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Nobuhiko Fuwa

Chiba University

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# **Politics and Economics of Land Reform in the Philippines: a survey\***

By

Nobuhiko Fuwa

Chiba University, 648 Matsudo,  
Matsudo-City, Chiba, 271-8510 Japan  
fuwa@midori.h.chiba-u.ac.jp  
Phone/Fax: 81-47-308-8932

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## **Introduction**

Recent developments in both theoretical and empirical economics literature have demonstrated many aspects of the negative socio-economic consequences of high inequality in the distribution of wealth. High inequality tends to hinder subsequent economic growth (e. g., Persson and Tabellini 1994?), inhibits the poor from realizing their full potential in economic activities and human development through credit constraints (e. g., Deininger and Squire 1998), encourage rent-seeking activities (e. g., Rodrik 1996), and seriously hinder the poverty reduction impact of economic growth (e. g., Ravallion and Dutt ??). The Philippines is a classic example of an economy suffering from all of these consequences. The Philippines has long been known for its high inequality in distribution of wealth and income; unlike many of its Asian neighbors characterized by relatively less inequality by international standards, the Philippine economy has often been compared to Latin American countries which are characterized by high inequality in land distribution. Partly due to its historically high inequality there has long been intermittent incidence of peasant unrest and rural insurgencies in the Philippines. As a result, the issue of land reform (or ‘agrarian reform’ as more commonly called in the Philippines, of which land reform constitutes the major part) has continuously been on political agenda at least since the early part of the 20<sup>th</sup> century; nevertheless land reform in the Philippines has been, and still is, an unfinished business. Against such a historical background, the main objective of this essay is to synthesize a broad range of existing literature on the various aspects of land reform policies in the Philippine context as relevant for today’s policy makers. The paper is meant as a stock taking exercise delineating what is known and what is not. We will pay attention to both political and economic issues arising from the land reform policies since both of these aspects are equally important for policy making. Furthermore, in our attempts to derive some lessons/implications for the current policy makers we will draw on both historical experiences in the Philippines and recent land reform experiences from other developing countries.

The paper is organized as follows; section 1 provides a historical overview of the land reform legislation and the implementation records in the Philippines for the past forty years; section 2 focuses on the political dynamics behind the evolution of the land reform legislation and implementation records as reviewed in the previous section; section 3 turns to the major economic issues involved in land reform by drawing on both theoretical development and accumulated empirical evidence; based on the previous sections, section 4 focuses on major issues involved in the design of land reform schemes in the contemporary Philippine contexts, drawing on recent policy experiments in other developing countries as well as on the theoretical and empirical literature from the Philippines; and final section pulls together our survey results and concludes the paper.

### **1. Historical Overview of Land Reform Legislation and Implementation Record in the Philippines**

#### **1-1. Evolution of Land Reform Code**

A series of land reform programs have been legislated and, to a lesser extent, implemented by successive administrations during the last several decades in the Philippines. In this subsection, we will review a few distinct episodes in the evolution of land reform legislation, mainly in terms of its stated goals and its design. We will take a closer look at the actual implementation of land reform laws in the next subsection.

Land reform policies have been continuously on political agenda in the Philippines since the early part of this century. Generally, the land reform initiatives of the government have been combinations of (though not limited to) regulation on land tenancy, resettlement to public lands, and appropriation and redistribution of private lands. Since the Commonwealth period, among these three broad categories of land reform measures, governments in the past tended to rely more heavily on the first two (tenancy regulation and resettlement) rather than on the politically contentious land redistribution. However, as the relative scarcity of land increased due to the closure of the frontier areas, and in response to the continuing peasant unrest, redistributive land reform has become increasingly high on policy agenda more recently.

The land reform initiatives by the Philippine government since the 1950s are broadly in line with the series of initiatives taken by President Manuel L. Quezon's administration (1935-41). More specifically, President Quezon's initiatives included regulation of tenancy relations, an anti-usury law, organized land settlement in Mindanao for the landless of Luzon and Cebu, issuance of free patents to homesteaders on cultivable public land, and a "landed estates" policy which provided funds for the negotiated purchase of large holdings for resale to tenants. Strongly influenced by the American land reform policy at the time, the main focus was on resettlement and tenancy regulation rather than on land redistribution. (e. g., Hayami, *et al.* 1990).

The land reform initiatives by the successive administrations of Manuel Roxas (1946-48), Elpidio Quirino (1948-53), and Ramon Magsaysay (1954-56) generally fell along these lines although each had its own policy initiatives. In particular, a series of land reform legislation during the Magsaysay administration is seen by some as "the first significant legislation toward land reform in the post-war Philippines." (Wurfel 1988) The 1954 Agricultural Tenancy Act limited land rent at 30%, placed an interest rate cap of 8–10% per annum, and increased tenants' exceptions from creditors' liens. The 1955 Land Reform Act embraced the idea of compulsory land expropriation for rice lands but the retention limit was set generously at 300 *contiguous* hectare for private lands planted with rice, 600 hectare for corporate farms, and 1024 hectares for private farms other than rice. (Takigawa 1976, Putzel 1992, Riedinger 1995)

### *Agricultural Land Reform Code of 1963*

One of the major turning points in the recent history of land reform *legislation* (if not *implementation*, as we will see later) appears to be the 1963 Agricultural Land Reform Code.

The stated goal of the 1963 Code was “to establish owner-cultivatorship and the economic family-sized farm ... to make the small farmers more independent, self-reliant...”. A distinct feature of the Code was that, unlike in the earlier land reform initiatives, land reform was considered as a means to increase agricultural productivity, which, in turn, was based on the need for supply of cheap food for urban consumers as well as the ‘Marshallian view’ of inefficient share tenancy which was widespread among young economist-technocrats of the day. (Hayami, *et al.* 1990; see below for more on the ‘Marshallian view.’) In its attempt to increase agricultural productivity by creating owner-cultivatorship, the Code stipulated a two step procedure for land redistribution: (1) “Operation Leasehold,” which was to convert share tenancy to leasehold with the fixed rent at 25 percent of the average harvest in the three normal years preceding the Operation, and (2) “Operation Land Transfer,” where the government was to expropriate land in excess of the retention limit of 75 hectares, with compensation to landowners of 10 percent of the land value in cash and the rest in interest-free Land Bank bonds, and then was to resell to tenants for annual amortization payments within twenty five years. Such reforms were to apply only to land planted with rice or corn.

While the Code can be seen as a major advance in land reform legislation, there were serious limits in design as well. For example, the reform Code covered only rice and corn land (which represented ??% of all agricultural land and ??% of tenant farmers as of 1960), thereby excluding land planted with sugar, coconut, fruits and other crops. This also meant that landowners could avoid land reform implementation simply by shifting their crop away from rice or corn. Another fault in design was that there was no sanctions against evasion through transforming land use or transferring ownership to family members, which were common means of sabotaging land reform implementation. Furthermore, the initial version of the Code included progressive land tax, which was subsequently deleted in the final version. Indeed, these limits generally persisted through the subsequent land reform codes (1971 and 1972) until the enactment of CARP in 1988 (see below).

### *Land Reform under Marcos Presidency*

While President Ferdinand Marcos took office in 1966, it was not until the early 1970s that land reform program made any major advance. First, in responding to the pressures from farmers’ protests supported by a highly politicized student and workers’ movement in 1971 (see below for the political process leading to the legislation), Congress passed the Code of Agrarian Reform (Republic Act No. 6389). It established the Department of Agrarian Reform, declared the entire Philippines a land reform area (the 1963 Code, on the other hand, required that the National Land Reform Council should first declare a given region to be covered by the program before actual implementation could proceed in a given region), provided for the automatic conversion of tenancy to leasehold tenancy in all areas and declared share tenancy illegal, included regulations on interest rates, on the sale of farm animals and implements and on the conversion of agricultural land into other uses, and finally, reduced the landlord retention limit from 75 hectares to 24 hectares.

Just about a year later in September 1972, President Marcos imposed Martial law.

In the early years of the Martial Law period land reform was high on policy agenda. A month after the Martial law regime started, President Marcos issued Presidential Decree No. 27 (PD 27) aimed at “emancipation of the tiller from the bondage of the soil.” (as quoted in Hayami, *et al.* 1990). Under PD 27, all rice and corn fields over the lowered retention limit of 7 hectares were to be transferred to the tenants who tilled them at a price 2.5 times the value of average annual production, payable to the Land Bank at 6 percent interest within fifteen years. When the tenant completed amortization she/he would be issued a land title, called “Emancipation Patent” (EP), transferable only to her/his heirs; during the period of amortization the tenant would receive a “Certificate of Land Transfer” identifying her/his cultivated area and promising her/him the right to purchase it. On the other hand, land owners were to be paid 10 percent in cash and 90 percent in Land Bank bonds, as was stipulated in the 1963 Code. Furthermore, under the “Operation Leasehold (OLH) Program,” tenanted rice and corn fields under the 7 hectare retention limit were to be tilled under fixed-rent lease contract with the official rental ceiling of 25 percent of average output (net of costs for seeds, harvesting, threshing, loading, hauling, and processing) for three ‘normal’ years prior to the reform implementation.

While PD 27 can be seen as an improvement in expanding the potential coverage of land reform compared to earlier legislation, it still included some notable limitations in its design, which were also shared by the earlier laws. Among others, PD 27 stipulated; (1) that the land must already have been in agricultural production by 1972, thereby excluding new agricultural land which subsequently amounted to 1.24 million hectares between 1971 and 1980, (2) that land reform was limited to rice and corn fields which amounted to about 4 million hectare as of 1972 while excluding its application to 2.5 million hectares of coconut and sugar lands (as of 1972), and (3) that the decree applied only to tenanted areas, which represented about 24 percent of all rice and corn areas, excluding landless laborers and subtenants amounting to 3.5 million in 1975. As so designed, PD 27 would cover about 12 percent of the total Philippine farm area as of 1972. (Hayami, *et al.* 1990, Mangahas 1985, Balisacan 1990) In addition, such design provided landowners covered by the decree with opportunities to avoid its implementation by shifting to crops other than rice or corn (or to non-agricultural use), or by evicting tenants, replacing them with hired labor and undertaking direct management of the farm operation. (see below for more on the impact of such evasion practices by landowners.)

### *Comprehensive Agrarian Reform Program (CARP) under Aquino Presidency<sup>1</sup>*

President Corazon Aquino assumed her presidency amid heightened expectations toward a more comprehensive land reform program than any previous land reform initiatives. As a start, the 1986 Philippine Constitution was drafted (and later supported by plebiscite in February 1987) by a 48 member Constitutional Commission appointed by the President<sup>2</sup>.

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<sup>1</sup> This subsection draws heavily on Balisacan 1990, Hayami, *et al.* 1990, Riedinger 1995, and Putzel 1992.

<sup>2</sup> Of the 48 members of the Commission, only one, Jaime Tadeo, the leader of KMP, was generally seen as representing the peasantry. According to Tadeo, only 9 out of the 48 members were in favor of distributive land reform. (as cited in Putzel 1992)

While it was a substantially “watered down” version of the initial draft adopted by the Committee on Social Justice under the Commission, the Constitution was nevertheless a major improvement vis-à-vis the previous Constitution. Above all, it mandated a ‘comprehensive’ land reform covering *all agricultural lands* and natural resources (thus going beyond rice and corn lands under PD27) and both tenants *and regular farm workers* (who had been excluded as beneficiaries in the previous reform Codes). At the same time, however, many of the crucial aspects of the defining characteristics of the reform were left with the Congress to determine, including: the retention limits, to be set according to “ecological, developmental, and equity considerations;” types of exempted lands; and phasing and time table of the program. Constitution also included various alternative measures to land re-distribution, such as voluntary land sharing, and it allowed private corporations to lease up to 1000 hectares (while local citizens 500 hectares) of public lands.

The second step that the Aquino administration took before the newly elected Congress convened was to issue Executive Order 229 (EO229) in June 1987. It was a response to the mounting pressures from pro-reform social forces following the “Mendiola Bridge massacre” (where thirteen members and supporters of Kilusang Magbubukid ng Pilipinas (Peasant Movement of the Philippines) rallying near Malacañan Palace for a ‘genuine land reform’ were killed) on January 22, 1987. During this period, however, President Aquino rejected (acting upon the recommendations from her key economic ministers, such as Finance Secretary Jaime Ongpin) the Accelerated Land Reform Program (ALRP) proposal put together by key government officials immediately following the Mendiola incident, which included a uniform 7 hectare ceiling for all croplands and the sequencing of reform program starting with large privately owned farms. Instead, EO229, drafted by her conservative cabinet members including Secretary Ongpin and then signed by President Aquino, mostly focused on procedural matters and, once again, left many of the critical aspects of land reform, including retention limits and priority setting/phasing, to the Congress.<sup>3</sup> EO229 was issued five days before the new Congress was to meet for the first time in fifteen years. Many observers have concluded that, by leaving the most critical aspects of her land reform program to the Congressional process, President Aquino was not able to take full advantage of the historically rare opportunity to initiate a massive transformation of Philippine rural economies, due to her strong popular support, especially among the middle class, and to the fact that the opposing landlord block had not been consolidated, during the initial days of her presidency

The newly elected Senate and the Lower House of the Congress proposed, debated and passed their respective versions of land reform bills during the period between June 1987 and June 1988. The House bill (HB400) was originally based on a draft proposed by the Congress for a People’s Agrarian Reform (CPAR), a coalition of major peasant organizations, and initially included a *uniform* land retention limit of 7 hectares, sliding scale of

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<sup>3</sup> In addition, some observers note that the clause in EO229 permanently disqualifying from participation in the program of “all persons, associations, or entities who prematurely enter the land” effectively ruled out cooperation with peasant movements/organizations, some of whom were engaged in land occupation tactics, in the process of land reform implementation. (Putzel 1992)

compensation for landowners based on size, and full peasant involvement in the implementation process. Such features of the bill, however, disappeared in the process of passing through the House Committee on agrarian reform and to the House floor, where more than half of its members were considered landowners or having them as patrons. Indeed, the bill was so substantially ‘watered down’ that its initial sponsors withdrew their support from the bill. (Hayami, *et al.* 1990; Balisacan 1990; Putzel 1992, Reidinger 1995) The bill that eventually passed the House floor, HB400, stipulated retention limits of 7 hectares, *with 3 hectares for each heir*, for landowners, 24 hectares for homesteaders, and 3 hectares for reform beneficiaries. HB400 also included as exempted lands farms under corporate stock sharing or voluntary land sharing as well as the exemptions included in EO 229. In terms of the timing of reform implementation, HB400 placed priority on alienable and disposable public lands and lands under management of multinational firms over (domestically owned) private lands. The bill that passed the Senate, on the other hand, had a 5 hectare retention limit for landowners (except for the rice and corn lands under PD 27 where 7 hectare limit applied) with the 3 hectare limit for the reform beneficiaries, and included additional exemptions such as lands with 18 percent slope, lands for the underprivileged, vegetable farms, commercial sites, residential sites, industrial sites, parks, forest reserves, mangroves, wildlife grounds, watersheds, and other lands of specified uses. In terms of the time table, the Senate bill placed its first priority on private farms of over 50 hectares and corporate farms with lease contracts for public lands over 1000 hectares (for the contract with 1000 hectares or below contracts were to be honored for five years), with second priority on alienable and disposable public lands and private farms between 24 and 50 hectares, then followed by private farms below 24 hectares, plantations (including fishponds, prawn ponds, livestock/poultry lands), and corporate farms under local management (for lands under the management of multinational firms contracts were to be honored until the contracts expired). Based on these bills, a compromise was reached between the both chambers and the Comprehensive Agrarian Reform Law (CARL, or Republic Act 6657) was passed in June, 1988.

