the tiller” was more complex and required detailed preparation. The Land to The Tiller Act of 1953 set an upper limit of 7.2 acre of seventh- to twelfth-grade paddy field for landlords to retain; All land over 7.2 acre was subject to compulsory purchase by the government for resale to present cultivators(Gold, 1986: 65). However, current land policy, as the ruling tool of KMT regime, is expected to acquire support from farmers, reducing potential source of opposition for KMT regime from the perspective of political interest. At the economic level, farmland reform policy leads Taiwan economy towards equal distribution, reducing political pressure caused by social inequality. Initially arriving in Taiwan, KMT regime expected to return to China mainland, reflected in policy orientation as regarding the island as temporary stand. On the one hand, in establishment of state, the government was facing crisis caused by economic, financial and other livelihood issues; on the other, before 1960s, Taiwan economy was at the phase of import substitution without the issue of land conflict between industrial and agricultural development. At that time, land policy matched the context, improving farmers’ livelihood level via farmland reform policy to stabilize the regime, and implementing several measures on urban land, without macro-planning overall land use and control.

When the American aid program began in Taiwan late in 1950, it helped supply necessities to the people and ease inflationary pressure. By the middle of the decade, basic stability and the economy had recovered to the level of prewar production peaks. In the critical 1950s, the KMT regime, guided and supported by the United States, institutionalized the structure within which Taiwan’s economy, society, and politics would evolve. Since 1960s, prosperity generally emerged in industrialized countries including USA, when Taiwan economy transformed to export-orientated industrialization, developing fast with export expansion caused by prosperity in world market. In the aspect of social population structure, the population was featured as high natality and low mortality in Taiwan. Under the circumstance, total population doubled, reaching 12,628,348 in 1964 from 6,090,860 in 1948 and accompanied with fast development of industry and commerce. Proportion of population in agriculture sector declined to 37.2% in 1973 from 56% in 1960, and that in industry sector increased from 11.3% to 23% in the same period.

With the development of industrialization, capitalist social & economic structure has gradually formed in Taiwan, which is reflected in land supply and demand. Land demand for residential and industrial use increases significantly to generally improve land value, accompanied with industrial development, large after-war population, and job hunting of redundant labor in cities, which cause structural change in demand and type of land use. Moreover, the government implemented / encouraged investment policy in 1962, cognizing that measures of past Urban Planning Act hindered

industrial development and dissatisfied current needs. In 1964, the government first amended Urban Planning Act, removing statutes constituted in Japan occupation and starting to include the attitude of satisfying the needs of economic and industrial development. However, Taiwan simply had clear statutes to regulate Urban Planning areas and some specific areas until 1973, without planning instruction in non-urban land areas, which causes mess in land use.

4. Path dependence Explanation of Taiwan's Non-Urban Land Development System

4.1. Outset of Regulatory System of Non-Urban Land Use (1972–1978)

At initial establishment of the system, reigning politician adopted institutional form without theoretical explanation. Opinions of historical institutionalism can extract effect of relevant factors on institution establishment from path features, by concluding previous social, political and economic conditions, and analyzing restriction and development of overall environment. With powerful support from USA and the trend of international industry division in 1950s, export trade grew dramatically in Taiwan Area during the decade since 1960, when industrial structure presented the development trend, gradually transiting its principal part from the first industry to the second one. According to statistics, industry output increased its proportion in gross production, from 28.82% in 1965 to 44.87% in 1985, but agriculture output decreased dramatically, from 26.23% in 1965 to 6.98% in 1985. The income gap between farm and nonfarm families widened during this period because farm income was growing at a slower rate than nonfarm income. The income gap between rural and urban sectors also widened. In addition, the income gaps among family groups in different locations, classified by the degree of urbanization, widened during the same period. The widening gap caused by industrialization and urbanization can be observed through change in income disparities (Kuo et al., 1981: 99). Under the economic structure, petrol price suddenly increased dramatically worldwide with emergence of global inflation in 1973, when civilian tended to purchase real estate property as a value hedging method stimulated by rapid price increase. These reasons caused prosperous real estate transaction, resulted in expansion of urban area, and more importantly, ascending intensity of arbitrary land development for construction and land conflict between industry and agriculture. Meanwhile, considering Non-Urban Land Development System, social and economic conditions for institutional environment occurred in advance.

