

LANDOWNERSHIP AND LAND REFORM PROBLEMS OF THE PHILIPPINES

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Introduction

To date, many economists have dealt with the agricultural structure, and in particular, the system of land tenure, of the Philippines. However, in spite of the considerable amount of literature now available on this subject, their studies leave much to be desired.

I would like to point out that little attention has been given to such important matters as the development of land legislation in this country contrasted with that of other countries, either developed or underdeveloped, the history of the land tenure system before and during the Spanish administration, and the forms, functions and scope, etc. of the self-regulatory co-operatives in the rural areas, and so forth. Without these studies, it is hardly possible to define the historical character of landownership and the related problems of the Philippines.

I am afraid, however, that due to limitations of space, this article may fail to satisfy all my readers, since it will be impossible to cover all the shortcomings of the prior-mentioned studies. I shall first outline the important characteristics of the system of land holdings in the Philippines and also some features of the rural community. Next I shall deal with the relationship between the present-day land tenure system and the economic development there, then proceed to a definition of the meaning of land reform in general, and further to a factual study of Philippine land reforms and some relevant problems.

I. RURAL LANDOWNERSHIP

Table I has been compiled from the 1948 Census of Agriculture.

* I wish to express my hearty thanks to all those who have helped in collecting material and data concerning the agriculture of the Philippines, and especially the invaluable help given by Dr A.A. Castro, Director of the Institute of Economic Development & Research, University of the Philippines, Mr R.M. Salas, General Manager of the *Manila Chronicle* and Dr David Wurfel, former Professor of the International Christian University of Tokyo. I must add, however, that I alone am responsible for the statements and opinions expressed in this paper.

This is the most recent official data available at the time of writing this paper, and gives the number and size of farms according to the different types of tenancy and ownership. Out of the 1,639 thousand farms, 52.6 per cent are farmed by full owners, 10.0 per cent by part owners, 37.3 per cent by tenants, and the remaining 0.1 per cent by farm managers. Most of these tenants are share-tenants called *kasamas* or *aparceros*.

The well-known Rivera and McMillan Report, which was published in 1952, assumed that about forty-six per cent of the total number of the farms then existing were tenanted. It pointed out also that the number of tenant-operated farms was gradually increasing.¹ An unofficial count in 1958 made by the Agricultural Economics Division of the Department of Agriculture and Natural Resources showed that there were about 2,360 thousand farms, of which 50 per cent, 10 per cent, and 40 per cent respectively were operated by full owners, part owners, and by tenants.

Table 1. FARM NUMBERS, SIZE AND TYPES OF OCCUPANCY

Occupancy	Number of Farms		Farm Area	
	Number	%	(in 1,000 ha.)	%
Full owners	861,239	52.6	3,520	61.5
Part owners	163,132	10.0	491	8.6
Tenants	611,971	37.3	1,554	27.1
Share tenants	424,732	25.9	1,012	17.7
Share-cash tenants	5,411	0.3	19	0.3
Cash tenants	7,898	0.5	35	0.6
Other tenants	173,930	10.6	488	8.5
Farm managers	2,282	0.1	162	2.8
Total	1,638,624	100.0	5,727	100.0

Source: 1948 Census of Agriculture.

From these figures, we can reasonably assume that during the ten years between 1948 and 1958, the number of farms operated by full owners decreased whilst those operated by tenants increased considerably. It must be noted, however, that in spite of a tendency towards an increase in the number of tenant-operated farms, local conditions vary widely and any generalization applied to all the regions of the country would be misleading.

This tendency is most evident in districts that have long-established farms and where agricultural products are mostly raised for sale in the

¹ G. F. Rivera and R. T. McMillan, *The Rural Philippines*, Manila, MSA (Mutual Security Agency), 1952, pp. 42-43, and p. 118.

market. The ratio of the number of tenant-operated farms to all farms is remarkably high as may be seen, for example, in Central Luzon, the rice granary of the Philippines. In 1948, the ratio was 88 per cent in Pampanga, 76 per cent in Nueva Ecija, 66 per cent in Bulacan, and 63 per cent in Tarlac. The predominance of tenant-operated farms in these districts is closely related to the agrarian disturbances and troubles which have repeatedly taken place there.

Table 1 does not give us enough information for us to be able to know precisely how large the farms are which are occupied by owner-farmers, for the final column is not clear as to how large a portion of the 491 thousand hectares which are operated in part-ownership is owned in part or borrowed from other owners. Fortunately, we now have access to reliable statistics produced in the latter part of 1953 by the United States International Co-operation Administration, which shows the total area of farms operated in full ownership. According to this study,¹ there were 13,859 landowners in the Philippines who held more than fifty hectares of land each, and of these there were 221 landowners who had more than one thousand hectares of land each. These approximately fourteen thousand landowners held 2,410 thousand hectares, that is, about 42 per cent of the total farm land.