The Comprehensive Agrarian Reform Law (CARL: RA6657) stipulated the following:

- *Retention limit*: CARL set the retention limit at 5 hectares but also allowed additional 3 hectares for each heir (of at least age 15 and actually tilling the land or directly managing it).
- *Land valuation and owner compensation* : The law stipulated: that the land owner compensation be based on the ‘fair market value’ including various valuation considerations (such as the cost of acquiring the land, the current value of like properties, owner’s sworn valuation, the assessment made by the government); that landowners with 50 hectares or more, 24 or more, or below 24 hectares receive, respectively, 25%, 30% and 35% of payments in cash; and that landowners be allowed to contest decisions made by the Department of Agrarian Reform (DAR) in the judiciary system.
- *Beneficiary repayments*: The law stipulated that beneficiaries pay the amortization over 30 years with 6 % annual interest.
- *Alternatives to land re-distribution*: As an alternative to land re-distribution, the law



allowed corporate landowners to satisfy their reform obligations by giving their farmworkers the “right to purchase such proportion of the capital stock of the corporation that the agricultural land, actually devoted to agricultural activities, bears in relation to the company’s total assets.” (Sec.31 as quoted in Reidinger 1995)

- *Exemptions:* As exception to the reform coverage, a 10 year deferment was allowed on lands for: commercial livestock, poultry and swaine raising, aquaculture, fruit farms, orchards, vegetable and cut-flower farms, cacao, coffee and rubber plantations. Also lands leased to agribusiness corporations were excepted for 10 years or until the lease expired.
- *Program phasing and priority:* The reform program was to be implemented in three phases: (Phase 1) Year one to four: rice and corn lands covered under PD27, idle and abandoned lands, lands foreclosed by government financial institutions, lands acquired by the ‘Presidential Commission on Good Government,’ and Private lands voluntarily offered; (Phase 2) Year one to four: Public agricultural lands and private lands in holdings greater than 50 hectares; (Phase 3) Year four to seven: Private lands in holdings between 24 and 50 hectares; and in year six to ten: Private lands in holdings less than 24 hectares.

#### *Other Legislation after CARP*

While CARP provided the basic framework for the Philippine land reform policy throughout the Aquino and Ramos administrations the legislative battle did not end with the enactment of CARP in 1988. Opponents of land reform repeatedly introduced bills to restrict land reform implementation, such as proposals for the exemption of all commercial farms, suspension of reform in Mindanao until year 2020, and many others. Despite all these attempts of rolling back land reform, however, few made any headway after all. Nevertheless, some of the court rulings, following a large number of legal challenges mounted against land reform by disgruntled landowners, did place limitations on reform implementation. For example, a 1990 Supreme Court ruling restricted the scope of the reform by exempting commercial livestock, poultry and swine operations. (Riedinger 1995)

On the other hand, toward the end of the Ramos presidency, there was additional legislation to supplement CARP. Administrative Order No. 363 (Oct. 1997) and subsequent Agriculture and Fisheries Modernization Act of 1997 set out some conditions on the conversion of lands from agricultural into other uses (such as industrial, housing, etc.), including a five year moratorium on the conversion of all irrigated lands and penalties for agricultural inactivity on lands and for premature land conversion. (Garilao 1998) Furthermore, immediately before the 1997 Congressional session went on recess, with national election fast approaching, RA 8532 was enacted, extending CARP implementation for another ten years and providing additional 50 billion pesos of funding for its implementation. (Garilao 1998, Borrás 1999)

#### *Conclusions on Land Reform Legislation*

In this sub-section, we have reviewed the evolution of land reform codes since the

1950s, which is summarized in Table 1. Land reform has been continuously on the political agenda throughout the period and a new piece of reform legislation has intermittently been introduced. Generally, every time such new legislation was enacted, the scope of coverage under land reform increased, albeit very slowly. Such expansion of the reform coverage over time is most evident in the gradual lowering of the retention limits for landowners. We will discuss the political dynamics behind such processes in Section 2 below. Before turning to the political processes, however, we now turn, in the next sub-section, to the actual implementation records and the impact of land reform during the past few decades. Land reform codes enacted by the national legislature is one thing, and the process of actual implementation of the reform code and its impact on rural communities in different parts of the Philippines is quite another aspect of the land reform. We now examine such aspects.

## **1-2. Implementation Records in the Philippine Land Reform**

### *Land Reform Implementation before Marcos Presidency*

Based on the official record obtained from the Department of Agrarian Reform (DAR), the implementation record of the land reform program before the Marcos martial law was generally quite modest. Despite the unprecedented popularity in rural areas and the apparent ‘political will’ of President Magsaysay (see below), his implementation record of the land re-distribution under the Landed Estates Programs (initiated under the 1940 Commonwealth Act 539 but subsequently amended or supplemented by the 1955, 1956 and 1963 codes), is apparently quite dismal. For example, the extremely generous retention limits appeared to have severely restricted the potential scope of the reform. In addition, the requirement of tenants’ petition to invoke expropriation, the requirement of cash payment to landowners, and the modest budgetary commitment made of Peso 300,000 for land acquisition apparently reduced the potential impact of the reform program. (Riedinger 1995, Putzel 1992) At the end, the record shows that less than 20,000 hectares of land was acquired during the Magsaysay (who died in an airplane crash in 1956) and Garcia administrations.<sup>4</sup> (see Table 2-1)

Similarly, despite the enactment of the 1963 Land Reform Code under the Macapagal administration (1961-1965) addressing some of the shortcomings of the earlier laws, actual record of implementation during his presidency was equally quite limited. Not only were there still important design limitations, as we saw in the previous subsection, but also very limited implementation of the reform apparently further reduced the real impact on the ground of the land reform under his presidency. The operations based on the 1963 Code were limited to pilot areas in Central Luzon, and the actual implementation with significant level of intensity was further limited to the pilot project in Nueva Ecija (de los Reyes 1972, as cited in Hayami, *et al.* 1990). The record shows that it took about two years for the newly established program to go through a trial and error period with no land purchased by the government under the Code, and the actual budget expenditure (32.4 million pesos) was only

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<sup>4</sup> Takigawa (1976) also cites similar, though slightly different, figures for the implementation from Land Tenure Administration; 18,742 hectares composed of 36 farms were appropriated between 1955 and 1961.

20 % of what originally was allotted. The areas declared as covered under the Code were limited to 12 municipalities which were concentrated in Central Luzon. (Wurfel 1983, Takigawa 1976)

The official record (Table 2-1) indicates that during the thirty year period between 1935 and 1965, the administration under President Quirino (1949-53) accomplished more amount of land acquisition, under the Landed Estate Programs, than any other administration during this period, even surpassing that of the Marcos regime.

#### *Land Reform Implementation under Marcos Presidency*

During his first and second terms in office (i. e., before the declaration of martial law in 1972) President Marcos took over the implementation of the 1963 Code. He appeared to have shown little interest in carrying out the program set up by his predecessor during his first term in office (1966-69). For example, the amount of land acquired under the Landed Estate Program was smaller than the amount acquired by President Macapagal. However, there was a major increase in the implementation of the Landed Estate Program during President Marcos's second term (1970-1972); the amount purchased by the government increased by fourfold (from 2700 ha in his first term to 12,000 ha in his second: Table 2-1.).

The impact of the 1971 Code on actual land re-distribution was minimal since it was superceded a year later by PD27 issued immediately following the declaration of martial law. Despite President Marcos' own characterization of the agrarian reform program being the center piece of his 'New Society' (see below), the implementation record, as represented by the amount of lands purchased, lagged far behind his rhetoric. About 17,000 hectares under the Landed Estate Program (Table 2-1) and additional 15,000 hectares under the Operation Land Transfer (Table 2-2) of lands were acquired during the remaining years of Marcos presidency (1972 –1986); on the basis of the annual average amount of purchased lands under the Landed Estates Program of 1300 hectare, his record surpassed only Macapagal's among his post-war predecessors and lagged far behind his own implementation record during the 1970-72 period and also behind the records of Magsaysay-Garcia, Quirino and Roxas presidency. (Table 2-1) Nevertheless, the aggregate record of President Marcos' 20 year rule (including the period before martial law) on Land Estates acquisition was still larger than most of his predecessors,' almost matching President Quirino's accomplishments.

Land transfer from landowners to tenant beneficiaries under the Operation Land Transfer (OLT) was to proceed in several stages; first, tenants and their landlords were to be identified and parcellary mapping was to be conducted by DAR, followed by the issuance of 'Certificate of Land Transfer (CLT)' to the tenant-beneficiaries; subsequently land valuation was to be conducted by DAR and compensation to the landowners was to be made and amortization payment by the beneficiaries was to start; finally, upon the completion of the amortization the beneficiaries were to receive Emancipation Patents (EPs), certifying them as

legal owner of the land.<sup>5</sup> Furthermore, under PD 27, the implementation of the land redistribution program proceeded with a step-by-step manner according to the size of land ownership; landholdings of size over 100 hectares were covered first, followed by lands of 50 hectares or more, and then 24 hectares or more. It has been observed that President Marcos “simply lost his originally keen interest after the owners with more than 100 hectares had been dispossessed.” (Wurfel 1983: 8) As shown in Table 2-3 President Marcos’s land reform implementation appears to have mostly been concentrated in the early 1970s; of all the CLTs *printed* (but not necessarily received by the beneficiaries) during the period between 1972 and 1985, CLTs covering roughly one third of the entire areas and beneficiaries covered in the whole period were printed in 1973 alone. However, the major delay in the reform implementation apparently occurred in the land valuation and landowner compensation stage, which was to take place after the issuance of CLTs, mainly due to disputes over the valuation of lands. (Hayami, *et al.* 1990) Furthermore, among the CLT beneficiaries on their way of paying up their amortization installments to become full owners, the record of their payment appears to have been quite dismal; as of mid-1980s at most 10% of those were current in their payments.<sup>6</sup> (Riedinger 1995)

In 1982 in order to accelerate the land reform accomplishments in appearance, President Marcos revised the original requirement for the EP issuance of full amortization payment and allowed EPs to be issued upon the payment of only two successive payments.<sup>7</sup> This procedural change appears to account for the sudden increase in the number of EPs printed in 1982 and onward. Nevertheless, as of 1985, while CLTs were *printed* for some 444,000 beneficiaries, covering a little above 100% of the government-claimed potential beneficiaries, EPs were *printed* (much less *distributed*) for only less than one third of them. (Putzel 1992: 139)

In addition to President Marcos’ loss of personal interest in carrying through the reform after the initial few years of PD27 implementation (we will discuss likely reasons for this below), a few observers have noted the capacity and design of the implementation agency, especially DAR, as another source of the slow pace of implementation. For example, a comparison between the organizational structure of DAR in the early 1970s and the post-war Japanese land reform implementation reveals that, in the Philippines, each Agrarian Reform

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<sup>5</sup> See Hayami, *et al.* (1990), for example, for a more detailed account of these procedures.

<sup>6</sup> Whether this was mainly due to the inability of the beneficiaries to pay, or due mainly to the unwillingness (despite their ability) to pay, is not immediately clear, and either could have been true depending on local circumstances. While ‘unwillingness’ was likely the main reason in areas where favorable conditions existed for the introduction of high yielding varieties (Umehara provides a concrete example of this), ‘inability’ due to high increase in production costs relative to modest yield increase, or due to higher rent/amortization payment requirements (as a result of, say, landowners’ bargaining power in the process of land valuation) might have been the case in other areas. Detailed account of the latter case, however, has not been found by the author.

<sup>7</sup> Later on during the days immediately preceding the 1986 presidential election, President Marcos further relaxed the requirements for EP issuance by authorizing the *immediate* distribution of EPs to designated beneficiaries *regardless of their amortization payment status*, in a desperate (but ultimately unsuccessful) attempt for re-election. (see Putzel 1992: 193).