Observing the attitude of reigning politician in late 1960s, we could reveal that

KMT regime started to accept the fact that there was little and little chance to re-rule China mainland. Mr. Jing-guo Jiang, the Chief of Executive Yuan realized the necessity to build rationality for the regime and obtain support from majority of Taiwan population by formalizing law system and expanding power foundation, while facing fast transition in Taiwan society and diplomatic plight in 1970s. To survive economically, it would be necessary to liberalize the economy, permit large globally competitive, Taiwanese-owned conglomerates to emerge, and reduce state intervention. Politically, survival would entail absorbing Taiwanese into the state at the highest level and appealing to the masses on a new basis-the survival of Taiwan, not the return to the mainland(Gold , 1986 : 129). Moreover, facing aforementioned problems like land development mess and planning and control lack, the government started to consider how to efficiently and properly utilize limited land resource, and first enacted Implementation Regulations on Building Site Expansion Control in October 1973. The Regulations strictly restrained farmland of level 1- 8 from changing to building site, expecting to protect high quality farmland through partial control. In December the same year, the government further constituted Regulations of Building Management in Non-Urban Land, prescribing that construction activity was not allowed in non-urban land without permission from administrative organization. Above two regulations served as the outset of non-urban land control.

On the other hand, in order to further solve problems and environment pollution caused by economic development, when the Urban Planning Act was amended in 1973, the regional plan was made independent of the Urban Planning Act to become the upper part of urban plan. The Regional Planning Act of 1974 became the legal basis for the formulation and implementation of regional plans. Later in 1976, Non-Urban Land Use Regulation was promulgated to establish control criterion of non-urban land development activities based on principles of the Act. Under the current system, all land in Taiwan is divided into two basic categories--urban and non-urban. The Urban Planning Act regulates the uses of urban land. Non-urban land is under the management and control of the Regional Planning Act system. Based on the non-urban land zoning plan, the planning authority is supposed to map land use zones and establish various land use zones. Thus, uses of both urban and non-urban land are categorized by various land use zones. In 1976, promulgation of Slope Land Conservation and Utilization Act started to contain conservation concept in construction activities on slope land, when overall and explicit institutional regulation occurred in non-urban land management. Moreover, in order to control possible construction fight among builders caused by overall control of non-urban land, administrative organization started to build the filiation path of Non-Urban Land Development System and promulgate regulations related to non-urban land

management according to Regional Planning Act, including Regulations of Building Management in Regional Planning Areas in 1977.

We cannot regard it as the starting of Non-Urban Land Development System, but relatively systematized management extended from previous partial control. As Alston (1996:25) addressed, much of the developmental path of societies is conditioned by their past. Even after revolutions, institution builders do not start off in a historical vacuum. However, the phase could be regarded as the significant turning point in the development of overall land control system in Taiwan. This paper plans to discuss factors including social and economic conditions then, domestic and international political environment, and the like. From 1940s to 1960s, reigning politician focused on establishment and maintenance of agricultural production environment in land management, because Taiwan economy was featured as the first industry mode. With the transformation of industrial mode, social-economic structure, and composition features of population, coupled with gradually stable KMT regime in Taiwan, in late 1960s, the government started to emphasize non-urban land development and construction derived from prosperity of industrial economy and population growth. In 1971, Taiwan quitted U.N., with diplomatic relation bogged down. The government concerned war potential between two sides of strait, maintaining safe food supply via farmland protection approach. Consequently, promulgation of Regional Planning Act and Non-Urban Land Use Regulation established a foundation for non-urban land control in Taiwan. In this historical context, the structure of Non-Urban Land Development System was gradually formed.