It must be noted, however, that their actual holdings of land were probably more extensive than was assumed by the I.C.A. investigation. The underestimation in this investigation is first due to the fact that the survey took notice of only those landowners in possession of more than fifty hectares of land, and disregarded those who owned less than that. In the second place, the investigation was not a compulsory one, and the data contained in it were compiled from voluntary reports filed by landowners. If there had been a comprehensive investigation, the actual area and the number of landowners would have been much larger than is shown here. It is also interesting to note that big owners holding more than 1,000 hectares of land are conspicuous in such important rice-producing districts as Nueva Ecija and Camarines Sur, and in the sugar-producing regions like Negros Occidental.

With the introduction of a commodity economy and the dislocation of the agricultural population, more and more agricultural labourers appeared in the rural areas of the Philippines. Table 1 does not tell us anything about this. But one of the recent reports of the International Labour Organization shows that 620 thousand labourers, that is

¹ A. P. Sorongon, *A Special Study of Landed Estates in the Philippines*, Manila, USOM/ICA, 1955.

eleven per cent, of the total labour force of 5,550 thousand, are salaried employees and wage-earners.¹

A very interesting feature of the social structure in the rural districts of the Philippines was, for the first time, brought to light by the Rivera and McMillan Report of 1952. Table 2 shows that almost half of the labour force in the *barrios* (villages) investigated were labourers, and that seventeen per cent of these labourers were employed in agriculture. It deserves mention that more than a quarter of the total labour force was unemployed. This prevalence of mass unemployment is a grave agricultural problem in this country.

The commonest form of tenancy in the Philippines is the share-tenancy system which is called *kasama*. The cash tenancy system called *inquilinato* is found as well in some places in Central Luzon and the Visayas. In the latter system, the tenants or *inquilinos* pay a certain amount of farm-rent, in cash or kind, called *canon*, to their landlords. It is not uncommon for a big absentee landlord to lease his land to several *inquilinos*, so that he is not bothered with the trouble of supervising the cultivation. And these *inquilinos*, in turn, often sublet their land to several *kasamas* for crop-sharing. When they do so, the *inquilinos* become in fact intermediate landlords. In consequence, a *kasama* (who is the actual cultivator of the farm) must pay

Table 2. OCCUPATIONAL DISTRIBUTION OF THE TOTAL LABOUR FORCE IN THE BARRIOS SURVEYED

Occupation or tenure	The labour force and percentage distribution
Total labour force	8,977 100.0%
Professionals and semiprofessionals	1.5
Proprietors, managers, and officials	1.4
Sales persons and clerks	2.0
Skilled labourers	1.0
Semiskilled labourers	20.6
Unskilled labourers	11.9
Farm owners	11.2
Farm tenants	10.6
Farm labourers	13.9
No occupation	25.9

Source: G.F. Rivera and R.T. McMillan, *The Rural Philippines*, Manila, M.S.A., 1952, p. 108.

Note: Investigation of thirteen *barrios* sampled throughout the country. The labour force includes all persons 14 years old and over, and excludes housewives and children in school.

¹ ILO, *Yearbook of Labour Statistics 1959*, Geneva, 1959, p. 38.

a rent both to the *inquilino* and to the landlord. When there is a shortage of farms for rent, the *inquilino* is required to pay a higher rent or is compelled to do extra work for the landlord. The resulting high rental and greater effort have been a cause of frequent conflicts between the landlords and the *inquilinos*.¹

Because the *kasama* system exists in a variety of forms, it can only be described here in general terms. But the *kasama* system can be defined as the system in which the landlord offers land, seed and the cash needed for transplanting and harvesting the rice, while the tenant or *kasama* on his part offers *carabaos* (water-buffaloes) and some of the equipment as well as his own labour. Under this arrangement, the crop is generally divided equally between the *kasama* and the landlord, after the *kasama* has paid in kind half the expenses of transplanting and harvesting.

This sharing of the crop on a 50/50 basis is a heavy burden upon the *kasama*, since the Philippines, among all the Southeast Asian countries, has one of the lowest levels of rice productivity, being of an order of about one-fourth that of Japan.² The Agricultural Tenancy Act of 1954 (R.A. No. 1,199) stipulates that seventy per cent of the gross produce may go to the tenant if he has transplanted and harvested rice on his own account, using his own tools and animals. As a matter of fact, however, this stipulation is seldom observed, and it seems that a majority of the tenants are still paying the half of their crop for rent.³ The College of Agriculture of the University of the Philippines carried out a sampling investigation which embraced the whole country in 1957. This showed that a sharing of the crop on a fifty-fifty basis was the commonest pattern, representing 76 per cent of the total number of cases surveyed, and that rents higher than this amounted to almost ten per cent.⁴

¹ Karl J. Pelzer, *Pioneer Settlement in the Asiatic Tropics*, New York, IPR, 1945, pp. 92-93.

² The average annual production of rice (unhusked) per hectare in 1956-58 was 1,170 kgs. in the Philippines, 1,300 kgs. in India, 1,360 kgs. in Thailand, 1,460 kgs. in South Viet-Nam, 1,530 kgs. in Burma, 1,700 kgs. in Indonesia, 2,120 kgs. in Malaya, 2,720 kgs. in South Korea, 2,930 kgs. in Taiwan, and 4,430 kgs. in Japan. (Calculated from F.A.O., *Production Yearbook 1959*, Rome, 1960.)