Team (ART) consisting of 20 members —the basic implementing unit of DAR—, covered one municipality (or more) which in turn included some 20 villages, while its parallel institution in Japan, Land Reform Committee including a minimum of 13 members, was created for each village, indicating the extremely heavy burden placed on the Philippine reform institution. More importantly, the Japanese Land Reform Committee consisted of representatives of the tenant farmer (5), of the owner-farmer (3) and of the landlord (2) plus (at least) 3 staff, while the Philippine ART members were all DAR staff members.<sup>8</sup> This meant that in the Philippines, unlike in Japan, the land reform implementation design had no direct involvement by the peasant beneficiaries. (Takigawa 1976, Putzel 1992)<sup>9</sup> Another major difference between the Philippine and the Japanese land reform episodes regarding the institutional capacity of the reform agencies, as pointed out by many observers, was the existence (or lack thereof) of reliable (i. e., undisputed) land registration records as well as of ‘well-disciplined bureaucracy.’ (e. g., Hayami, *et al.* 1990)

Furthermore, since the reform program covered lands planted with only rice and corn, the reform program created an incentive for landowners, who would have continued rice or corn production without land reform, to shift from rice or corn production to other crops excluded from the reform program for the sake of avoiding being subject to the reform program. This likely distorted incentives for agricultural production contributing to inefficiency in land (and other) resource allocation although it is difficult to quantify the effect of the reform program on such crop-shifting.<sup>10</sup> In addition, among the lands planted with rice and corn, PD27 applied only to the lands cultivated by *tenants* and non-tenanted lands (i. e., lands under the direct management by landowners with hired laborers) were exempt from land reform. This provided an incentive for landowners, in an attempt to avoid land reform application, to evict tenants and convert their lands into farms with direct management using hired laborers. (See next subsection for more on this)

Besides land redistribution under Operation Land Transfer (OLT), official records indicate that some 646,000 tenants held leasehold tenancy covering 690,000 hectares, representing 122 percent of the targeted beneficiaries by the end of 1985. However, studies based on micro-level surveys suggest that conversion of share tenancy into leasehold was equally slow and uneven, and there are reports of areas where tenancy contract, once

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<sup>8</sup> In the Philippines, Barrio Committees on Land Production (BCLP) were created in charge of setting the value of the land to be transferred and with their membership composition similar to the Japanese Land Reform Committee; however, BCLP’s scope appears much more limited than the Japanese LRC, and moreover, the landlord-tenant agreement on land valuation was not bound by the BCLP determination. (Umehara 1997, Putzel 1992)

<sup>9</sup> Incidentally, in comparing the post-war Japanese land reform and the early PD27 implementation, Takigawa (1976) notes as a major similarity the kinds of tactics that landlord employed, including eviction, law suits, and threat and use of violence, in their attempts to resist reform implementation.

<sup>10</sup> For example, area harvested with sugarcane increased from 326,000 hectare in 1958 to 550,000 hectares in the mid-1970s due to the increasing price in sugar as well as due to such likely effects of the reform program. Although sugar planted areas dropped again to 300,000 hectares by 1980 following the collapse of sugar price, such ‘sugar planters who “temporarily” turned to rice and corn production were specifically exempted from the reform program.’ (Riedinger 1995, 100)

converted to leasehold, was reverted back to share tenancy. (See, for example, case studies included in Ledesma, et al. (eds.)) As a consequence, there have remained areas where (supposedly illegal) share tenancy is the dominant contract on rice fields, although the quantitative magnitude of how widespread such areas are is not known.<sup>11</sup> (Otsuka 1991, Putzel 1992)

Apart from the official record published by DAR, actual implementation of land reform might be also inferred by looking at the change in aggregate statistics on farm ownership. The farm ownership patterns, measured by the share of fully or partly owned farms to total farms, changed very little among rice and corn farms, while there was a slight indication of increasing leasehold tenancy, between the 1971 and the 1980 Agricultural Censuses. (Quisumbing 1988) Between 1971 and 1980, the Gini coefficient based on operated farm sizes decreased not only in the areas where the reform program was targeted but in all regions except for Ilocos, whereas it increased in all regions except for (again) Ilocos between 1980 and 1991. Furthermore, the Gini coefficient on the farm size distribution in rice lands increased moderately while the Gini coefficient in corn lands decreased sharply between 1971 and 1980. (Balisacan 1995) Little impact of the land reform program thus can be discerned from the Agricultural Census data. As noted by Otsuka (1994: 174), the seeming inconsistency of the data on the land reform implementation as indicated between the Agricultural Census, on the one hand, and DAR records and numerous micro-level studies, on the other, remains an unresolved issue. One possibility is that there were major factors other than land reform policy (e. g., population pressure) that were mainly affecting the farm size distribution and the impact of reform policy on farm sizes was relatively small. Another possibility might be that the Marcos reform, targeted mainly to the rice haciendas where small-scale tenant farming prevailed, indeed had little effects on operational farm sizes which are reported in the agricultural censuses (Census does not report land ownership distribution.).

Overall, one observer credits that with more than 110,000 tenants placed on the road to ownership, representing 11 percent of a very conservative estimate of all rice and corn tenants, “the accomplishment was . . . greater than in any previous administration.”<sup>12</sup> (Wurfel 1988:169) Nevertheless, despite the rhetoric employed by President Marcos, seen in the national aggregate figures, the impact of land reform during the Marcos era ended up quite modest and very unevenly distributed nationwide. Many see the increasing spread of organized peasant unrest in the countryside, toward the end of the 1970s and into the 1980s, as a major piece of evidence for the lack of nationwide impact of the land reform on the plight of the majority of the peasants. (Riedinger 1995, Wurfel 1992)

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<sup>11</sup> For example, the author’s fieldwork in one village in Pangasinan revealed that 86 % of the rice planted areas under tenancy cultivation in the village was under share agreement while only 14 % under lease tenancy as of 1994.

<sup>12</sup> Wurfel (1988: 169) hasten to add, however, that such accomplishments raised expectations of the nation’s peasants and, given the limited nature of the implementation of the program, “for every farmer grateful for having achieved a new status and perhaps improved income, there were many who resented the frustration of their hopes.” See also the unintended consequences of the reform, as discussed below.

### *Micro Studies on the Impact of PD 27*

Despite such a modest aggregate record, however, observers based on micro-level studies all agree that PD27 under President Marcos did succeed in striking a final blow at the landed estates based on rice in Luzon. Although landlord resistance using tenant eviction, crop shifting, various attempts to drive up land values etc., was sometimes quite successful, in certain areas the reform “did give to all who survived the evictions secure tenure and fixed rents” (Fegan 1989a: 134) and thus had a significant, though geographically limited, impact on rural economies. (e. g., Hayami, *et al* 1990, Hayami and Kikuchi 1982, 2000, Otsuka 1991, Fegan 1989a, 1989b, Kirkvleit 1990, Umehara 1997, Ledesma, *et al.* (eds.), Deininger, *et al.* 2000) Some villages in Central Luzon, the initial target areas of the Philippine land reform, have traditionally provided a very rich ‘laboratory’ for social scientists (e. g., anthropologists, economists, political scientists and sociologists) conducting village studies since the 1950s, and many of them report the concrete impacts of the land reform programs, as well as other changes such as the introduction of modern rice varieties, of opportunities for overseas contract workers, etc. (See Muijzenberg 1996 for a survey)

There are a few broad points of consensus among these micro-studies about the impact of the land reform program, mainly in Luzon, under Marcos Presidency. First, large scale rice haciendas, whose owners had formed a prominent political force in the ‘rice bowl’ of the Central Luzon until the 1960s, more or less disappeared. For example, according to Umehara (1997)’s account of the land reform implementation in a Nueva Ecija village –one of the areas where the PD27 implementation was initiated–, the 224 hectare portion in the village of a 4000 hectare rice hacienda was mostly re-distributed among the 81 tenant farmers by 1978 when the majority of the former tenants had signed an agreement on the terms of land transfer (including the price of P8000 per hectare, which appeared to be roughly twice the level determined by the Barangay Committee on Land Production –BCLP– earlier<sup>13</sup>); the attempts by the hacienda owners in resisting such re-distribution was circumscribed by the disarmament of private armies enforced under martial law in the area. In this village only 10% of amortization payment had been paid in by the beneficiaries as of 1992 (and perhaps unlikely to be paid<sup>14</sup>) and thus EPs had not yet been distributed; nevertheless the beneficiaries appeared to enjoy *de facto* land ownership. Such delinquency in amortization payment among reform beneficiaries is apparently widespread, especially in the ‘successful’ reform areas under PD27. (e. g., Fegan 1989, Putzel 1992, Otsuka 1991) A quite different but similarly ‘successful’ land re-distribution example in Central Luzon, not through tenant-landowner negotiation but through occupation of idle portions of hacienda lands in 1977, is

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<sup>13</sup> Umehara (1997) notes, however, that such overvaluation of land was still not likely to be too excessive a burden for the tenant-beneficiaries because of inflation and the increasing rice yield due to the introduction of high yielding varieties at that time, and that the tenants actually tended to go along with such terms of agreement despite such overvaluation.

<sup>14</sup> According to Umehara (1997), only 10 *cavans* (1 *cavan* = about 45 kilograms) of *palay* (unhusked rice), out of their average annual production of 80 *cavans*, worth of payment is required to receive EP; his tentative conclusion thus was that the beneficiaries were not so much unable as not finding it necessary to pay the amortization.

reported in Banzon-Bautista (1989)'s account of a Panpanga village<sup>15</sup>. Furthermore, the demise of rice landowners is also apparent in the national political arena; for example, the contrast between the 1963/55 and 1986 Congressional debate over the respective land reform bills reveals that the 'rice bloc' feared prominent in the former occasions while no mention of the 'rice bloc' is found in the latter. (Riedinger 1995)

Secondly, there were significant income transfers from (former) land owners to the land reform beneficiaries who were converted into lease holders or who obtained the Certificate of Land Transfer (CLT) during the relatively early phase of the PD27 implementation. It has been demonstrated that the amount of annual amortization payment as stipulated by law –2.5 times normal net output equally divided over a 15 year period plus 6% interest– and the leasehold rent –25% of net production after deducting production costs– were roughly equivalent; thus the leasehold tenant beneficiaries were able to obtain as much income transfers as did the CLT beneficiaries. (Mangahas 1985, as quoted in Otsuka 1991). This was a result of the combination of the land reform and the introduction of modern rice varieties. That is, the timing of the land reform implementation and the adoption of new varieties, coupled with irrigation development, in Central Luzon was such that rice yields were increasing due to new rice varieties and irrigation development while the rent and amortization payments were largely fixed at the level before such yield increases started (early 1970s) in the 'successful' reform areas. Consequently the large economic surpluses from yield increases were appropriated by the land reform beneficiary (lease holders or amortization owners). As of the early 1970s, since the traditional share cropping rent was estimated as roughly one third to 40% of the total rice production there was expected to be a modest gain to tenant beneficiaries from Operation Leasehold (OLH) who would pay the legal lease rent fixed at 25% of production (net of production costs). (Hayami, *et al.* 1990, Hayami and Kikuchi 2000) However, much larger subsequent gains from yield increases, often reaching 100%, following the introduction of new varieties and irrigation development were to accrue to the leasehold tenants/amortization owners as long as the lease rent or the amortization payment was fixed at the prevailing level in the early 1970s, as was the case in at least some of the Central and Southern Luzon villages. (Hayami, *et al.* 1990, Hayami-Kikuchi 2000, Otsuka 1991, Fegan 1989a, 1989b, Kirkvliet 1990, Umehara 1997)

For example, in a small-holder village in Laguna, Hayami and Kikuchi (2000: Chap. 4) found: that OLH had a larger impact than OLT (because of the relatively small holdings prevailing in the village, unlike in hacienda villages in the Inner Central Luzon, the impact of OLT aimed at land ownership above 7 ha. was relatively small); that the estimated effective share of the rent paid by the tenants declined from 40% under the 50% share tenancy to 14% under the OLH program as of 1995 due to the combined effects as described above; and that the income share of the landlords in total gross value added in the village declined from more than 40% in the mid-1960s to about 10% in 1995 while the income share of the reform

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<sup>15</sup> Banzon-Bautista (1989) notes as possible sources of such 'success': a long history of organized peasant struggles/resistance in the village dating back to the 1930s, the tacit support of village officers (village council members and the leader of farmers' association), and participation of an owner of a large local store and a local labor contractor who had political leverage in the municipality.



beneficiaries (i. e., former share tenants) increased from around 30% to 60% during the same period. Otsuka (1991) similarly finds that, as of 1985, the implicit return on lands was roughly twice to three times the going rate of amortization fee or leasehold rent (as fixed by law) in his sample villages of irrigated or of un-irrigated-but-favorable conditions. At the same time, however, while the income gains to the leasehold tenants were substantial, observers have noted that significant income inequality and intra-class differentiation among reform beneficiaries emerged based primarily on the distribution of the operational farm sizes at the time of the land reform implementation. (Hayami and Kikuchi 2000, Umehara 1997)

More recently, using a longitudinal household data set extending the data used in Otsuka (1991), Deininger, *et al.* (2000) find that the PD27 beneficiaries (mostly the early beneficiaries in the mid-1970s) tended to have substantially higher investments in physical capital and in children's education than did non-beneficiaries during the period between 1972 and 1985; the average difference in the asset accumulation between the beneficiaries and non-beneficiaries over the period amounted to roughly US\$1,000. Furthermore, the impact of the land reform on accumulation appears to have been larger for the households with smaller before-reform asset holding than those with greater assets, implying that the reform helped poorer beneficiaries catch up with relatively better-off beneficiaries.<sup>16</sup> Also, the years of schooling among children were roughly one year higher among the PD27 beneficiary households compared to the non-beneficiary households during the same period. In addition, they find that the PD27 beneficiaries tended to have higher household income and higher rice productivity levels than did non-beneficiaries during the period between 1985 and 1998; the difference in income growth during the period was a little less than US\$100, and the difference in rice yield increase roughly 600 kilograms, between the beneficiaries and non-beneficiaries.