4.2. Change of Non-Urban Land Development System Under Taiwan's Land Use Planning System (1979 – 1990)

Since 1970s, large-size capital investment emerged in Taiwan, exerting more and more influence on national economy. Following the logic of capital expansion, large consortiums were dissatisfied by existed economic adjustment policy as state apparatus restrained driving force of each consortium developing towards upriver sectors; in the aspect of political environment, KMT regime adopted policies of “Taiwan-orientation” and “localization” to enhance association of local elites. The reason should refer to emergence of political activities like opposition action. KMT regime was seeking for social support after quitting U.N., when the influence of local faction had caused monopoly and corruption in local politics notwithstanding restrained in local level. Expansion of local faction directly influenced planning of land development and relevant plans. Reviewing non-urban land control discussed in this paper, definitude and change of corresponding Development System reflected reigning purposes of the government, as state politics was dominated by the

government before 1980s; however, in late 1980s, local factions gradually influenced local government regarding planning of non-urban land development for personal interest by means of shouldering public representatives. The phenomenon had not concretely affected the path of Non-Urban Land Development System yet, but reflected that local factions and politicians utilized institution deficiency or process oversight to influence institution operation.

In 1979, the government drafted Comprehensive Development Plan of the Taiwan Area as the supreme guideline of land management; in 1983, the government started to design North Taiwan Regional Plan, when the Comprehensive Development Plan of the Taiwan Area, the Regional Plan, until then, the Urban Plan (local plan) constitute Taiwan's planning system. In forming national territorial planning system, fundamental regulation control had been established in non-urban land development. Comparatively, construction on slope land presented attractive profit because of low land price with the dramatic increase of residential demands. Developers started to move focus to slope land development with large community as the market trend, under which, existed Slope-land Conservation Use Regulation was not effective any more. Therefore, the government promulgated Regulation on Management for Slope land Development and Building in 1983, addressing developing activities in regulations of relatively improved statutes via Slope Land Development Act from the perspective of construction management. The Act first included the concept of planning permission, prescribing that development of slope land over 10 hectares should apply for planning permission, sundries permission and construction permission from administrative organization. Reviewing institutional path of overall non-urban land development management, the enactment of planning permission system generated the most significant difference between non-urban land system and urban land system in Taiwan. Moreover, with the market trend of large community development, large-scale land development not only involved huge profit, but also affected the neighboring land or environment in terms of architecture construction activities. In 1988, Non-Urban land Use Regulation added the term that non-urban land development over 10 hectares should first obtain approval from administrative organization, in order to regulate business activities with strict inspection procedure. In 1990, the Act further prescribed that slope land development under 10 hectares also needed to apply for planning permission; the same year, in order to provide precise principles for land development inspection. Regulations on Examination of Golf Course Development on Non-Urban Land and Regulations on Examination of Residential Community Development on Non-Urban Slope Land were established respectively. The latter prescribed providing infrastructure and donating land by developers as a development obligation, endowing the concept of initial planning

permission with compulsory obligations in planning, and affecting following principle orientation of regulations related to planning permission.

By 1983, Taiwan was the world's thirteenth largest exporter and seventeenth largest trading nation, further reflecting its features of social-economic structure at that time. In 1987, employment population of service sector first exceeded that of industry sector, representing Taiwan entering post-industrial society, when the value of new Taiwan currency rose and large sum of capital flew to real estate and stock market. In order to restrain overheated and venture-orientated market, the government announced to restore levy on stock exchange at the end of September 1988, causing collapse of stock market; the next year, government declared to implement selective credit control and force financial institutions to limit percentage and term for land loan, which caused real estate market to decline dramatically from peak. The measure could be regarded as the second adjustment of real estate market via policy behavior and relevant measures since government relocation to Taiwan in 1949. The first adjustment happened in 1973, when global inflation caused price to rise rapidly and Taiwan civilian to purchase housing as hedging method. Consequently, property transaction was prosperous, and land price rose again, notwithstanding the government implemented 11 measures to stabilize price, including measures restraining skyscraper construction and construction material price. However, credit control measures implemented in the phase caused 20% - 30% decrease in average housing price in a short time, presenting influences of government on real estate market and development behaviors once again. It also is revealed that policies and measures can immediately affect market players' decision and behaviors, compared with long-term but slow effect on real estate market caused by establishment and modification of system.