³ In Central Luzon, the Hukbalahap movement seems to have helped to improve the tenancy contracts somewhat more advantageously for the tenants. (See Rivera and McMillan, *op. cit.*, p. 161.) But once order was restored, the country side soon reverted back to old share-cropping practices.

⁴ Horst & J. von Oppenfeld and Others, *Farm Management, Land Use and Tenancy in the Philippines*, College, UP, 1957, p. 99.

Agricultural productivity in the share-tenancy system or *métayer* system is generally very low with yields varying widely according to local conditions. This system is at a stage where the farmer's accumulation of capital is still insufficient to meet his needs, and it is much less advanced than the leasehold tenancy system.¹ This system, to be sure, can carry the farmer over a period of poor harvests better than the other, for what the share-tenant or *métayer* has to pay to his landlord is only a definite proportion of the crop. In the share-tenancy system or *métayage*, however, only part of the increased crop can be expected to be returned to the investor, be it the landlord or the tenant. Therefore, one of the fundamental defects of this system is that there is little incentive to improve production. In this respect, the leasehold tenancy system is much more stimulative to improvement.

Another defect of the share-tenancy or the *métayer* system is that, because the tenant has to depend upon the landlord for part of the operating costs, the latter's influence in the cultivation of the farm is usually very strong, and that consequently the tenant is deprived of a measure of self-initiative in the management of his farm and tends to be lethargic. This system may be suited to a static society, but it is not in keeping with a dynamic and expanding economy. And apart from these defects, the system is also a source of agrarian unrest and tension, too.

Richard Jones summarizes this as follows :

"The divided interest which exists in the produce of cultivation, mars almost every attempt at improvement. The tenant is unwilling to listen to the suggestions of the landlord, the landlord reluctant to entrust additional means in the hands of a prejudiced, and usually very ignorant tenant. The tenant's dread of innovation is natural; he merely exists upon a system of cultivation familiar to him: the failure of an experiment might leave him to starve. This dread, however, makes it almost impossible to introduce improvements into the practice of the metayers."²

"That no very marked change in the efficiency of agriculture, and in the relative numbers of agricultural and non-agricultural population will take place in any nation, while the metayer system remains in full force, is what we are entitled to assume, from the view we have already taken of the inherent faults and of the past effects of that system."³

In his famous "*Travels in France*," Arthur Young condemned the share-tenancy system by labelling it with a remark "absurd,"⁴ and also calling it "a miserable system, that perpetuates poverty and excludes

¹ It is said that the share-tenancy system was established in the eighteenth century in the Philippines. (John L. Phelan, *The Hispanization of the Philippines*, Madison, 1959, pp. 115-116.)

² Richard Jones, *An Essay on the Distribution of Wealth and on the Sources of Taxation*, 1831 (Reprints ed. New York, 1956, pp. 102-103.)

³ *ibid.*, pp. 107-108.

⁴ Arthur Young, *Travels in France*, Vol. II, Dublin, 1793, p. 239.

instruction.”¹

In the Philippines, as in other Southeast Asian countries, indebtedness is also a grave problem to the tenants, in a sense a problem more serious than the high farm-rental. Most of the tenants are deeply in debt as a result of the usury of the landlords. Even some land-holding farmers are not infrequently in debt.

In “An Economic and Social Survey of the Rural Households in Central Luzon,”² Rivera and McMillan found that out of the 749 rural households surveyed, 670 households or 89 per cent were in debt in respect of the crop year 1952. Classifying these households by tenure, the authors reported that 83 per cent of the full owners, 78 per cent of the part owners, and 92 per cent of the tenants were in debt. The average amount of debt carried by these households was, according to their report, 238 pesos, and nearly three-fifths of the farmers investigated had debts of more than two hundred pesos in the same crop year.

By the time of rice-transplanting, many tenants have already eaten up a large portion of their store of rice and they have to borrow from their landlord. When the harvest season comes near, their situation is indeed miserable. They have almost no rice to eat. In the rural districts in Korea, many small farmers have been short of food in June every year, until the time they can harvest their barley. As one of their melancholy proverbs said, “Want of peasants is extreme in spring, and they can hardly climb up a barley peak.” The lot of the peasants of Central Luzon is much the same. August, September, and October, which precede the harvest season, are sometimes called “the hard months.”

It is very difficult to assess precisely the amount of interest the small farmers have to pay on their borrowings. However, they seem to have to pay an exorbitantly high rate of interest, because of the limited sources of agricultural credit in the rural districts. Some of the terms under which farmers pay back an advance of *palay* (unhusked rice) made by the landlord before the harvest are:³

Takipan, by which an advance of two *cavans* of *palay* (*cavan* is a measure equivalent to about forty-four kilograms of unhusked rice) is repaid in six months with an interest of two *cavans*. The annual rate

¹ Arthur Young, *op. cit.*, Vol. I, p. 25.

² G.F. Rivera and R.T. McMillan, *An Economic and Social Survey of Rural Households in Central Luzon*, Manila, USOM, 1954, p. 101.