Such substantial benefits to the former share tenants, however, are not likely to have materialized either where PD27 was not implemented vigorously or where the circumstances did not allow farmers to extract the full benefit of adopting modern rice varieties. Many observers have noted the very uneven implementation across different parts of the Philippines. In some communities most of the former tenants benefited (e.g., the above example due to Umehara 1997, Hayami and Kikuchi 2000, and others), in some other communities only 20 to 30% of the prospective beneficiaries received CLTs, and in still other places no tenants appeared to have benefited at all; among the reform beneficiaries, some continued to pay their rent to the owners, some continued to pay their amortization well beyond the fifteen years as specified by the law, and others stopped paying either to the owners or to the government. (Riedinger 1995: 94, Hayami, *et al.* 1990: 67) For example, in the areas where rice yields fluctuate and the gains from new technologies were small tenants (who are risk averse) are likely to prefer share tenancy to lease contract. Otsuka (1991) found that the conversion of share tenancy was more pronounced in irrigated or favorable rain-fed areas than in unfavorable rain-fed areas, and that the extent of conversion to leasehold was also greater where (1) the increase in the rice yield (between 1970 and 1986) was higher, (2) the ratio of

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<sup>16</sup> This appears to contradict the intra-class differentiation observed by Hayami and Kikuchi, and by Umehara, as noted above.

the number of landlords to the number of DAR technicians in the municipality was smaller (representing the relative administrative capacity of the municipality, which Otsuka (1991) interprets as indicating 'political will'), and (3) the incidence of tenancy was higher as of 1970 (but found no significant association with yield variation –indicating the degree of riskiness–). In general, according to Fegan (1989a), PD27 was weakly implemented outside the Central Luzon, Iloilo, and Isabela 'rice bowls' while it had little impact in areas such as the Eastern Visayas and Mindanao.

The third point as a broad consensus in the literature on the impact of PD27 is that the class of landless laborers in rural Philippines, who are at the bottom of village hierarchies, did not gain and more likely was made even worse-off due to land reform, and that some of the former tenants lost access to land due to tenant eviction triggered by land reform. As noted above, the land reform beneficiaries under PD 27 (as well as under earlier reform codes) were limited to tenant farmers and excluded landless laborers, thereby bypassing altogether the landless as reform beneficiaries. Furthermore, because of the reform program landowners possibly grew increasingly reluctant to rent out their land in fear of losing their ownership to land to the tenants. As a consequence, some observers have argued, the opportunities for upward mobility for a landless laborer by climbing up the "agricultural ladder" through a tenant farmer to a owner farmer appeared to have been virtually closed after the 1970s. (e. g., Hayami, *et al.* 1990, Hayami and Kikuchi 2000, Deininger, *et al.* 2000) To what extent such 'closure of the agricultural ladder,' preventing upward mobility among landless laborers through agriculture, was a direct consequence of the land reform program is not clear, however. As pointed out by Lipton (1990), such route for upward mobility is expected to be more important in a land abundant environment rather than in land scarce one (such as in the Philippines). A longitudinal study in a Pangasinan village suggests that the possibility for upward mobility through 'the agricultural ladder' was substantially reduced since the early 1980s, possibly due to population pressure, even in a village where land reform implementation had very little impact. (Fuwa 1999) Similarly, Deininger, *et. al.* (2000)'s finding that the significant 'narrowing the agricultural ladder' occurred after the mid-1980s among their sample of rice growing villages where PD27 was implemented in the mid-1970s appears to imply (the authors' own conclusions notwithstanding) that the main source of the observed decrease in land access by the landless may not have been the land reform program.

In addition, many landowners apparently evicted their tenants and resorted to self-cultivation with hired laborers in their attempts to avoid land redistribution (since such farms were exempted from the reform coverage). While the quantitative magnitude of such tenant eviction at the national level is not known, Otsuka (1991)'s survey finds that in three of his five sample villages where a significant proportion of share tenancy was converted into leasehold *and* significant yield increases due to MV were observed, about half of the landless workers as of 1985 were former tenants (as of 1972) and a significant proportion (20 to 30%) reported to have been evicted by landlords. Hayami, *et al.* (1990: 94) notes an example where a landowner, who held a 30 hectare rice hacienda in Nueva Ecija, managed her farm with the use of an overseer (*katiwala*) and permanent laborers and had "forced her workers to sign written contracts indicating that they are laborers but not tenants." In a widely quoted

statement, one observer speculates that “in 1980 those deprived of the land they were cultivating by corporate farming were more numerous than the approximately 100,000 ‘amortizing owners’ and recipients of ‘Emancipation Patents.’ (Wurfel 1988:174; cited by Fegan 1989, Riedinger 1995, etc.)

In addition to tenant eviction and increasing reluctance of landowners to rent out their land, another significant development in the ‘successful’ land reform areas was the increasing practice of sub-tenancy or permanent labor arrangements. Under these arrangements, land reform beneficiaries rent out their newly acquired lands to landless or other farm families, despite the legal prohibition of such practices. Partly due to the increased disutility of their own work in farm operations following a significant increase in income (i. e., leisure being a normal good) and partly due to changing labor endowment within the household (e. g., aging of household members, regular non-agricultural employment opportunities obtained by household members, household partition, widowhood, etc.) supposedly illegal land renting or permanent laborer contract emerged. Additional demand for permanent laborers also came from large farmers and moneylenders/middlemen /landlords who were accumulating their *de facto* cultivation rights through (illegal) land pawning or purchase of leasehold titles. (e. g., Hayami, *et al.* 1990, Fegan 1989a<sup>17</sup>) With a significant risk of losing the land title in favor of the subtenants or permanent laborers under the “land-to-the-tillers” reform program on the part of the landowners/leaseholders, and with increasingly desperate landless laborers seeking employment opportunities, such tenancy or permanent labor arrangements were invariably for a short term, usually for one year<sup>18</sup>. (Hayami, *et al.* 1990, Umehara 1997) As a result, the economic security of those newly emerged subtenants or permanent laborers was significantly lower than that of the traditional tenant farmers. Ironically, the reform program of “land-to-the-tiller” induced at least some of these former “tillers” of land to become non-tilling farmers or semi-landlords (see Hayami and Kikuchi 2000, and Hayami, *et al.* 1990 Chapter 4 for examples)

While the supply of rental land offered to prospective tenant farmers decreased as noted above, increasing population pressures likely depressed wage rates in agricultural labor markets. The welfare level of the landless laborer class thus was likely to have deteriorated. Because of the (unintended) negative effects of the land reform as well as of the continuing population pressure, a new social ‘underclass’ was observed to have emerged in rural Philippines, with an increasing income disparity between them and the reform beneficiaries (i. e., former share tenants turned leaseholders/amortization owners). (e. g., Hayami, *et al.* 1990, Fegan 1989b, Hayami and Kikuchi 2000, Umehara 1997)

Finally, while there was a significant *distributional* impact due to the income transfer from the former landowner to the former share tenant class, *efficiency* gains from the land reform program have been less clear. Before the land reform implementation, rice and corn

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<sup>17</sup> In some (many?) cases, permanent laborers were recruited not among village residents but from migrant workers from poorer regions such as Bohol, Cebu, Bikol, and Samar.

<sup>18</sup> There were at least three different types of permanent labor contract in different parts of Luzon as of 1987. See Hayami, *et al.* (1990) chapter 4.

fields were cultivated mostly by small-size family farm-tenants even when hacienda owners held hundreds of hectares of land ownership in Central Luzon. Thus when the ‘land-to-the-tiller’ program was implemented the operational size of farms did not change dramatically. Thus, possible gains from breaking-up larger farms by land reform, arising from scale diseconomies in rice production, were likely to be minimal. To the extent there was to be an efficiency impact of the reform, it could have come from incentive effects due to the change in tenancy, from share tenancy to leasehold or to owner-cultivatorship. However, many observers (e. g., Hayami and Kikuchi 2000, Mangahas, *et al.* 1976, etc.) have found little difference in per-hectare rice production across tenancy types, such as between share tenancy and leasehold. (see below for more on the incentive effects of alternative tenancy contract types in the Philippines)<sup>19</sup> On the other hand, however, a recent study by Deininger, et al. (2000), as we saw above, do find positive impact among reform beneficiaries on asset (both physical and human capital) accumulation. This suggests that land reform had some positive incentive effects on investment.

### *Land Reform Implementation under Aquino and Ramos Administrations*

#### *a. Official land re-distribution records:*

It is difficult to obtain a consistent series of data on land reform implementation for use in comparing the relative achievements among Marcos, Aquino and Ramos administrations. Table 2-1 through Table 2-4 collect land reform implementation records as reported in the existing literature, although the original source of all the data is the Department of Agrarian Reform, produced at different points in time; each table presents a data series provided to the author by DAR as of June 1999 and a comparable series previously published in the literature. Two data series produced in different points in time by DAR differ with each other but still are generally close enough so that relative order of reform achievements among the three administrations is not affected. Generally, the data series produced by DAR in different points in time could be incomparable for various reasons including: underreporting or downward revision of the reform accomplishments of the predecessor administration (which can inflate the achievements by the current administration) as well as change in reporting period (e. g., in reporting Aquino Presidency’s ‘achievements’ DAR used calendar year and period since July 1987), and change in data aggregation subcategories. (Riedinger 1995; Puzel 1992) Indeed, Riedinger (1995: 194) found various DAR figures, reported in different points in time, of the cumulative land acquisition by the government as of end 1985 ranging between 64,000 ha and 315,000 ha! A strong possibility of some double counting in reporting land reform achievements has also been pointed out. (Quisumbing 1999) These observations should alert us about the reliability of the official record reported by DAR at different points in time in the past.

With such caveats in mind, let us examine available data in an attempt to assess the

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<sup>19</sup> Incidentally, such a finding of the neutral efficiency or ‘incentive’ effects of land reform is in line with a recent study on the post-war Japanese land reform, which converted share tenancy into owner cultivation but, like the Philippine case, did not significantly affect the operational size distribution. (Kawagoe 1995)

relative land redistribution achievements among Marcos, Aquino and Ramos administrations. Land re-distribution under these three administrations consists of: Landed Estates, Operation Land Transfer (OLT) and the new redistribution programs under CARP. Landed estate programs are the oldest (dating back to 1940) but its relative importance among land redistribution programs became quite small during the period of both Aquino and Ramos administrations; under this program, the Aquino administration acquired more lands (26,000ha) than did the Marcos martial law regime (between 11,000 ha and 17,000 ha, depending on data series), although if pre-martial law period is also included then more lands were acquired (between 43,000 ha and 48,000 ha) under the Landed Estate program during the twenty year Marcos period than during the six year Aquino presidency. On the other hand, the Ramos administration acquired more lands (41,000 ha) than any of its predecessors under the Landed Estate program. Redistribution of rice and corn lands under Operation Land Transfer (OLT) made a major advance under the Aquino administration (340,000 ha), with an increase of more than twenty fold compared to the amount transferred during the Marcos martial law regime (15,000 ha). Land transfer under OLT during the Ramos administration (155,000 ha) was less than half the amount transferred under the Aquino administration but still ten times the amount transferred under the Marcos administration. While the total amount of land transferred under OLT was much larger during the Aquino and Ramos administrations than during the Marcos martial law period, it is not likely that the kind of substantial income transfers from landlords to former tenants, as observed in some parts of Central and Southern Luzon during the 1970s, occurred after the 1980s. As we saw above, such income transfers were mainly due to the timing of the land reform implementation (especially the fixing of the land value or of the lease rent) being immediately preceding the substantial yield increase due to the introduction of high yielding varieties, as well as accompanying irrigation investment and modern inputs, during the 1970s. Such conditions no longer existed, however, during the Aquino and Ramos administrations (the Green Revolution potential appears to have been exhausted in the 1980s). Thus, it would be reasonable to expect that, despite the impressive expansion of the program coverage of OLT after the fall of Marcos presidency, the income redistribution impact on each beneficiary was likely to be more modest than it was during the martial law period. Unfortunately, however, the kind of systematic empirical studies, as we saw on the impact of OLT during Marcos presidency, do not yet seem to exist for the period under Aquino and Ramos presidency.

Apart from the acceleration of OLT implementation, a major advance under CARP was the newly enacted redistribution of privately owned land (above the retention limit of five hectares plus three hectares each for 'qualified' heirs) planted with crops other than rice or corn. Such redistribution could be implemented through 'voluntary offer to sell' (VOS) and 'voluntary land transfer' (VLT) initiated by landowners, or through 'compulsory acquisition' (CA). During the Aquino administration, the total amount of non-rice/corn lands acquired was rather modest (88,000ha) although it still exceeded the total amount of land redistribution under the Marcos regime (47,000ha combining landed estate and OLT programs). Among the three sub-components, the major emphasis was apparently on the voluntary offer to sell (VOS), representing 60% of non-rice/corn private land transfers, rather than on the compulsory acquisition (AC), representing only 15%. (Also see below on major scandals

involving the VOS program during Aquino presidency, however) A remarkable advance in land redistribution of private lands was recorded under the Ramos administration; the total amount of land transferred/acquired, under CA, VOS and VLT combined, increased eight-fold between Aquino and Ramos periods. The main mode of transfer appears to have sifted from VOS (now representing 36%) to VLT (47%) with the continuously low priority on the land transfer through CA (17%). Apparently, unlike the pattern during the Aquino administration, the re-distribution of non-rice/corn lands became by far the most important component of redistributive land reform, surpassing land re-distribution under OLT, during the period under the Ramos administration.