4.3. Change of Non-Urban Land Development System After Implementation of Floor area Ratio Control (1990—1999)

After 1990s, KMT regime continued the trend of Taiwan-orientation. In 1992, Legislation Commission released public election, enabling local factions to enter central layers. Compared with politicians in 1980s who mainly influenced land development planning and orientation of urban planning of local governments, central public representatives further possessed the opportunities to influence administrative organization on statute constitution or amendment, which could be regarded as an important turning point of development path of Non-Urban Land Development System. Until then, besides ideology of reigning party, major factors affecting the path of Non-Urban Land Development System in Taiwan started to involve influence of politicians. Different from local politicians pursuing personal benefit from land development, central public representatives mainly shouldered benefits of relevant

consortiums. During the transition progress of political structure, close political-business relationship transformed original partial (in county or city) speculation in land price and land control to overall acquiring sudden and huge profit via investing and developing public construction, developing land for residential use, as well as manipulating central statutes and policies. For instance, the government decided to roundly implement control of floor area ratio and zoning control on non-urban land in 1990, which would affect architecture dimension and intensity on developed land and impact landowners' benefit in development. Therefore, above measures was completely implemented until 1999 with powerful intervention from public representatives. From the opinion of institutional change, economic institutions are innovated because it appears profitable for individuals or groups in society to undertake the costs of bringing about such changes. The essential requirement for initiating an institution (or a product) is that the discounted expected gains exceed the expected costs of the undertaking; only when this condition is met would we expect to find attempts being made to alter the existing structure of institutions and property rights within a society (North et al 1970: 3). Implementation of floor area ratio control negatively affected the value of land asset of lords and investment profit of developers, and rebounded on the government via political pressure, when innovation of institutional path apparently would encounter various difficulties because reigning party could not simply suppress opposite opinions as an authoritative body. Moreover, the behavior might incur construction upsurge in developers, creating another round of prosperity in Taiwan's real estate market, but oppositely, it caused millions of vacant houses under the circumstance that demands did not rise synchronously, which had not solved yet. We could regard it as unexpected path of institutional innovators in the changing progress.

On the other hand, during the period of institutional transition, the attitude of Taiwan government regarding non-urban land development and control responded development demanding from industrial and commercial fields to some extent, with the structure transformation and upgrade in industrial and commercial sectors after entering post-industrialized society. In order to solve land issues encountered in industrial and commercial investment, and to clarify inspection procedure of land development, Non-Urban Land Use Regulation was amended in 1993, increasing land floor area ratio for industrial use from active 40% to 300%. Later, Statute for Upgrading Industries was amended in 1995, changing the land development system for industrial use from previous government domination in planning and development to entitle the public with the right lodging application independently, as well as introducing the concept of planning permission to enable application of public and private land development outside restricted regions.