³ Pelzer, *op. cit.*, pp. 94-95.

of interest is thus two hundred per cent, an extremely high rate. This is a common practice which can be found throughout Central Luzon, especially in Nueva Ecija and Bulacan ;

Talindua, in which three *cavans* are returned in settlement of the two *cavans* borrowed six months before. The interest rate is one hundred per cent per annum ; and,

Terciohan. Here, the debtor must pay back four *cavans* of *palay* for an advance of three *cavans*. The annual rate of interest in this case is 66.7 per cent, the lowest of all. And yet it appears to be a very high rate indeed.

Another frequent practice is called *Takalanan*. A tenant will borrow a cash equivalent of an amount of rice at the current price from his landlord. When the crop is harvested, he repays the principal and the interest, in low cost rice within the original cash value. The price of rice is naturally low in the harvest season, so that the original debt and the interest are also increased by the difference in rice values. Therefore, the tenant must repay much more rice than the money borrowed could buy at that time. (In this way, the landlord can avoid punishment under the usury law.) The landlord also has another advantage. He keeps the rice which he has received until the next pre-harvest season and then sells it at a higher price.

Still another condition of a loan contract, by which the lender avoids the strictures of the usury law, is the *pacto de retro* (agreement of re-purchase), which has long been in practice in this country. The borrower sells his land temporarily to the lender and pays an illegally high rate of interest disguised as a farm-rent.¹ He has the right to repurchase the land at the end of the term for the sum of the loan, but should he fail to repurchase, then the title to the land reverts to the lender. As can easily be seen from this, the *pacto de retro* has done much to concentrate the landownership into the hands of a small minority of people.

Sometimes the landlord will offer advances to the peasants, not only because he can enjoy high interests, but also because he can, in this way, compel them to do extra work for him and can prevent them from abandoning his land. This practice is called *pasunod* in their language.

As can be gathered from the above, there are numerous regressive

¹ See M.J. Gamboa, *An Introduction to Philippine Law*, Sixth ed., Manila, 1955, p. 310 and James S. Allen, "Agrarian Tendencies in the Philippines," *Pacific Affairs*, Vol. XI, No. 1, March, 1938, p. 62.

forms of usury. The load of debt carried by the peasants becomes heavier and heavier, until finally it becomes intolerable. High interest rates erode the economic, political, and social position of the peasantry, and through usury, the land-holding minority gains power over the landless. With such a relationship existing between landlord and the tenant, it can be understood that any legislation enacted in the Philippines could not be expected to work efficiently, no matter how advanced its contents might be.

The main sources of credit to the small farmers are landlords, merchants (usurers), or their relatives. Most of the money-lending merchants are Chinese, and many of them are local retailers, rice-millers, or warehouse-keepers. By acting as money-lenders, they have monopolized the collection and the distribution of agricultural products. They are still exerting a considerable influence under present conditions.¹ In some ways, however, they are a necessary evil to the native Philippines. They make up for the lack of the adequate credit facilities and the imperfections in the distribution and transportation of agricultural products. Unless these economic and social conditions are rectified, it would be impracticable to drive them off the rural areas. The Agricultural Credit and Co-operative Financing Administration (Farmers' Co-operative Marketing Associations) and the Rural Bank were both established in 1952 with a primary task of financing small farmers, but these are far from being successful in their efforts to ameliorate these conditions.

Julian de Vera, an Associate Administrator of the Land Tenure Administration has this to say :

"the Land Tenure Administration could not close its eyes to the lack of confidence now entertained by farmers in the rural areas to their respective FACOMAS including the ACCFA now recently reorganized. Consequently, where the tenant-farmers used to deposit their *palay* in FACOMA warehouses as recommended by the LTA, they now insist on withholding such *palay* or depositing them with private bonded warehouses, owned mostly by aliens."²

Table 3 reveals, to some degree, the burden of high interests and

¹ In November, 1960, R.A. No. 3,018 was passed by the Congress, intending to restrict Chinese from the wholesale and retail trade in rice and corn, and also from such fields as transportation, rice-milling and warehouse-keeping. In order for the law to be really effective, it will be necessary for more financial help to be given to the native Filipinos, and for the Government to keep a vigilant lookout for dummy merchants.

² Land Tenure Administration, *Annual Report, Fiscal Year 1960-1961*, Manila, 1962, p. 32.

farm-rents which rests upon the farmers. It shows that almost 60 per cent of the *palay* produced by the average tenant-farmer in Central Luzon is taken away in settlement of farm-rent, loans and advances, and interest on these loans. (It must be remembered that, at the time the survey was made, farm-rents had been considerably reduced as a result of the Hukbalahap movement, and also that all the figures given are averages and therefore may vary widely according to the individual households.) It also shows that, apart from the portion kept for seed use, the real disposable return to the tenant (i. e. the portion of the crop which is sold, consumed domestically, and disposed of otherwise as he wishes) is no more than 26.4 per cent of his whole crop. The proportion of the *palay* marketed is less than six per cent of the total harvest. Even a full owner has to pay almost 20 per cent of his crop in settlement of loans and interest. And only 18 per cent of his crop is sold on the market.

