The Financial Effects of the Taiwan Tea Boom
Working paper

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what is the question?

During the Taiwan tea boom, many people seemed to consider the excess money a one-time increase and wished to smooth the increase in their family's consumption over a long period of time.

Why should we care about it?

The money paid to the common people increased their real money balances but did not drive up consumer prices, or noticeably increase per-person consumption.

What is the answer?

1. The suggestion here is that one of the major factors limiting the positive effects of such trade is domestic finance within the poorer economy. The Hongkong and Shanghai Bank, along with numerous domestic banks, lent money at reasonable rates to commercial enterprises; and this money reached Chinese businesses, so that these businesses were not financially constrained. Nevertheless, the lack of deposit banking for households could still hobble the economy.
2. in the price regressions that follow, when a house is mentioned in the contract, the price for the land is higher both because the house is in itself valuable and because the fact that the land contains a house indicates that the area of the land involved in the contract is likely to be somewhat greater.

How did you get this?

1. Land sales contracts, thus, support the hypothesis that returns to investment fell generally in northern Taiwan along with the local decrease in interest rates.
2. estimates of land turnover from sales in the Taipei, Hsinchu and southern areas
3. Most of the land sales contracts in our sample were collected during the Japanese forest survey and land survey. The Japanese asked the supposed owners of the land to provide evidence that the land was indeed theirs.
4. Three sets of simple OLS regressions on the interest rates charged are used to organize the data.
5. The first set of regressions is run on loans subject to interest calculated in money. The second and third set are run on loans subject to interest calculated in unhulled rice.
6. Each regression uses a set of dummies for the period in which the loan was issued, controls for the area in which the loan was issued, the log of the amount of the loan and a dummy variable that equals one when the loan was for less than a year.