The amount of lands acquired by the government, often called the land reform ‘accomplishment,’ has often been discussed in relation to the reform ‘targets.’ Observers have pointed out the very frequent changes in the declared ‘targets’ that have been in constant revision from one administration to another, coupled with the changes and ambiguities in the reported ‘accomplishments,’ making difficult any serious assessment of land reform implementation relative to the potential pool of beneficiaries. Despite such difficulties, what is clear from the DAR record is that there are enormous variations in the degree of ‘accomplishment’ among program components and among successive administrations. As shown in Table 2-5, which contains land reform ‘accomplishments’ relative to the ‘targets’ as of June 1999, the accomplishment rates were quite modest during Marcos presidency. Only 2.6% of the target area under OLT was actually covered during the period under President Marcos.<sup>20</sup> The great majority of the OLT ‘target’ was covered during the Aquino administration, with roughly 60% of total areas to be covered under OLT being accomplished during this period; additional 27% of the potential OLT land was covered during the Ramos administration. Altogether, according to the DAR record, almost 90% of the potential OLT lands (tenanted rice or corn lands) was already redistributed among tenants as of 1998.

On the other hand, the progress has been much slower in redistributing privately owned lands not covered under OLT but covered by compulsory acquisition (CA), voluntary offer to sell (VOS) and voluntary land transfer (VLT) under CARP in 1988. Redistribution of these lands was almost negligible (i. e., 4%) vis-à-vis the program ‘targets’ during the Aquino administration. While land redistribution in these program components gained much momentum during the Ramos administration, only 37% of the potential lands was redistributed under CA, VOS and VLT combined by the end of the President’s term in 1998. Furthermore, there are even larger variations in the reform ‘accomplishment rates’ among these three modes of private land transfers. Only 9% of the total potential areas was covered under CA by the end of the Ramos administration, while the land transfer on ‘voluntary’ basis proceeded at a much faster pace, with 78% and 123% accomplishment rates under VOS and VLT, respectively.

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<sup>20</sup> Again, this accomplishment record fluctuates depending on which data series to use. For example, according to the data series obtained by Putzel (1992: 139), EPs *printed* covered about 25.6% of the target areas as of 1985 (data source: DAR) and EPs *distributed* covered about 1.6% of the target areas as of 1986 (data source: NEDA). Thus our 1999 DAR data series is, in the order of magnitude, comparable to the data on EPs distributed as reported by NEDA in 1986.

Finally, land transfers under the much older components of the agrarian reform code, i. e., landed estates and resettlement programs, went relatively more smoothly than OLT or other private land transfer schemes discussed above during the Aquino and Ramos administrations. Under both of these program components, land transfer accomplishment rates were over 100% as of the end of the Ramos administration. This is not surprising given the fact that these programs have much longer history and are presumably much less controversial politically than the other two components of the reform.

#### *b. Budget*

Shortage in funding during the implementation stage of a reform program has always been a major constraint in all the reform programs, and CARP is not an exception. The initial cost estimate of the CARP implementation was P221 billion as of 1986. Economists have pointed out the heavy fiscal burden implied by the original budget; its annual budget would have represented about 30 percent of the total national government budget as of 1987. (e. g., Balisacan 1995) About a quarter of its total, or P52.7 billion, was initially allocated by the Aquino administration. Additional international assistance to the CARP implementation was minimal during the Aquino administration; as of 1993, US\$31 million (P828 million) of foreign funding had been committed as ongoing funding. (Riedinger 1995: 204) During the Ramos administration, however, the amount of foreign assistance increased dramatically with US\$22 billion added in support of Agrarian Reform Community development (see below). (Garilao 1998) As in the previous reform programs, budget constraint could always be a major bottleneck in CARP. Furthermore, in relation to the CARP implementation, additional concerns have been raised as to (1) the potential diversion of resources from non-agrarian reform areas where improvement of support services are equally important and (2) the possibility of tying the provision of necessary support services to the pace of the land redistribution, which has been quite slow. (Balisacan 1995)

During the period under Aquino presidency (July 1987-June 1992) a total of P17 billion was utilized while P27.7 billion was utilized under Ramos presidency as of December 1997, a 67% increase. Apart from the increase in the aggregate amount spent, a major shift in the cost allocation occurred between the two successive administrations. On average the Aquino administration spent P3,617 per beneficiary on land acquisition and distribution (including initial payments for landowners' compensation) and P9,950 per beneficiary on support services. In contrast, the Ramos administration spent P9,863 per beneficiary on land acquisition and distribution and P3,432 per beneficiary on support services. (Garilao 1998) According to the account of Secretary Garilao himself, there appear to be two major reasons behind such a policy change. One was the administration's relatively stronger emphasis (compared to Aquino's) on the need for increasing landowner compensation in order to moderate landowner resistance and to facilitate land redistribution. The guideline for land valuation under the Ramos administration raised the value of land acquired under CARP by as much as 50%. (Garilao 1998: 12) The second reason was their increasing dependence on foreign funding for support services while maintaining domestic funding of the direct land

redistribution costs, which in turn was seen as ‘political in nature’ and thus was to be ‘funded by the Filipino people.’ (Garilao 1998: 29)

*c. Implementation obstacles and other criticisms during the Aquino administration*

The initial years of the CARP implementation under President Aquino suffered a series of scandals, intra-administration conflicts over issues related to land reform implementation and frequent leadership changes. A series of scandals involving the Voluntary Offer to Sell (VOS) program occupied newspaper front pages in Manila in mid-1989, to the extent of ‘a near-paralysis of the reform program for months.’ (Reidinger 1995: 178) The most infamous among them was the ‘Garchitorena estate scandal’ involving a hilly property of about 1,900 hectares of land largely unsuited to cultivation in the province of Camarines Sur. The land was initially purchased by Sharp International Marketing Inc. as a foreclosed estate from United Coconut Planters Bank for P3 million in April 1988 and then was offered as VOS land at P63 million to which DAR agreed in December 1988. Land Bank of the Philippines (LBP), whose president was reportedly in political rivalry with the DAR secretary, objected the deal in April 1989 and the ‘scam’ became public. Other scandals followed, with a series of congressional investigations, and the then DAR secretary Philip Juico resigned. These scandals involved abuses of the VOS program, presumably under the collusion between landowners and DAR officials, with extreme overvaluation of lands of little productive value. Many suspected that the ‘Garchitorena’ and other headline cases were merely the tip of the iceberg, which some critics saw as a result of the land valuation provisions under CARP. Observers also pointed out that most of the VOS lands were remote, unproductive, with unclear ownership, foreclosed by banks, or/and in areas where insurgency activity was strong, with none or very few families cultivating the properties in some cases, and that many real estate speculators exploited the VOS program for their own profit. (Borras 1999, Reidinger 1995, Putzel 1992)

While President Aquino, following the resignation of Secretary Juico, named Miriam Defensor-Santiago, known as a ‘graft buster,’ as the new DAR secretary-designate with a mandate of ‘cleaning up the department,’ Congress refused to confirm her appointment.<sup>21</sup> In addition to the land valuation scandals, another CARP related issue that wrecked the DAR leadership was the issue of land conversions. For example, in an intra-governmental controversy in 1990, then-newly-appointed DAR secretary Florencio Abad attempted to block the conversion into nonagricultural uses of the Langkaan estate, a 232-hectare prime agricultural land owned by the government in Dasmarinas, Cavite Province, which had already been reclassified as industrial by the Housing and Land Use Regulatory Board (HLURB) in 1980. The land conversion was strongly supported by the then Trade and Industry Secretary (Jose Concepcion, Jr.) and Justice Secretary (Franklin Drilon), the view upheld within the administration at the end.<sup>22</sup> Many observers pointed out that agricultural

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<sup>21</sup> There are various accounts as to why Defensor-Santiago was not confirmed, including her ‘combative personality,’ and, perhaps more importantly, her announced intention to expedite compulsory acquisition of farms over 50 hectares. (Reidinger 1995: 184)

<sup>22</sup> See Reidinger (1995) and Putzel (1992) for more detailed chronologies of the event.



lands were being converted ‘*prematurely*’ (i. e., social net benefit of such conversions was lower than the private net benefit of the conversion) into non-agricultural uses by landowners whose prime motive was to avoid application of land reform, although the quantitative magnitude of such conversions is not known. (e. g., Medalla and Centeno 1994; Reidinger 1995; Takigawa 1997) In addition, a major consequence of the Langkaan estate controversy, argues Riedinger (1995: 182), was the withdrawal of the nomination of Abad, widely regarded as pro-land reform (who as a member of the House of Representatives had proposed a land reform bill including a zero retention limit in 1987 and later voted against what became of CARL due to its ‘conservative’ nature in 1988), as DAR Secretary. All in all there were five successive secretaries-designate of Agrarian Reform, two of whom were subsequently withdrawn due to the Congressional opposition to confirm, during the four years of CARP implementation under President Aquino.

Some critics have also argued that some provisions under CARP run directly counter to the spirit of (genuine) land redistribution and were taken advantage by some of large landowners in their successful attempts to avoid distributing their lands to small farmers. (e. g., Borrás 1999, Putzel 1992, Reidinger 1995) Notable among these provisions were the corporate stock-distribution option and the ‘leaseback arrangements’ for multinational corporations operating on government-owned lands. The former option allowed corporate landowners to satisfy their reform obligations by offering their farm workers to purchase capital stock of the corporation proportional to the share of agricultural land to the company’s total assets. Most symbolic was the stock-distribution scheme adopted by Hacienda Luisita, the 6,200 hectare sugarcane plantation owned by President Aquino’s natal (Cojuangco) family. In addition to opposing the very idea of substituting such a scheme for land redistribution critics charge that under the scheme land values tended to be excessively undervalued and non-land assets overvalued thereby unduly reducing the value of the stock to be offered to the farm-worker beneficiaries; Putzel (1992: 336-337), for example, argue that, as of 1989, the additional incomes due to the stock sharing scheme per beneficiaries was only in the range between 30 Pesos and 133 Pesos per month. Balisacan (1995) also casts doubts about the effects of stock sharing option on a similar ground. Hayami, *et al.* (1990) also criticize the stock-sharing option as both impractical and discriminatory.

On the other hand, the ‘leaseback arrangements’ allowed multinational corporations operating plantations on government-owned lands to maintain leasehold over such lands, whose ownership was to be transferred to worker-cooperatives under CARP; Putzel (1992) argues, however: that in none of the three largest cases of such land transfer in Mindanao (two of them involving major transnational corporations, Del Monte and Dole) worker-cooperatives were independently organized by workers (but rather under strong influence of the corporation management or of a trade union); that lease rent was set at a very low level; and that the poorer segment of the landless workers gained little from these arrangements since they benefited (though very modestly) only corporate farm workers who were already better paid than most surrounding workers. Despite such anecdotal pieces of evidence, however, detailed studies on the effects of these schemes on the productive capacities and economic welfare of farm worker-beneficiaries have not yet been available.

*d. DAR leadership under Ramos administration and Agrarian Reform Communities (ARC):*

One notable contrast in the CARP implementation process between the Aquino and Ramos administrations is the fact that the DAR leadership during Ramos presidency was very stable. One observer in a peasant organization at the time has noted that while the background of President Ramos as a top military general under Marcos presidency, as well as his campaign platform of raising the retention limit from 5 to 50 hectares, “elicited grim predictions about the fate of the already much weakened CARP,” such predictions were “proven incorrect.” (Borras 1999: 48) President Ramos appointed as DAR secretary Ernesto Garilao, the head of the country’s “biggest mainstream NGOs” funded by large corporations and foreign donors and “loosely identified with the conservative wing of the social democrats.” (Borras 1999: 48) Garilao was not only confirmed by the Congress but served as DAR secretary for the entire six year term under Ramos presidency. Furthermore, upon his appointment as secretary, Garilao convinced President Ramos to drop his campaign promise of a 50 hectare retention limit, recruited several NGO activists into DAR leadership positions, and directed a shift in CARP implementation toward greater consultation and cooperation with the members of the NGO community “to the surprise of many of [those members].” (Borras 1999) In addition, Garilao, one of the only two Ramos cabinet members serving the full six year term, has been credited for his maintenance of stable ‘two-way’ relationships with the office of the President. As explained by Secretary Galilao himself, he placed a major emphasis on increasing the landowner compensation by modifying the land valuation scheme for the purpose of facilitating redistributive components of CARP but he also recognized the crucial importance of the participation by farmers’ organizations for successful implementation of the land reform program. (Garilao 1998)

As a result, argues Borras (1999), the new leadership provided under Garilao initiated a major shift in the CARP implementation processes within DAR toward the combined forces between DAR bureaucracy and social mobilization ‘from below’ (we will come back to this in a later section) which appears to have pushed forward significantly the redistributive land reform program under Ramos presidency compared to the much more limited accomplishment under Aquino presidency, as we saw earlier.

Another policy initiative in CARP implementation under Secretary Garilao was the new focus on “Agrarian Reform Communities (ARC).” The ARC approach to beneficiary development was launched in 1993 and was intended to concentrate DAR resources for support services in selected areas, rather than to spread the resources thinly in a wide range of areas. Behind this idea was the recognition that the reform sector needed to be made productive and economically viable.<sup>23</sup> (Borras 1999) The main components of ARC

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<sup>23</sup> Additional consequences of adopting ARC strategy, according to Borras (1999: 67), were: enhanced interests within the foreign donor community for funding, countering the political attacks often mounted by reform opponents on the ground that land reform disrupts production, and ARC projects provided capacity-building opportunities for rural development related skills for state bureaucracy as well as for the civil society.

development programs include: basic social services (such as water and power supply, health, and education), investment and marketing assistance, and Agrarian Reform Beneficiary Information and monitoring system. ARC development was implemented with active involvement of NGOs/POs and agribusiness communities, although many NGOs and peasant organizations were initially quite critical of the idea and thus was inactive.<sup>24</sup> As of end 1998, 921 ARCs covering over 350,000 farmer-beneficiaries had been launched. (Garilao 1998)

Discussions in the literature on the success or failure of CARP have often focused mostly on ‘how much land was redistributed’ but relatively little attention has been paid to the economic consequences such as the economic welfare and the competitiveness of reform beneficiaries. In contrast with PD27, there have not yet been thorough studies on the economic impact of CARP based on micro level data. There has been, however, a series of household-level surveys conducted by the Institute of Agrarian Studies at the University of the Philippines at Los Baños (IASSt-UPLB). The comparison of the 1989 baseline and the 1995 survey indicated that the incomes of agrarian reform beneficiaries (ARBs) had increased by 21 % during the six year period and that three out of every four ARBs perceived their lives to have improved after CARP implementation. (Garilao 1988) Without a detailed analysis, however, it is not clear how much of the 21% income increase could be attributed to the net impact of the CARP implementation.<sup>25</sup>

### *Conclusions on Land Reform Implementation Record and Impact*

According to official records by DAR (and its predecessor), the amount of land redistributed by the government remained quite modest before CARP was enacted. Despite the rhetoric accompanying the martial law rule, the actual amount redistributed under Marcos presidency was much smaller than under his successors. Redistribution of rice and corn lands gained much momentum, however, during the Aquino administration. While CARP was enacted during Aquino presidency, redistribution of non-rice/corn lands (especially through compulsory acquisition rather than through voluntary offers by landowners) did not get under way until Ramos presidency. While the land reform implementation under the Aquino administration focused on rice and corn lands and other private lands ‘voluntarily offered by landowners,’ the reform implementation during the Ramos administration made some headway into appropriating non-rice/corn lands through the compulsory acquisition (CA) program. As of the end of the Ramos administration about 90% of the ‘targeted’ rice and corn lands and 36% of the ‘targeted’ non-rice/corn private lands had reportedly been redistributed, at least on paper. We will turn to political explanations of the evolution of reform implementation in the second subsection of the next section.