Table 3. DISPOSAL OF THE PALAY PRODUCED IN THE CROP YEARS 1951-52

Disposal of <i>palay</i> produced	Total	Full Owners	Part Owners	Tenants
<i>Palay</i> in <i>cavans</i>	93,088	4,717	4,142	84,229
Total (%)	100.0	100.0	100.0	100.0
Rent	37.1	—	27.7	39.4
Repayment of loans and advances from landlord	7.9	—	10.9	8.1
Repayment of loans from other creditors	11.7	18.9	6.7	11.5
Harvesting and threshing charges	12.2	14.7	11.8	12.0
Sold by operator	6.0	17.7	5.0	5.7
Kept for seed use	2.7	3.5	3.8	2.6
Used by farm household	20.1	41.0	31.2	18.5
Otherwise disposed of	2.3	4.2	2.9	2.2

Source: G.F. Rivera and R. T. McMillan, *An Economic and Social Survey of Rural Households in Central Luzon*, Manila, USOM, 1954, p. 68.

Note: Survey of nine *barrios* of five provinces in Central Luzon.

As can easily be understood from this table, the farmers in the Philippines are as poor as those in the other underdeveloped countries. However, one cannot condemn them for being poor, as has been often said, because they are a lazy people by nature. Rather it would be nearer the truth to say that, if they are lazy, it is because the present social and economic conditions in the Philippines give them little incentive to work.¹ Their laziness is the result of, rather than the

¹ Praising the Philippine people for their diligence, James LeRoy, one of the most careful observers on the social conditions in this country, says:

cause of their poverty.

Among the pointers which indicate their miserable living conditions are their humble nipa huts; poor clothes; a monotonous and scanty diet which invariably consists of rice and dried fish; chronic under-nourishment; many endemic diseases; widespread tuberculosis; boils and ulcerated legs; their illiteracy; and inveterate gambling and many other habits of poverty and ignorance.

Their terrible conditions are vividly described in the following passages from T.J. Fernandez's thesis:

"With this meager income, it is no wonder that the tenant and his family are under-nourished, with hardly one full meal a day. Their clothing is insufficient and the children are most often in rags. Working clothing have to serve also as sleeping garments. Their surroundings are unhealthy; their habitation, a small nipa hut devoid of sanitary facilities and privacy.

"Or the childrens' help, that of the male ones especially, is needed in the fields, or the girls are sent to the landlords' residence or elsewhere to earn a living as domestic helpers. The latter is usually favored not only because her going away would lessen the number of mouths to feed and her little earning will add to the father's meager income, but also because her employer could easily be the source of loans to be paid out of their children's wages."¹

The *barrio* is a basic constituent unit of the rural community in the Philippines. Generally it is isolated from its neighbouring economies. This isolation is partly due to the inadequate means of communication and transportation. But a more fundamental explanation seems to be the inherent autarkical nature of the rural life, where the practice of a commodity economy has not yet asserted itself. This isolation of the *barrios* from one another, in an economical, political, and social sense, accounts largely for the lack of a nationally organized movement of the peasantry to improve their status in society. The rural community in the Philippines is, by nature, stationary, traditional, and also co-oper-

"Always, the Filipino has displayed considerable application and tenacity in sticking to a job where there was a definite end or reward in sight. He will work through the hot sun to plant or gather his crops when the return therefor and the pleasures it will buy are more or less immediately in sight. In this direction, instance after instance might be cited to show that he is far from being the worthless labourer that careless writers have often pictured."

(James A. LeRoy, *Philippine Life in Town and Country*, New York, 1905, p. 77.)

¹ Teresita J. Fernandez, *An Analysis of the Social and Legal Aspects of Farm Tenancy in the Philippines*, Master of Law Thesis, UP, 1954, pp. 34-35.

ative. Their community is maintained and self-perpetuated through the coercive practice of mutual help, for instance, at the rice-transplanting and harvesting season, and co-operative work within the *barrio*,¹ and spiritually, through their *fiestas* (festivals) in which all the members of the *barrio* are forced to, and willingly, participate.

Such a tightly-knit community is called a "*damay*," which corresponds to what F. Tönnies calls "Gemeinschaft." But they have no word that is an equivalent to "Gesellschaft." The most important features which characterize the "*damay*" society are the "*tayo-tayo*" principle (mutual help principle) on the one hand and the "*bahala na*" philosophy (philosophy of resignation or acquiescence) on the other.

The relationship between the landlord and the tenant in the Philippine rural districts is a paternalistic one. The tenants feel a debt of gratitude to the landlord for his loans and permission to cultivate his land.² In this way they tend to be very obedient to the landlord. The relationship between them is in no sense a modern one fixed by contract, but a father-and-son one stemming from their respective estates. This is no doubt a form of control by the landlords of the small farmers. But it is sometimes overlooked that in this way the tiny land-holding class exercise a strict political and social influence over the landless peasants.

John H. Romani says this in his "Philippine Barrio":

"Power in Philippine local government is concentrated in a small group, who live either in the *poblacion* or other urban centers. This group, usually of the dominant landowning class, controls the *barrio* either by occupying positions in municipal government or by wielding influence over the councillors through family or class connections. This controlling faction, in turn, is normally closely associated with officials and others possessing power in the central government."³

In such an organized society, there are many obstacles to efficient land reform measures and to any substantial improvements in the relationship between the landlords and the tenants. The depressed class

¹ See B.M. Villanueva, *A Study of the Competence of Barrio Citizens to Conduct Barrio Government*, CDRC, UP, 1959. The Community Development Research Council of the University of the Philippines has published many useful sociological studies of the rural communities in the Philippines.