Regarding efficiency enhancement of non-urban land inspection procedure, Criteria Defining Significant Investment Plan and Non-Urban Land Development Examination Procedure were proposed in 1998 to set inspection time of non-urban land development application as one year. The same year, Non-Urban Land Development Operating Procedure was enacted, prescribing one-year inspection term for non-urban land development case defined as significant investment plan. The Procedure adopted approaches like parallel inspection and joint investigation to shorten operation time of four principal inspection systems, namely, targeted business, land use, environment protection, and water and soil conservation, in order to build transparent and standard non-urban land development procedure. Moreover, zoning inspection of non-urban land development adopted two-level-two-inspection system then. Under the system, Regional Planning Commission of the Ministry of Interior was responsible for inspection and local government participated passively, which usually caused the case re-inspected by local government while waiting for sundries permission and construction permission process. Based on prescriptions of Regulation on Management for Slope Land Development and Building, local government should issue planning permission according to approval of development plan in central inspection, which formed the weird phenomenon that central government had power without responsibilities, but local had responsibilities without power. In 2000, Council for Economic Planning and Development, the Executive Yuan decided Proposal Promoting Land Development Inspection System, suggesting that central government should gradually commission local government to process non-urban land development inspection. The decision purposed to guide relevant industrial land development to follow new system, and shorten land development procedure within 4 to 8 months, optimizing land management and planning in Taiwan Area and upgrading industrial competitiveness.

Above opinions presented in this paper neither arbitrarily believe that modified path of Non-Urban Land Development System is completely oriented according to demands of interest parties, nor conclude that reigning party has ignored ideas protecting land resource and environment. They reveal that general administrative organization of non-urban land amends and enlarges relevant statutes according to the tendency of economic-industrial change and the market trend of land use, but local factions start to influence legislation and institution implementation as penetrating central layers via public representatives on behalf of interest of themselves or the parties. Moreover, it is often said that many consortiums have special channels directly communicating with high-level politicians in the regime. Facing political pressure and the pressure facilitating industrial development, Non-Urban Land Development System and corresponding policies on the one hand compromise to

some extent. On the other hand, the System and policies continue the trend of previous path to conduct marginal modification for the system while considering complexity of land utilization and variety trend of development mode, including Environmental Impact Assessment Act and Soil and Water Conservation Law enacted in 1994, as well as Non-urban Land Development Review Standards constituted in 1995. They served as the norm of non-urban land development inspection that was conducted by regional planning organizations. Moreover, non-urban land development inspection contains issues like jumbled rights and responsibilities in inspecting organizations, repeated contents, lengthy procedures, etc., as lacking complete statutes and regulations. Amendment of Regional Planning Act in 1997 clarifies that if non-urban land development case involves zoning change, the case should be submitted to Regional Planning Commission for inspection. After obtaining planning permission, the developer should handle public infrastructure establishment and change of constructing land; the land can be put into construction with construction permission. Until now, planning permission first has formal legal basis in Taiwan.

Reviewing the development of Non-Urban Land Development System during the period, we could discover the trend including: gradual release from original control measures, faster and faster land development, and less and less benefit return from land development. It can be further concluded that benefit from land investment and profit from land development, especially non-urban land development, not only present huge appeal to local factions and politicians, but also attract consortiums as the sudden and huge profit recyclable in short-term. Administrative organization of non-urban land control continuously modifies institutional path via statute amendment and addition, regarding incomplete system execution, as well as increased variety and complexity of corresponding development activities in the market. However, local factions and consortiums can further influence orientation and implementation of national land policies through the relationship spreading along close-grained political-economic network, based on association among reigning party, local factions and consortiums to some extent.

4.4. Change of Non-Urban Land Development System after Party Shift (from 2000 to now)

In 2000, shift of political parties first occurred in Taiwan, and Mr. Shui-Bian Chen from Democratic Progressive Party (DPP) was elected as the 10th President of Republic of China. At initial stage of his reigning period, vicious conflicts were serious in political field, coupled with transition of global economic environment, when lots of enterprises moved towards west to cause industrial emptiness, incurring problems like increase of unemployment rate and slowed economic growth rate, etc.