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<sup>24</sup> Main points raised by the critics was the rather exclusionary character of the ARC idea by focussing only on a fraction of potential beneficiaries, but many NGOs increasingly became ‘drawn into’ ARC programs over time. (Borras 1999: 67)

<sup>25</sup> Similarly Geron (1994), for example, addresses the question of the CARP impact on coconut and sugar sectors; but her survey data set (a cross section on beneficiaries only) does not allow any identification of CARP impact.

While the implementation of land reform under PD27 was limited to specific geographical areas and thus the total amount of land redistributed ended up very modest, many village-level studies found significant impact of the reform program in the areas where the program was targeted. While the reform program led to significant income transfer effects from landowners to former tenants and induced higher asset accumulation among beneficiaries, the reform design also provided incentives for landowners to evict tenants, to shift crops away from rice or corn and to become reluctant to rent out lands. As a result, many have argued, the net impact of the program on landless laborers, who form the bottom stratum of village hierarchies, was negative. PD27, in accordance with President Marcos' intention, also placed a final blow to the political power of the owners of rice hacienda in Central Luzon. The micro-level impact of CARP, on the other hand, has not been as well studied as that of PD27. While it is unlikely that the implementation of OLT (rice and corn lands) since the 1980s had the kind of impact similar to the PD27 implementation in the 1970s, not much has yet been known. Equally understudied at the moment is the impact of CARP on non-rice/corn lands, including that of the non-distributive options (e. g., corporate stock sharing option), on the productive efficiency and on the economic welfare of the reform beneficiaries.

## **2. Political Dynamics Behind Philippine Land Reform**

In the previous section we have reviewed the evolution of the Philippine land reform codes and the patterns of reform implementation as well as of some of their impact. In this section, we will examine the political dynamics behind such land reform outcomes (land reform legislation and its implementation). Before discussing the political forces behind land reform in the past four decades in the Philippines, however, we will start with a brief overview of historical legacies that have significant implications in today's political dynamics in the first subsection. In the second subsection, we will briefly discuss a basic framework for analyzing political dynamics found in the economics literature, i. e., the neo-classical political economy. In third and fourth subsections, we will discuss political forces behind land reform legislation and those behind reform implementation, respectively, during the past four decades in the Philippines. In reviewing the processes of land reform legislation and implementation, one question naturally arises; why land reform in the Philippines has been taking so long? This question will be explored in the fifth subsection.

### **2-1. Historical Legacy**

Both the origin of the various episodes of rural unrest that have prompted land reform initiatives by the government (see below), on the one hand, and the inability of the government to legislate and implement substantial land re-distribution in a swift manner (as we saw above), on the other, have their roots in the historical legacies spanning over the past 500 years. While it is impossible to do enough justice to the entire history over the period here, for our present purposes, we will briefly discuss some of the more prominent historical legacies that exert major influence in today's Philippine political economy.

### *Pre-Hispanic Period*

On the eve of the Spanish arrival in the mid-sixteenth century, people inhabiting what today constitutes the Philippine archipelago were mostly of Malay ethnic stock, engaging in hunting, fishing and shifting cultivation. Usually the largest political unit was a kinship group of fewer than one hundred households, called *barangay*, headed by a chieftain, or *datu*. (Wurfel 1988) There appear to have existed some degree of stratification within *barangay*, such as freemen, serfs and slaves (although the exact composition of social stratification is still being debated), and the main source of wealth and power was the command over labor and not over land. (Hayami and Kikuchi 1982, Fegan 1989a, Putzel 1992, Wurfel 1988) Population was generally sparse, located mainly on the coasts and rivers, and there is no report of large farms or production of crops for long-distance trade. (Fegan 1989a)

### *Hispanic Legacy*

The Spanish conquest starting in 1571 superimposed a colonial state and church, producing a profound impact which still characterizes many aspects of the Philippine political economy today. For example, Putzel (1992: 43) argues that “[t]hree hundred and fifty years of Spanish rule followed by half a century of US colonial administration largely set the parameters within which families like Aquinos, Cojuangcos and Laurels compete for power in today’s Republic, while peasants struggle to survive on the land.” Many of the Spanish legacies were perhaps unintended (Wurfel 1988), but they have nevertheless been profound and long-lasting.

Initially the main interest of the Spanish in the Philippines was twofold: a base for galleon trade (between Mexico and China) and evangelism. (Putzel 1988, Fegan 1989a, Riedinger 1995) This relatively limited interest in maintaining the colony resulted in: (1) reliance on the traditional *datus* (chieftain) for colonial governance and (2) the monopoly of land ownership by the Catholic church with powerful institutions to protect its own economic interests. The reliance on *datus* (or renamed as *caciques*) for colonial governance was seen as a way of minimizing the cost of colonial administration. (Riedinger 1995) The newly endowed role of a *datu* (*cacique*), as a colonial headman (i. e., as a tax collector, an organizer of compulsory labor services and a judge), in turn enhanced the power of a *datu/cacique* over his fellow members in a *barangay*, and gave him opportunities to collect landholdings from those who defaulted on loans advanced by the *datu/cacique* for tax payment. (Hayami and Kikuchi 1982) *Caciques* often abused their power, prompting the history of continual peasant resistance and periodic peasant rebellion. (Riedinger 1995) Many families or communities are reported to have fled inland from tribute and forced labor. (Fegan 1989a)

Among the most profound of the Spanish legacy is the introduction of the notion of private property rights on land. With the newly introduced notion of land title and the principle that ‘all lands except those officially proved to be private or communal possessions belonged to the Spanish crown,’ the crown’s land ownership was established over vast areas of uncultivated land. (Hayami and Kikuchi 1982, Puzel 1992) While Spanish officials

limited their attention to Manila galleon trade the Catholic friars established themselves on agricultural lands from early on, and by the end of the colonial period the Church owned much of the best land in the Philippines. (Putzel 1992) The church not only owned the largest chunk of land but also developed powerful techniques for protecting its interests including centralized bureaucracy. (Wurfel 1988) Later in the 19<sup>th</sup> and into 20<sup>th</sup> century, much of the lands owned by the Church were leased, sold or re-distributed via state to the Filipino landed elite, which is the ancestor of the politically and economically powerful families today.

Another major event having a profound impact during the Spanish regime was the opening of the colony to exports of tropical agricultural products toward late 18<sup>th</sup> century after the British occupation of Manila (during the Seven Years War). This move was induced by the decline of galleon trade, the opening of new shipping routes with improved shipping, and the example of British and Dutch India companies. (Fegan 1989a) Foreign demand for tropical agricultural products created induced demand for lands in the Philippines. (Hayami and Kikuchi 1982) On one hand, newly created demand for lands in turn induced migration of peasants from old seacoast and river towns into the interiors. (Fegan 1989a) On the other hand, the demand for agricultural products induced Chinese mestizos to expand their land holding. Before the opening of world trade, Chinese merchants (originating from Fukien and Kwantung and attracted to the Mexican silver found in Manila) had earlier started to expand their internal trading network and had intermarried with the local elite to form a group of Chinese mestizos. (Hayami and Kikuchi 1982, Putzel 1992) Toward late 18<sup>th</sup> century, these Chinese mestizo traders expanded their land holding by purchase or by foreclosure on debt (called *pacto de retroventa*) from traditional elite (*casique*) and also inter-marring further with them to form a group of rural elite (*principalia*). This process eventually created patterns of small and medium scale landownership where landlords typically reside in provincial towns (*poblacion*), with patron-client relations prevailing between landowners and tenants, on the coastal areas of Luzon. (Fegan 1989a, Hayami and Kikuchi 1982) The expansion of trade opportunity also induced the monastic orders, who had established ownership of land over huge areas of inner islands, to lease their idle or pasture lands to agricultural entrepreneurs/middlemen (*inquilino/ inquilinato*), who in turn sub-rented the lands to share tenants, forming vast tracts of *hacienda* in the inner areas of Luzon. In addition, private haciendas were established through royal grants and purchases of royal lands. Many of the tenants who cleared and cultivated the inner haciendas on Luzon were migrants from Ilocos or Southern Tagalog. (Hayami and Kikuchi 1982, Putzel 1992) On the island of Negros, where large sugar plantations developed, sugar monopoly was initially introduced in the mid-19<sup>th</sup> century by the Spanish authorities but the commercial house established in 1857 by a British vice-consul in the Philippines appears often credited with catalyzing the development of sugar industry in Negros. Introduction of new canes from Sumatra and of advanced milling equipment and the high sugar prices (especially between 1850-1860) led to sugarcane monoculture on the island, and the frontier characteristics of the island—relative land abundance and labor shortage— led to the system of centrally and hierarchically managed haciendas employing hired labor, which is distinct from the patterns observed on the Luzon island. (Hayami, *et al.* 1990)

Thus by the end of the 19<sup>th</sup> century, most of the basis of the present day elite in the Philippines had been established, coming from two original sources: educated Chinese and Spanish mestizos, on the one hand, and *cacique*, traditional elite who were descendants of *datu*-turned-colonial administrators. (Putzel 1992) For example, the 19<sup>th</sup> century witnessed the founding of many of the prominent family enterprises such as Ayala (1834), Soriano (San Miguel) (1890), Cojuanco (1870) as well as sugar haciendas in Negros Occidental. (Putzel 1992)

In addition, other historical legacies that are direct consequences of, or that started during the period of, Spanish colonial policies have been identified in the literature. They include: (1) loss of cultural self-confidence and of consciousness of Malay cultural roots (Wurfel 1988); (2) practice of corruption, such as selling of offices (Wurfel 1988); (3) loss of traditional Asian trade networks (Fegan 1989); (4) exacerbation of the incentive for land accumulation induced by trade liberalization by granting tobacco (and other?) monopoly (Fegan 1989a, Putzel 1992); and (5) preservation of regional fragmentation, and thus of the barrier to the development of centralized statehood, as a result of the Spanish clerics' decision to translate Christian doctrines into local vernaculars. (Riedinger 1995)

### *American Legacy*

“As had their Spanish predecessors, U.S. colonial administrators (1898-1946) relied upon the Filipino elite and their clientelist networks for social control.” (Riedinger 1995) Following the revolutionary movement against Spain, the U.S. pacified the revolutionary forces by winning over the elite (*ilustrado*), who had emerged toward the end of the 19<sup>th</sup> century as we saw above. (Wurfel 1988) Consequently, the U.S. policies essentially re-enforced the position of the elite. Institutionally, the U.S. introduced elected legislature (1907), political parties, strong presidency and independent judiciary. Shortly after the initial introduction of those institutions, during the period of 1913-1921 witnessed a rapid ‘Filipinization’ of cabinet, civil service and school teachers. The Filipinized posts in bureaucracy and legislature were naturally filled by the landowning elite. (Wurfel 1988, Putzel 1992) Furthermore, the control of the state corporations given to House of Representatives further provided opportunities to accumulate wealth by the landed elite, by, for example, allowing these state corporations (such as Philippine National Bank) preferential treatments for their family owned businesses. (Putzel 1992)

In addition, land policies under the American colonial administration also helped further consolidate the economic power of the Philippine elite. As an early land reform attempt, the U.S. administration purchased about 200,000 hectares of friar estates, representing about 90% of total friar estates, for \$7 million in 1905, intending to re-distribute the estate to 60,000 share tenants. Their subsequent decision to sell these lands at cost of purchase, however, ensured the result that much/most of these lands were purchased by the landed oligarchy and *inquilinos*, rather than by landless tenants. (Hayami and Kikuchi 1982, Putzel 1992) Furthermore, the land titling introduced in 1902 created great windows of opportunity for land-grabbing by the same group of elite. (Hayami and Kikuchi 1982, Putzel

1992) As a consequence, the history of the combined colonial rule by the Spanish and the Americans led to “[t]he process of land acquisition by the elite, through royal land grants, land-grabbing and privileged access to legal formalities” creating “a system of property rights which tends to appear arbitrary to peasants in the barrios.” (Putzel 1992: 60)

Finally, the access to the U. S. market under the American colonial rule provided additional economic opportunities for the landowning Filipino elite. For example, the U.S. market quota and the subsequent free trade with the U. S. (1913-1935) created handsome profit opportunities for export agriculture. This induced an increase in sugarcane haciendas in Luzon as well as the further expansion of sugar haciendas coupled with infrastructure investment in Negros, and what is today the Del Monte Philippines (Philippine Packing Corporation) laid the foundations of its huge pineapple plantation in 1926 in Bukidnon on the island of Mindanao, which represented the last frontier for colonization at the turn of the century. (Putzel 1992, Hayami, *et al.* 1990, Tsurumi 1982)

### *Historical Legacy: conclusions*

In sum, many aspects of the Philippine socio-economic structure and politics have their roots in the Spanish and American colonial periods. This helps us understand how long-standing and deeply rooted the today’s political dynamics are. Such understanding would warn us against easy optimism for the prospects for rapid and sweeping land reform (which never occurred) and against an idea of transplanting other countries’ policy prescriptions without enough consideration of historical contexts within the respective societies. The major legacies of the Philippine colonial history include: the patterns of highly concentrated land ownership throughout the archipelago; the patterns of paternalistic (patron-client based) tenancy in some parts of the Philippines (such as in the coastal Luzon), of haciendas which dominate other parts (such as the inner Central Luzon), and of plantations on the island of Negros and others; the dominance of landowning families in both local and national politics; the prominence, in particular, of a small number of land-owning families (landed oligarchy) in both economic and political spheres; (arguably) a relatively fragmented society with weak state apparatus (which is not capable, for example, of administering substantial land re-distribution policy) and with weak collective action capacities among the peasantry; and the dubious legitimacy of the system of private property rights on land in the views among the rural poor.