² James N. Anderson, "Some Aspects of Land and Society in a Pangasinan Community," *Third Quarterly Report Submitted to the Ford Foundation Foreign Area Training Fellowship Program*, 1962, p. 68.

³ John H. Romani, "The Philippine Barrio," *Far Eastern Quarterly*, Vol. XV, No. 2, Feb. 1956, p. 234.

of small farmers in the *damay* society may superficially seem to be contented with their lot, doing little more than subsist in a hand-to-mouth existence. But, on the contrary, they are actually quite desirous of efficient land reform measures, as we have seen in the systematic field survey.¹ And sometimes they have desperately strived to escape from their present miserable conditions.

II. ECONOMIC DEVELOPMENT AND LAND REFORM

As we have seen in the preceding chapter, the agricultural structure in the Philippines is far from modern.² We are now in a position to consider the relationship between traditional landownership and economic development.

(1) The possession of land means quite a lot in the Philippines. Not only is it a safe and advantageous object for investment and speculation, but it is also a source of social prestige.³ With the transition of the economy from a feudal to a capitalistic system, the elemental form of possessing wealth has generally changed, both theoretically and historically, from "land" to "commodity." In the Philippines, however, people still seem to regard land as a symbol of wealth.⁴ And the fact that their desire for the acquisition of land is so intense, as can well be imagined, that it is apt to be a hindrance to capital formation, which is an indispensable step in the industrialization of the country. This desire for land not only pushes up its price, because it is a traditional and preferred investment of wealth, but also, due to the high farm-rent, the extremely low taxes on real estates, and the increasing population, draws off more money which would otherwise be invested in industry.

(2) About 70 per cent of the population still depend on agriculture for a livelihood in the Philippines, and most of this agricultural population is living a hand-to-mouth existence under an old-fashioned and

¹ Rivera and McMillan (1952), pp. 168-169.

² "Historically, Philippine agricultural tenure has been largely of a feudal character." (Office of Economic Coordination, *Report and Recommendations of the Advisory Committee on Large Estates Problems*, Manila, 1951, p. 7.).

³ Horst & J. von Oppenfeld and Others, *op. cit.*, pp. 115-116.

⁴ It is said that the Spaniards who lived in the Philippines in the old colonial days preferred possessing their wealth in the form of land better than in any other way. Their predilection for land as a form of wealth can be seen in the following old refrain:

"No vessel on the sea,

But the house that's mine for me,

And all the lands around which I've been used to see."

(Sir John Bowring, *A Visit to the Philippine Islands*, London, 1859, p. 239).

rigid system of land tenure. Such being the situation, it is natural that there should be no large and expanding domestic market in this country.

Furthermore, part of the narrow domestic market is closed to Philippine national industries in consequence of the relatively free inflow of large quantities of commodities from the United States, which, in turn, is attributable to the preferential trade relations existing between the two countries through the Bell Trade Act of 1946 and its subsequent revisions. A prerequisite condition for the sound growth of modern industries is a market large enough to consume its products. The absence of such a market limits the industrialization and development of the Philippine economy. Even if a new industry is started, the lack of a large market leads to high costs because the benefits of large-scale production are missing, as well as over-production and part-time operation of the equipment, as was seen in the case of the cotton textile industry in the Philippines.

Under these conditions, the capital of the landholding groups will not be invested in manufacturing industries, but instead, will inevitably be hoarded or invested in real estate like land and buildings in the city, or else will be remitted out of the country or be spent on wasteful consumption. The same reasoning applies to the fact that the Philippine economy has developed mainly in such sectors of industry as are producing or processing agricultural products for export to foreign markets.

The conspicuous spending and the traditional tendency of wasteful consumption of many of the classes since colonial times are not the sole factors that explain the excessively high rate of spending of the landlord class of the Philippines. A much more important reason is, as we have just seen, the lack of a proper domestic market. It is worth-while noting that, in case of immaturity of a middle class to act as a buffer between standards of consumption, the high propensity to consume of the upper class directly affects the norm and the manner of consumption of the lower class. As a result, the average consumption of the nation as a whole is inordinately high.¹ This in turn explains,

¹ In this respect, the reader is referred to the following passages from T. Veblen:
"The leisure class stands at the head of the social structure in point of reputability; and its manner of life and its standards of worth therefore afford the norm of reputability for the community. The observance of these standards, in some degree of approximation, becomes incumbent upon all classes lower in the scale. In modern civilized communities the lines of demarcation between social classes have grown vague and transient, and wherever this happens the norm of reputability

to a large extent, the small aggregate national savings in this country.

As has been pointed out in a United Nations study,¹ land reform is an indispensable condition for the economic development of the underdeveloped countries. Through this medium, people will learn to attach more importance to "commodity" than to "land" as a form of storing their wealth, and they will learn, too, to appreciate that labour itself is a source of wealth. In addition to these contributions, land reform will furnish the small landless farmers with more purchasing power than before, thus preparing the way for the industrialization of the economy, and further mobilizing towards productive investments in manufacturing industries the potential capital which has been wastefully invested in real estate.