DPP regime advocated the slogan of “entire population fighting on economy”, and summoned “National Economic Development Conference” in January 2001, expecting to stimulate economic downturn. The conference included 10 topics like “industrial land”, and drew the conclusion of “corresponding to land demand for industrial development, simplifying inspection procedure of land development, and loosening land control”. In the March of same year, promulgation of Operation Highlights of Examination by Municipal & County (City) Governments on Non-Urban Land Zoning and Development Application fulfilled the conclusion, continued agreements in Proposal Improving Land Development Examination System, and regulated land zoning and development on non-urban land. If the scale was less than 10 hectares, local government should be commissioned for inspection and approval. Simplification of lengthy administrative inspection procedure was set as policy direction, and improvement of operational efficiency in public departments had positive significance. As mentioned above, cooperation of relevant measures was required for local leaders, responsible staff and inspection commissioners to resist pressure from the political environment surrounded by local factions and public representatives, and to make correct decision after inspection.

Overall, national territorial planning system has long lacked proper legislative basis in Taiwan, causing long-term problem of ineffective instruction in land resource planning and development. Moreover, at the layer of system implementation, solutions for issues related to urban and rural development or land development caused by dynamic social-economic environment, were limited in partial and segment passive adjustment, no matter via modifying or adding statute regulations. Accumulated issues in land resource use included: ① system classification of urban and non-urban land management disabled holistic harmonious development in land use, because of differences in scope and functions; ② inefficient and disordered expansion in land development formed sprawled and inconsecutive landscape; ③ improved management system was lacked in farmland resource development control, impacting the whole environment of agriculture production; ④ conservation strategy and control regulations were lacked in sensitive land resource management , enhancing possibility and severity level of disaster. Therefore, the government started to consider achieving the goal of sustainable development of land resource, via establishing legislative basis for land development plan, as well as further adjusting classification and management system of land resource. The Executive Yuan passed the draft of National Territorial Planning Law in June 2004. This law intends to provide a legal basis for planning and managing all land in Taiwan. Once the National Territorial Planning Law is enacted, the national land resources need to be restructured and systematized. It will transform the current land management system.

Under this draft, all land is divided into three districts--National Territorial Preservation District, Agricultural Development District, and City-Country Development District. These so-called functional districts can be further divided into sub-districts if needed in order to establish a new development permission system. The land grading and sorting system of National Territorial Planning Law will affect the land use control system as well as development permission system.

The Act involved wide aspects and would overall adjust management system of current land use, requiring not only corresponding amendment in relevant statutes, but also adjustment of involved departments and administrative organizations. After implementation, the Act significantly changed and affected civil property, causing fierce discussion in governmental institutions and academics, which was returned to the government for further negotiation after discussed by Legislature and had not generated any result by 2007. As mentioned above, precondition of institutional change was based on holistic net social efficiency of new institution exceeding that of old one (North et al 1970). Moreover, new institutions often entail high fixed or start-up costs, and involve considerable learning effects, coordination effects, and adaptive expectations. Established institutions generate powerful inducements that reinforce their own stability and development (Pierson 2000). The Regional Planning Act was implemented since 1974, controlling relevant land use via the classification manner of urban and non-urban land. Although the Act adopted partial adjustment through statute amendment and addition to satisfy the needs of social-economic structure and industrial development in different times, the system history over 30 years had incurred lock-in phenomenon in development. Introduction of institutional reform in National Territorial Planning Law helped achieve new balance between the trend of economic structure change and sustainable development in future society. However, many efforts are required to accomplish implementation goals, with factors of institutional inertia and special political structure in Taiwan.

5. Conclusions

From after-war period to early 1980s, national development in Taiwan presented the characteristic of developmental state as a whole. Industrial and economic development driven by public departments was the key of Taiwan's quick growth as a new country in Asia. Later, under the policy of "Taiwan Orientation" and "localization" proposed by the government, public election of representatives was gradually enabled, and association of local factions and reigning party was formed, which further facilitated formation of new lord class in Taiwan. The class acquired benefit from land development to stabilize its political power in local area and returned reigning party with political support. Under special political-economic

structure in Taiwan, implementation of institution and modification of relevant path should consider the negative impact on economic development and political layer, evident the characteristic reflected in Non-Urban Land Development System. Because of features of scale economy, technical complementarity and network externality, it is inevitable that the institutional change is featured as continuous accumulation and path dependence, which enable above economic and political characteristics to constantly affect modification and change of Non-Urban Land Development System.