## **2-2. A Theoretical Framework for Political Dynamics of Land Reform**

The so called ‘new/neoclassical political economy’ approach could be a starting point providing a broad framework to understand political outcomes (such as various land reform codes) as ‘equilibria’ between the ‘demand’ for and ‘supply’ of such policy outcomes.<sup>26</sup> It sees the ‘equilibrium’ amount of land redistribution as an intersection between the ‘marginal’ cost schedule (which tends to increase as more land is redistributed as a result of land reform)

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<sup>26</sup> See Hayami, *et al.* (1990) and Balisacan (1990) for more detailed discussions of this framework in the Philippine land reform context.



and the ‘marginal revenue/benefit’ schedule (which tends to decrease as more land is redistributed as a result of land reform), as perceived by policy makers who are mainly motivated to maximize the likelihood of staying in power. In order to stay in power, so the argument goes, policy makers need to balance the ‘cost’ of making more radical land redistribution (coming mainly from landlords and their allies’ opposition and from any other economic cost, if any, depleting the policy makers’ political capital) and the benefit (coming from peasants’ political support, from calming rural unrest and from any other economic benefits such as productivity gains ultimately contributing to their political capital), as shown in Figure 1. **[add a figure]** This framework helps us in making a distinction between the political forces pushing for and against more radical land redistribution (this is roughly similar to Putzel (1992)’s political analysis in terms of ‘pro- versus anti- land reform forces’) and in highlighting the general nature of such forces (e. g, the increasing marginal ‘cost’ and the decreasing marginal ‘benefit’ as more land is redistributed). This framework has been used, for example, to explain the very different locations of the political ‘equilibria’ among other East Asian land reform episodes, such as the one in Japan, and the Philippine case. (Hayami, *et al.* 1990, Balisacan 1990)

In most of the developing countries, it has been observed, the ‘effective demand for (marginal benefit of)’ land reform for policy makers tends to be relatively small since the potentials for collective action among the would-be beneficiaries, peasants, tend to be weak due to their large number and their geographical dispersion (so it is difficult to get together and to act together), their relative lack of education, their lack of cooperatism or unionism, and their being prone to free-rider problem. On the other hand, the ‘effective supply’ or ‘marginal cost’ of reform tends to be relatively large since there are relatively greater collective action potentials among landowners due to their relatively small number (so it is easier to get together and act together), their education, and their good access to political power in general and to legislators, both local and national levels, in particular. Such demand and supply schedules in the ‘political market’ constantly shifts overtime, however, and we need to understand the dynamics of those factors shifting the demand and supply schedules. In the following subsections, we will discuss the historical events that were likely to be related to such shifts in the ‘political market.’

### **2-3. Politics of Land reform Legislation in the Philippines**

In understanding the changing political dynamics of land reform in the Philippines, it seems useful to distinguish the legislative process of land reform policy making, on the one hand, and the implementation stage of such policy, on the other. (Riedinger 1995, Borrás 1999). The political dynamics behind legislative processes of setting the terms of land redistribution, allocating budget envelope for its implementation and appointing DAR secretary (which requires Congressional approval) is mainly played out in the national political arena (mainly by the executive branch in the case of PD 27 and EO 229 and in Congress in most other post-war land reform legislation including CARL). Furthermore, any legal code is a reflection of the political equilibrium in such national political arena at a particular point in time when the law is enacted. On the other hand, the actual

implementation (of identifying beneficiaries and lands for re-distribution, valuing the lands and transferring them to the beneficiaries) is necessarily a much more decentralized process; it reflects more localized political processes and it is also a continuing process over an extended period of time (such as 10 years or more, as in CARP). For example, despite the modest (though geographically limited) success of PD 27 under the Marcos martial law regime, its implementation seems to have toned down substantially after the initial few years; part of the reason was that President Marcos increasingly came to appreciate his need for local leaders as intermediaries in the patrimonial system through which he controlled local-level political processes including the implementation of land reform. (Wurfel 1988, Fegan 1989) Similarly, CARL was a political compromise reflecting a political equilibrium in the specific point in time; while the law governing land reform has remained essentially the same since 1988, the implementation record and the mode of operation have changed significantly in the subsequent years, especially between the Aquino and Ramos administrations. Furthermore, one observer noted a difference in the speed of decline in the political power of the landed elite between central and local politics, which could induce divergence between the legislation and the implementation stages of land reform; while the political influence among landed elite was generally on the decline in the national political arena, changes in local elite were much slower to come (Wurfel 1983).

We will discuss the political dynamics in these processes in turn. What are the main factors affecting the particular political equilibria resulting in the land reform codes as described above?; in this subsection, we will review various political explanations behind the major episodes of land reform legislation in the past three decades. We will explore what common factors may have been operating throughout these episodes in the concluding subsection. (subsection 2-5)

### *1954/55 Land Reform Legislation*

Some observers argue that the 1954 Land Tenancy Act and the 1955 Land Reform Act under the Magsaysay administration were ‘the first serious, if modest, effort to carry out land reform in the Philippines.’ (Wurfel 1988) During the mid-1940s the “Huk rebellion,” a peasant rebellion movement spread across Central Luzon, emerged; it was, in a large part, a reaction on the part of peasants to the rapid deterioration of the traditional patron-client relationship and it was mainly a call for the restoration of such relationship, which ultimately failed, rather than a call for outright land redistribution. (Kirkvliet 1977) In response to the rising rural unrest, coupled with the perceived threat of spreading communism prompted by the newly established Communist China, the U. S. government, covertly and overtly, supported the presidential bid by Ramon Magsaysay, then the defense secretary in the Quirino cabinet as an opposition-party candidate. The U.S. government attempted to replace the ‘corrupt’ regime of President Elpidio Quirino partly because he favored resettlement over land redistribution among land reform options. Apart from the U.S. concern, Magsaysay himself, who had led the battle against the Huk, well recognized the social unrest behind the movement. (Hayami, *et al.* 1990) While Magsaysay won an overwhelming victory by capturing the rural support with the help of his land reform agenda (which was vaguely

defined<sup>27</sup>), the US appears to have backed away from an earlier support of ‘liberal’ land redistribution in the wake of the decline of the Huk rebellion toward the mid-1950s.<sup>28</sup> (See Putzel 1992 for a detailed accounts of the US involvement in Magsaysay’s election) President Magsaysay also faced a fierce opposition from landowners against his reform attempts who employed strong nationalistic rhetoric. As a result, while the initial bill proposed by the President included the idea of a retention limit of 144 hectares, of conversion of share tenancy into leasehold, of including sugar land tenants under the reform program, and of progressive land tax, they were all excluded, through the Congressional process, from the actual legislation enacted under the Magsaysay administration.

There is a general consensus in the literature regarding the main political forces behind the Magsaysay reform; the most important factor prompting the legislation was the need to pacify the Huk rebellion that swept the main ‘rice bowl’ of the Central Luzon. Many observers also tend to agree that there was a significant degree of involvement by the United States government both in the election of President Magsaysay and in placing land reform onto the political agenda in the process.<sup>29</sup> Such forces pushing toward land redistribution were largely blocked, however, by the powerful political interests of the landed oligarchy, as we can see from the ‘watering down’ process in the Congress. (See Riedinger 1995 for the congressional debate, and Putzel 1992 for a broader discussion of the political climate) Finally, the political motives toward significant reform, both domestically and from the US, weakened significantly as a result of the decline of the Huk rebellion in the early to mid-1950s.

### *1963 Land Reform Code*

While President Magsaysay has been credited by some political observers for his ‘political will’ toward land reform (e.g., Putzel 1992, Wurfel 1988), one of the major turning points in the recent history of land reform *legislation* appears to be the 1963 Agricultural Land Reform Code. There does not seem to exist, however, a clear consensus among observers on the political explanation behind such a significant piece of legislation in general, and, in particular, as to what prompted President Macapagal to initiate the land reform legislation.<sup>30</sup> Apparently land reform was not among his political agenda of the then opposition candidate Macapagal during the Presidential election (his main campaign issue was corruption instead), nor was he vocal about land reform in the initial years of his presidency. (e. g., Putzel 1992,

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<sup>27</sup> One observer remarked that “the ‘promise of reform’ was more important than the reform itself.” (Karl Jackson, as quoted in Putzel 1992)

<sup>28</sup> A major episode during this period was a U.S. government mission in 1952 headed by Robert Hardie, a land reform advisor who had worked on the Japanese land reform program during 1946-49. The Hardie report, released in December 1952, called for establishment of family-sized, owner-operated farms by introducing a re-distributive land reform with a four hectare retention limit as well as tenancy reform, a program that included all the essential components of the post-war land reform in Japan. The report induced strong opposition among Filipino elites, including the then President Quirino, and the U.S. government backed away from its recommendation. (See, for example, Putzel 1992: 85-99, Takigawa 15-17)

<sup>29</sup> Putzel (1992), Takigawa (1976), Wurfel (1988), and Hayami, *et al.* (1990), to some extents.

<sup>30</sup> A detailed account of the 1963 Code legislation can be found in Takigawa (1976).

Takigawa 1976) Nevertheless, all of sudden,<sup>31</sup> it seems, he initiated a major improvement in land reform legislation, which addressed some of the deficiencies of the 1954/55 codes.

Some observers appear to credit President Macapagal's apparent 'passion' toward enacting further land reform legislation as a result of the triumph of influential economic advisors who saw land reform as a necessary component of a strategy for rapid economic development (Balisacan 1990, Wurfel 1983); this could be inferred from the fact that the tenancy reform of the automatic conversion from share tenancy to fixed-rent lease contract was given a major role in the program, which in turn appears to be based on the 'Marshallian' inefficiency view of the share tenancy, a dominant view among economists at that time. (see below) President's 'passion' toward land reform could also have come from the fact that he was a son of a poor tenant farmer (Takigawa 1976). Many tend to conclude, however, that the main political motive behind his initiative was an attempt to enlist tenant farmers' support for his upcoming re-election bid two years after<sup>32</sup> (e. g., Putzel 1992, Wurfel 1983). Yet another observer, Takigawa (1976), for example, argues that the main motivation behind his initiative was his perceived threat, despite the demise of Huk rebellion ten years earlier<sup>33</sup>, of spreading communism in Southeast Asia, symbolized by the intensifying war in Vietnam; such a perception likely was developed through his earlier career as a diplomat. Regarding the broader social forces for land reform during this time, which must have supported President Macapagal's initiative, Takigawa (1976) attributes the then rising force of new middle class composed of urban industrialists and other professionals (e. g., school teachers, bureaucrats, etc.) as the broader social force behind his initiative.<sup>34</sup>

### *Marcos Land Reform*

While the 1971 Code had little impact on the land reform implementation due to PD 27 issued a year later that superseded the 1971 Code, the political processes leading to the 1971 Code deserve a major attention. Toward the late 1960s, the potential for rural unrest appeared to have increased once again. This was partially in response to the further breakdown of the patron-client system that started in Central Luzon much earlier, which prompted Huk rebellion in the 1940s (recall that the initial aim the Huk of restoring the old patron-client system was never achieved when the Huk rebellion was pacified in the mid

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<sup>31</sup> Another piece of evidence attesting to this apparent 'suddenness' of his interest in land reform is the fact that Macapagal, a congressman in the 1950s, had earlier opposed the Hardie report, had not participated in the debate, nor had even voted on the bill that later became the 1955 Land Reform Code. (Wurfel 1983: 4, Putzel 1992: 114)

<sup>32</sup> Macapagal lost to Ferdinand Marcos in the presidential election, and thus his attempt was ultimately unsuccessful; however, he did win in tenant-dominated Central Luzon (Wurfel 1983: fn. 17).

<sup>33</sup> The 1963 Land Reform Law appears to be an anomaly within the history of Philippine land reform legislation in that it did not emerge as a direct response to domestic rural unrest.

<sup>34</sup> Many other observers (e. g., Hutchcroft 1998, Putzel 1992, etc.) emphasize, and Takigawa (1976) also admits, that the major portion of the Philippine industrialists and other emerging elite in non-agricultural sectors (e. g., banking) were from landed oligarchy who had started to diversify their portfolio. Thus, it is not clear to what extent these really represented 'new' middle class who pursued policies in conflict with the landed oligarchy.