In spite of its importance, however, land reform itself cannot be really successful, if it is not combined with other adequate policies, such as increasing the productivity in agriculture and raising perpetually the income of the formerly landless farmers. As important as land reform are such policies that will furnish them with more credits, for instance, foster agricultural co-operative unions, and also policies to promote introduction of modern techniques into agriculture. In other words, land reform must be combined with agricultural reforms.

Land reform in its strict sense means redistribution of land privately owned by the people. But land reform has recently come to be understood rather vaguely in what Doreen Warriner calls the "American conception" of land reform. According to the "American conception," the term "land reform" implies, besides redistribution of land, improvements of tenancy laws, improvements of agricultural credit facilities and fostering of agricultural co-operatives, and agricultural education, betterment of land-registration methods, adoption of proper taxation policies, and so forth. In this way, land reform as understood in this context deviates from being an exclusive method attaching sole importance to the redistribution of private landed property. Such a change in the conception of land reform has become more noticeable with the intensification of the cold war between the East and the West ever

imposed by the upper class extends its coercive influence with but slight hindrance down through the social structure to the lowest strata. The result is that the members of each stratum accept as their ideal of decency the scheme of life in vogue in the next higher stratum, and bend their energies to live up to that ideal." (Thorstein Veblen, *The Theory of Leisure Class*, New York, 1899, cited 1949 ed., London, p. 84).

¹ U.N., *Land Reform: Defects in Agrarian Structure as Obstacles to Economic Development*, New York, 1951.

since 1950.¹ This change can easily be seen if comparison is made between the Hardie Report of 1952 (*Philippine Land Tenure Reform: Analysis and Recommendation*)² and the Cooper Report of 1954 (*Report Concerning Philippine Land Tenure Policy*).

In a capitalistic society, it is naturally difficult to enforce a land reform in its strict sense, because it is inconsistent with the private ownership of property. It is all the more difficult in a society like that of the Philippines where industrial capital has not yet been sufficiently accumulated and where the land-holders exert a strong influence on the government of the nation.

This sort of difficulty may be mitigated somewhat if land is bought with due consideration for the landowners. Governmental purchase of land, however, cannot be a perfect method of land reform, if allowance is made for the further difficulty in the procurement of the necessary funds with which to buy land, and it also increases the burdens which the small farmers must bear. If land is to be purchased at commercial rates by the Government, the burden upon the poor farmers to be given land may be so heavy that they will have no more capital left to improve in their newly-acquired land. Thus, a redistribution of land in its ideal form involves a considerable sacrifice on the part of the landlords.

To enforce a land reform successfully in a capitalistic society is so difficult that only a few countries have ever enforced it. Further, it is worth-while remembering that, only at a critical moment of a nation's history is it that the few countries have somehow succeeded in land reform; for example, some of the East European countries just after the First World War and Japan after the Second World War. It should be remembered, too, that in enforcement of land reform, a strong central power, such as that of an army of occupation was necessary even in the case of Japan.

The land redistributionary measures which so far have been taken in the Philippines have been given, as if it were, "from above," because the Government has had to do something in order to overcome the agrarian unrests then prevailing throughout the country. Therefore,

¹ Doreen Warriner, *Land Reform and Development in the Middle East*, Second ed., London, Oxford Univ. Press, 1962, pp. 3-6.

² The recommendations made by the Hardie Report for land reform were very drastic. It is interesting to know how the Hardie Report was appraised and how it was treated in Philippine political circles. Information is available in David Wurfel's "Foreign Aid and Social Reform in Political Development: a Philippine Case Study," *American Political Science Review*, Vol. LIII, No. 2, June, 1959, pp. 471-473.

these measures in the Philippines could not succeed in bringing about any fundamental change in the miserable conditions of the peasantry. As a counter-measure to meet the growing agrarian unrest developing ever since the end of the Second World War and the upsurge of the Hukbalahap movement at the beginning of the fifties, President Magsaysay presented two bills which were passed in Congress. They were the Agricultural Tenancy Act of 1954 and the Land Reform Act of 1955 (R.A. No. 1,400). But the Land Reform Act was not a practical success,¹ because many important parts of the original bill were deleted during the discussion in what F.H. Golay called "landlord-dominated Congress," and because it was not supported by sufficient financial measures.

As he had promised in the election campaign, President Macapagal, who had come to office at the end of 1961, announced the abolition of the tenancy system in his Address on the State of the Nation at the beginning of 1963. At the same time, he appointed the members of the Land Reform Committee and had them prepare a bill for land reform. Among the motives which induced the President to this decision were, on the one hand, the intense rice shortage in those years, in particular the rice crisis of 1961 and the pressing need to mitigate the potential agrarian unrests as seen from the sporadic disorders in the rural districts. They were, on the other hand, by necessity, to divert the capital which until then had been invested in land and other real estate, to the fields of manufacturing industry.

Although it was considerably amended through discussion in the Congress, the bill as drawn up by the Land Reform Committee was passed on August 8, 1963, as the Agricultural Land Reform Code (R.A. No. 3,844). The most important stipulations of this new code were concerned with (a) the transition from the share-tenancy system to the leasehold tenancy system, (b) redistribution of landownership, and (c) the establishment of a land bank. The new code may seem, at first sight, to be very systematic and comprehensive. But if we take a closer look at it, we will find some shortcomings, of which the most important will be given some consideration below.