This paper is conducted by dividing institutional change progress of Non-Urban Land Development System to four phases (as shown in Figure 1), coupled with development path at political, social and economical layers. The results reveal that the power forming institution path development serves the purpose of political reign initially, and gradually transforms to dual purposes of political consideration and demands for economic development. Moreover, it is explicit that economic prosperity drives flourish in real estate market and development activities, and public departments gets used to guide overheated and irregular developing activities via adjustment of institution and relevant policies. In market and industrial development downturn, the government will adjust pace and pattern of industrial land supply via reverse adjustment in institution or relevant policies, in order to facilitate industrial development. As concluded, modification of path does not prevent occurrence of issues, but is adopted when issues emerge. Another opinion addresses that overall prudent thought is lacked in non-urban land planning, under the circumstance that institutional change is mainly driven by the implicit power of political and economic factors. Moreover, fundamental orientation facilitating sustainable development of land resource will be ignored, with significant characteristics of each phase presented under the frame as follows:

- (1) Promulgation of Regional Planning Act in 1974 and implementation of Non-Urban Land Use Regulation two years later started to establish control regulations for non-urban land development, which also represented that since 1960s, Taiwan gradually entered industrialized society. Then, mess land use in non-urban area had been noticed by the government as without systematized planning and control, causing formation of explicit development path of non-urban land development system.
- (2) With the formation of national territorial planning system in 1983, regulations was gradually established regarding slope land development and use, and the concept of planning permission was included in relevant statutes of Non-Urban Land Control, which could be regarded as an important modification of development path. However, in late 1980s, local factions gradually influenced non-urban land development planning by the local

government, through acting as public representatives.

- (3) After 1990s, modification of statutes and establishment of new regulations further strengthened development path of holistic institution. However, different from early stage of institutional path when was featured with path change guided by the decision of reigning party, political and economic factors like public representatives and consortiums started to significantly affect change of institution path and modification of progress. Relying on formation of institutional frame and implementation of relevant regulations, administrative organizations and responsible personnel could build last line of defence against improper requirements according to existed rule and institution. Moreover, institution and statutes transited towards improved management regulations via modification, corresponding to the tendency of increased and complex non-urban land development activities.
- (4) Starting from 2000, party shift incurred vicious conflicts in political field, coupled with dramatic changes in Taiwan's economic environment. The government started to facilitate industrial development via modifying non-urban land development procedure and schedule; on the other hand, the government started to consider configuration and utilization of national territorial resource, as well as overall amendment of regulations and institution, wherewith proposal of National Territorial Law (Draft).

Overall, change path of Non-Urban Land Development System in Taiwan explicitly presents its tendency of pro-capitalist. From the opinions of administrative organizations involved in land planning, Construction and Planning Agency, the Ministry of Interior is responsible for legislation and inspection operation of Non-Urban Land Development System, and Economic Construction Commission, the Executive Yuan supervises direction of integral land planning. Based on the precondition of pursuing economic and industrial development, plus development of national economy as the principal goal set by reigning parties in different times, land use control regulations and relevant development rules does not seem to be important any more. Sustainable development of land resource is seldom included in consideration, while non-urban land development activities employ the reason “facilitating industrial development and promoting local prosperity”. Consequently, modified orientation of Non-Urban Land Development System proposes responding measures mainly aiming at development tendency in land market. Meanwhile, under special political-economic structure in Taiwan, high-sounding reasons involving economic and industrial development or communication channel of high-level politicians in regime can influence path change of the institution, as a decisive factor affecting space arrangement of non-urban land use in Taiwan.