(i) The stipulations in the new Agricultural Land Reform Code regarding the transition from the share-tenancy system to the leasehold tenancy system are not much better than the corresponding stipulations in the revised law (R.A. No. 2,263) of June, 1959 of the Agricultural

¹ President Macapagal said in his State of the Nation Address on January 28, 1963, "The Land Reform Act of 1955 has failed to bring about significant changes."

Tenancy Act of 1954. Sec. 46 of R. A. No. 2,263 stipulated that, in the case of the first class rice field, the landlord might charge the tenant a farm-rent of up to 25 per cent of the average gross produce (that is, the average gross produce minus the seed and the cost of harvesting and threshing). (In the Agricultural Tenancy Act of 1954, the maximum rate chargeable as a rent was 30 per cent of the average gross produce.) The prescriptions in R. A. No. 2,263 in this respect were repeated almost without change in the Agricultural Land Reform Code.

The need for a change from a share-tenancy system to a leasehold tenancy system is explained by the need for relieving the tenants from the landlords both economically and politically. The real trouble with the new land reform code is the fact that R. A. No. 2,263, of which the provisions of Sec. 46 were almost the same as those of the new code, did not succeed in stimulating the transition of the present tenancy system into a more advanced one.

Under the existing conditions in the Philippines, especially when the tenants have to depend so much upon the landlord for the capital necessary for cultivation, and when there are, in fact, no other adequate organizations to finance them or no proper marketing systems where to sell their crops, it is doubtful whether most of the tenants are ready to accept the leasehold tenancy system as one really profitable to them. Also, much resistance and opposition on the part of the landlords will be encountered, if an unfavourable tenancy system is forced upon them.

(ii) The fundamental difference between the leasehold tenancy system and the share-tenancy system is that, in the former system, the amount of the rent to be paid by the tenant is fixed by the agreement between the both parties throughout the duration of the contract, while in the latter system, the ratio of the rent is fixed. It is of great importance that a fixed amount is paid in the leasehold tenancy system. Sec. 46 of R.A. No. 2,263 of 1959 expressly prescribed that a "fixed consideration" must be paid for cultivation of a farm belonging to another person. But in spite of its intention to encourage the change from a share-tenancy system to a leasehold tenancy system, merely a provision for "consideration" is given in the Agricultural Land Reform Code of 1963. In enforcing a land reform under the new code, some serious confusion may arise concerning the deleted word "fixed."

(iii) The original draft prepared by the Land Reform Committee intended to expropriate holdings larger than 24 hectares. Through the debates in the Congress, however, the minimum area of a land to be

expropriated was raised up to 75 hectares. Also, Sec. 51 of the new code classified the order of priority in expropriation as follows: (a) idle or abandoned lands, (b) lands larger than 1,024 hectares, (c) lands between 500 hectares and 1,024 hectares, (d) lands from 144 hectares to 500 hectares, and finally, (e) lands below 144 hectares down to 75 hectares.

Sec. 51-c and Sec. 129 further provided that the expropriation and the redistribution of land should be effected in accordance with the selection and designation of the "land reform districts" by the National Land Reform Council. Judging from these stipulations and also from the probable shortage of financial funds with which to purchase land, the planned expropriation may not be effected fully, and only the lands which come in the first few categories of the order of priority may be purchased.

As has often been the case, planning is one thing, and guaranteeing it financially is quite another. Indeed, insufficiency of financial funds can be a great problem to any kind of programme. Another trouble which may be encountered in carrying out a land reform is that the land reform districts may not be selected very fairly since the land-holding group can exercise a strong influence on the policies of the nation.

It is interesting to try to find out why the landless peasants, who are to be given land if the land reform is carried out successfully, do not necessarily seem to be very appreciative. They may have felt instinctively that it cannot be carried out effectively as they know from their past experience that they can never share in the fruits of a law which has been given "from above." Or else, it may be because their experience has taught them that the existence of a law and its execution are quite different matters.

The small farmers in the Philippines have not been well organized.¹ Nor do they have representatives in the Congress who will look after their interests. From these facts, it will not be difficult to imagine that they naturally regard a land reform law which has been passed by a Congress under the strong influence of the landlords as being very unlikely to improve their lot.

Now I may fittingly conclude my present article with a quotation from Professor J.K. Galbraith, former U.S. Ambassador to India:

¹ For some practical data concerning the farmers' organizations, peasant unions and the like, see Frances L. Starnes, *Magsaysay and the Philippine Peasantry*, University of California Press, 1961, Chapter VI.

“In fact, a land reform is a revolutionary step; it passes power, property, and status from one group in the community to another. If the government of the country is dominated or strongly influenced by the landholding groups—the one that is losing its prerogatives—no one should expect effective land legislation as an act of grace.”¹

¹ J. K. Galbraith, “Conditions for Economic Change in Underdeveloped Countries,” *Journal of Farm Economics*, Vol. XXXIII, No. 4, Part 2, November, 1951, pp. 695–696.