Figure 1: Track Summary of Change in Taiwan's Non-Urban Land Development System

Items Time	Amending statutes regulating non-urban land development system	Political ambience affecting transition of system path	Social and economic structures affecting transition of system path	Modified Institutional Logic
1972 — 1978	<ul style="list-style-type: none"> • Regional Planning Act (1974) • Non-Urban Land Use Regulation (1976) • Slope Land Conservation and Utilization Act (1976) 	Diplomatic plight occurred, and KMT tried to stabilize its reign through partially opening election for public representatives and appointing elite in Taiwan citizen to take important positions in the party and regime.	<ul style="list-style-type: none"> • Industrial model started transformation to the second industry. • In 1973, global inflation incurred the first round of prosperity in property market, causing arbitrary development of non-urban land in Taiwan. 	Control criteria of land development and use in non-urban area was established via classifying non-urban land to 10 zones and setting up 18 land uses.
1979 — 1990	<ul style="list-style-type: none"> • Comprehensive Development Plan of the Taiwan Area (1979) • Regulation on Management for Slope Land Development and Building (1983) • Amend Non-Urban Land Use Regulation, prescribing that developed land over 10 hectares should first obtain approval from original planning organization in the region (1988). • Regulations on Examination of Golf Course Development on Non-Urban Land (1990) • Regulations on Examination of Residential Community Development on Non-Urban Slope Land (1990) 	<ul style="list-style-type: none"> • KMT regime adopted policies of Taiwan-orientation and localization, as well as strengthened association relationship in local elite. • Local public representatives started to influence local government regarding land development plan and orientation of urban planning. 	<ul style="list-style-type: none"> • Large-size capital mode gradually increased its influence on national economy. • Industrial structure entered post-industrialized society in 1987, and real estate market was welcoming the second round of prosperity, when the government restrained overheated and speculation-oriented market trend via implementing measures like selective credit control, etc. 	Lodging planning permission clearly prescribed obligations of developers in planning, generating the biggest difference between non-urban and urban land control in Taiwan.
1990 — 1999	<ul style="list-style-type: none"> • Amend Non-Urban Land Use Regulation, increasing floor area ratio of the land for industrial use from active 40% to 300%. (1993) • Environmental Impact Assessment Act (1994) • Soil And Water Conservation Law (1994) • Non-urban Land Development Review Standards (1995) • Amend Statute for Upgrading Industries (1995) • Criteria Defining Significant Investment Plan and Non-Urban Land Development Inspection Procedure (1998) • Non-Urban Land Development Operating Procedure (2000) • Proposal Improving Land Development Examination System (2000) 	<ul style="list-style-type: none"> • Legislative commissioners opened public election, enabling public representatives to influence legislation and system implementation related to land control. • Close political-business relationship helped to acquire sudden and huge profit via developing public construction, and residential land as well as manipulating establishment of central statutes and policies. 	<ul style="list-style-type: none"> • With transformation and upgrade of the structure of industrial and commercial sectors, request for government adjusting land supply and control approaches emerged in industrial world. • In 1990, floor area ration was roundly implemented in non-urban land, which caused the third round of prosperity in real estate market, but also incurred serious vacant rate in Taiwan because of unbalanced supply-demand relationship in the market. 	<ul style="list-style-type: none"> • Planning permission started to possess legal basis. • Key factors affecting institution modification involved various behaviors in land use, operation of political alliance, and demands from industrial sector.
2000 - Now	<ul style="list-style-type: none"> • Operation Highlights of Examination by Municipal & County (City) Governments on Non-Urban Land Zoning and Development Application (2001) • National Territorial Law (draft) (2004) 	First shift of political parties caused vicious conflicts in political world of Taiwan, and DPP regime expected to change the status of bad political performance via facilitating industries and economy.	Change of global economic environment and westward movement of business world caused industrial inanition, incurring plights like rise of unemployment rate, slow economic growth, etc.	<ul style="list-style-type: none"> • The government adjusts the system with guiding principles as simplifying inspection procedure and loosening land control. • National Territorial Law (draft) is proposed to provide the opportunity of re-structure for planning and controlling overall land resource.

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