1950s), but was spreading over the country. (Wurfel 1988, Kirkvliet 1977) Such growing potentials for peasant unrest developed despite, and possibly because of, the enactment of the 1963 reform code and its limited implementation in Central Luzon, where the reform program was targeted. Some observers attribute the rise in peasant unrest to the increased tension between the landowner and the tenants, exacerbated by the land reform implementation: through disputes over the rent (in the case of conversion of share tenancy into leasehold), tenant eviction and other tactics employed by landowners in resisting land reform (such as filing a law suite against tenants in an attempt to delay the reform, to intimidate or even to imprison the tenant, using private armies in similar attempts, etc.), and growing frustration among tenants given the gap between their elevated expectation and the ineffective implementation in the land reform processes. In some parts of the Philippines, there was a revival of the Huk rebellion which had been suppressed 10 years earlier. (Takigawa 1976) Furthermore, against such a background, the Communist Party of the Philippines (CPP) was re-established in 1968, and its military arm, New Peoples' Army (NPA), launched in 1969. NPA engaged in political as well as military campaigns by offering training for peasants, setting up makeshift irrigation and launching own land reform program, thereby spreading its influence in Central Luzon.<sup>35</sup> (Putzel 1990:122) Perhaps fuelled by the successful re-election campaign of President Marcos in 1969 charged with massive fraud, inducement and intimidation<sup>36</sup>, massive popular mobilization developed in 1970.

The raucous demonstrations accompanying President Marcos's second inauguration in 1970 and subsequent series of demonstrations, mobilizing among peasant groups, labor unions and students, pressured the Congress to initiate, for the first time in the Philippine history, land reform legislation (all the previous reform legislation was initiated by presidents). After a prolonged and intermittent Congressional debate, against the background of a continuous 'live-in picket' lasting for more than two months in front of the national legislature, led to enactment of the 1971 Code (RA6389 and RA6390), including the lowered retention limit, which was *opposed* by President Marcos, and the creation of the Department of Agrarian Reform.<sup>37</sup> In a broader social context, the political forces behind the legislation included political leaders, senior bureaucrats and intellectuals who were alarmed by the rising socio-political crisis, some elements of Catholic church, peasant organizations (such as the Federation of Free Farmers), labor unions and student movements. (Takigawa 1976)

With his second (and the last allowed under the Constitution) term expiring, and in an attempt to exploit the growing desire for change among both the popular movements and

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<sup>35</sup> Putzel (1990: 122) and others note, however, that the CPP-NPA influence then was nowhere near the kind of threat posed against the government as claimed by President Marcos when justifying the imposition of martial law.

<sup>36</sup> One veteran observer of the Philippine politics' account of the 1969 election states as follows: "The election of 1969 was a devastating blow to the electoral process. The campaign presented informed citizens with a more lackluster choice than at any time since independence. . . . both [candidates] were flawed by serious charges of corruption, and neither offered either charisma or clear-cut policy alternatives. Under the circumstances, it was perhaps inevitable that the incumbent's money and threats of violence would bring success." (Wurfel 1988:17)

<sup>37</sup> See Wurfel (1983) and Takigawa (1976) for concise accounts of the series of events during this time.

the elite (especially among frustrated bureaucrats), President Marcos declared imposition of martial law in September 1972.<sup>38</sup> PD27 was issued just one month after the declaration of martial law. Land reform was given great prominence in the initial years of the martial law period; in an often-quoted statement delivered on the first anniversary of PD27, President Marcos went so far as to declare, “Land reform is the only gauge for the success or failure of the New Society. If land reform fails, there is no New Society.” (Wurfel 83: 8) What was the motivation behind PD 27? There exists a broad consensus in the literature on this question. Clearly, as mentioned above, the growing fear of rural unrest and the threat of Communists, as developed through the late 1960s, was the major underlying factor. Land reform was seen as a means of pacifying the growing rural unrest, as had been in the previous episodes of land reform initiatives. For President Marcos himself, however, observers tend to agree that the most important political function of PD27 was to place a selective attack on his political opponents among the traditional landed ‘oligarchy.’ (Wurfel 1983 and 1988, Fegan 1989, Hayami, *et al.* 1990, Balisacan 1990, Putzel 1992, etc.) According to one account, President Marcos “seems to have calculated that a large proportion of riceland was owned by a few very big owners, so that the reform would make many friends and few enemies.” (Fegan 1989: 133) This ‘selective blow’ view appears to be consistent with the facts such as: that the Aquino estates, held by President’s single biggest political rival, were among the first to be expropriated; that the President took a step-by-step approach starting with lands with size of 100 hectare or more and seemed to have lost his originally keen interest in reform after the owners with more than 100 hectares had been dispossessed; that landed estates other than rice and corn lands were excluded so that he would not antagonize all the landed elite; and that he and his family members’ maintained interests in investments in export crops. (Wurfel 1988) During the initial few years of the martial law regime, his land reform policy did seem to help “create some support for Marcos in the countryside, blunted foreign criticism of his regime, and put the landed elite on the political defensive.” (Wurfel 1983: 8) We will also discuss the accelerating loss of his interest in pushing through land reform as the years went by through the late 1970s and early 1980s below, in the context of political dynamics behind reform implementation.

#### *1986-88: Politics of CARP Legislation*

There appear to be two broad reasons why a ‘genuine’ agrarian reform became top priority in the Presidential campaign of Cory Aquino and in the political agenda in the first few years of her presidency; one was (once again) the perceived necessity to address the rural unrest and communist inspired insurgency movements, and the other was the political circumstances that necessitated the Aquino coalition to place land reform as a key policy issue in its attempt to win political support against President Marcos.

Toward the end of Marcos presidency, the perceived threat of communist insurgency

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<sup>38</sup> Additional factors affecting the timing of the declaration of martial law were: the then-ongoing sessions of the Constitutional Convention, and a Supreme Court decision severely restricting the private right to ownership by Americans, with serious implications for American corporations operating in the Philippines. (Wurfel 1988)

led by NPA was wide spread. The rather sluggish start of the military campaign by the newly established NPA at the end of the 1960s, according to Wurfel (1988: 226), was rescued “from oblivion” by the declaration of martial law in 1972; “Authoritarian repression went a long way to create those conditions favorable to revolution” by driving “hundreds of well-educated youths into the countryside to become NPA cadres.” With the deepening of the economic and political crisis under the Marcos regime, the plight of the rural population, especially the rural poor, had become increasingly serious nationwide in the 1980s. With the land reform implementation stalled after the initial martial law period, the NPA version of ‘agrarian reform’—primarily rent reduction, wage increases, and debt reduction or cancellation—likely had become more attractive for the rural poor by the early 1980s. (Wurfel 1988) As a result, the NPA forces, estimated at the size of 8,000 as of 1972 (on the eve of the declaration of martial law), were estimated to be of the size 25,200 as of 1987, with about 12% of *barangay* (villages) ‘infiltrated,’ i. e., ‘areas where the insurgents stay for long periods of time . . . without fear of being discovered or attacked by government forces.’ (see also Table 4) Furthermore, their main activities had spread from Central Luzon in early days to a diverse set of areas including Eastern and Northern Mindanao, Samar, Bicol, Negros, Panay, the Visayas and Cordillera. (Reidinger 1995: 56, Wurfel 1988: 227) Thus, as was the case with most of the previous land reform legislation initiatives, the Aquino coalition’s attempt to place land reform on its political agenda was an attempt to address growing rural unrest (and potentials for communist-led revolution).

At the same time, it seems, the prevailing political dynamics toward the end of the Marcos regime necessitated the Aquino coalition to place a ‘genuine’ land reform on its top policy agenda in order to succeed, as it did ultimately, in uniting much of the broad anti-Marcos opposition and in preempting other potential opposition candidates. According to Putzel (1992), behind such an attempt was a tacit alliance among the powerful right wing of the Catholic Church, the business community and the Cojuangco clan (Cory Aquino’s natal family), which had emerged in as early as 1984 with three broad objectives: (1) preempting the presidential candidacy of the prominent opposition leader Salvador Laurel, (2) bringing as much of the militant grass-roots movement as possible actively into the electoral campaign (to legitimize their own candidate and to marginalize the extra-parliamentary opposition), which was deemed necessary to challenge President Marcos successfully, and (3) coming up with a single candidate capable of gathering popular support as well as the support of the elite and the U.S. It was in this context, Putzel (1992) argues, that the land reform agenda inevitably became a main campaign promise and Cory Aquino became a presidential candidate.<sup>39</sup> In addition, while such a view appears consistent with the rather passive attitude taken by the Aquino government and the President herself toward land reform policy after she became President, a relatively more benign view of President Aquino identifies behind her government’s impetus for land reform four broader political objectives: (1) to increase the peasants’ stake in the Philippine society; (2) to defuse the NPA insurgency; (3) to shift rural

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<sup>39</sup> However, some observers have raised a serious doubt about the extent to which the unorganized rural constituency with limited media access actually knew of Aquino’s campaign platform and voted on it, and conclude instead that their votes simply reflected the voters’ rejection of Marcos rather than anything else. (Riedinger 1995)

resources from land to rural industrialization; and (4) to rationalize and increase agricultural production. (Riedinger 1995)

No matter what the main motivations may have been, a ‘genuine’ land reform became a top campaign promise of Cory Aquino during the ‘snap’ presidential election held in February 1986. Once on the top policy agenda, the shaping of the land reform legislation underwent an extraordinary period of political tag of war in the national political arena between the pro- and anti-land reform forces (e. g., peasant mobilization toward greater redistribution including land occupation and demonstration in Manila, on the one hand, and the pressure against redistribution from the military including attempted coups, on the other) in search of a political equilibrium, during the period between the ‘People Power revolution’ in February 1986 and June 1988 when the Comprehensive Agrarian Reform Law (CARL) was finally adopted. Major events during this period are summarized in Table 5. As we saw in section one, three major government actions were taken during the period: the new Constitution, EO229 and CARL enacted by the Congress. The whole process during this period can be characterized as: (1) general inaction (or, at least, lack of strong initiative) on the part of the Aquino administration regarding land reform<sup>40</sup>; (2) (partly in response to such government inaction) a series of proposals made by pro-reform Cabinet members, who occupied a small minority in the government, and by activists outside the government accompanied by various lobbying and mass mobilization activities; and (3) attempts, largely successful, from those opposing liberal redistributive reform inside and outside the Cabinet to weaken redistributive elements incorporated in the reform program following each pro-reform initiatives. (Balisacan 1990, Hayami, *et al.* 1990, Riedinger 1995, Putzel 1992) As a result, many of the important defining features were left for the Congress to determine.

The initial period of Aquino presidency prior to the restoration of the Congress, it appears, also witnessed the weakening of the urgency, on the part of the administration, attached to the communist led insurgency, one of the major driving forces behind the demand for land reform. This was in part due to the disarray of the CPP/NPA following the February 1986 presidential election; CPP decided to boycott the presidential election in which they had expected Marcos to win as he did in the previous elections—an apparent tactical error, in retrospect, that subsequently led to their diminished political influences in the series of political event leading to, and after, the People Power revolution, which in turn precipitated internal conflicts and dissent within the party ranks. (e. g., Riedinger 1995, Wurfel 1988, Borrás 1998) Along with such a weakening over time of the perceived threat from the left, came political influences from the right: the strong pressures from the military, which played the crucial role in bringing President Aquino into power. Observers point out the strong military influence, as witnessed by the cabinet reorganization involving a few ‘liberal’ cabinet members as well as the Defense Minister Juan Ponce Enrile only nine months after assuming power, and by a series of military coup attempts, which shook the land reform (as well as other) policy making in the initial years of the Aquino administration. (e. g., Riedinger 1995, Putzel 1992, Wurfel 1988)

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<sup>40</sup> On one account, the Cabinet had any substantive discussion on land reform in only one occasion before EO229 was issued. (Putzel 1992)



By all accounts, the newly elected Congress was a restoration of the pre-martial law Congress largely dominated by the landed oligarchy. For example, of the 200 elected members of the House, 129 were believed to be the members of traditional clans and additional 38 were related to them. Riedinger (1995) emphasizes the close similarities in the tones of Congressional debate on land reform between the 1950s and 1960s, on the one hand, and the 1980s, on the other, with the exception of the relative prominence in the 1950s and its conspicuous absence in the 1980s of the rice landowner bloc. The bill originally passed by Senate appeared to have a slightly more liberal flavor, including a lower retention limit. Some observers interpret such differences between the bills in two chambers as reflecting the difference in the class interests represented between the two chambers; the House bill, reflecting the strong landowner bloc in the chamber, tended to protect the interests of locally owned plantations, while the Senate bill, reflecting the urban elite base in the chamber, tended to protect plantations operated by multinational corporations. (Hayami, *et al.* 1990). Others argue, however, that senators, who are elected by a national vote, rather than a constituency vote (which is strongly dominated by local landed oligarchy), have less direct demands on them from landowner networks than do the House members, and senators, some of whom have ambitions for higher political offices, “could afford to be bolder in their rhetoric about reform.”<sup>41</sup> (Putzel 1988: 271)

While it took the national political process more than two years to reach such a political ‘equilibrium’ in the newly restored democratic polity, many observers agree that there existed a unique and historic window of opportunity for President Aquino, with ‘a wealth of popular support and an image transcending her ties to the political clans (Putzel 1992: 249),’ to preempt the landlord-dominated Congressional action by the use of presidential decrees and to institute a substantive redistributive land reform policy. There were also strong social forces exerting pressures on the President toward such an action. After all, however, President Aquino did not act upon such an opportunity but instead left to Congress most of the crucial features of the reform program, consistent with the notions of representative democracy. In retrospect, many observers contend, such inaction on the part of the President was “the greatest triumph of the anti-reform forces.” (Riedinger 1995: 176, also Putzel 1992) One interpretation of the President’s inaction was that President viewed her role only in terms of the restoration of democratic institutions and that she thus refrained from any unilateral action on any issue, i. e., on land reform or otherwise. (e. g., Riedinger 1995) According to another view, President’s inaction was a politically rational move since by shifting the political responsibility for reform onto Congress and emerging ‘above the fray,’ the President could avoid making enemies either among the powerful (by enacting redistributive reform) or among her peasant supporters (by preventing reform). (e. g., Putzel 1992)

### *Post-CARP Legislative Politics*

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<sup>41</sup> Reidinger (1995) notes that this was the prevailing ‘conventional wisdom’ among the observers.

As noted in section one, after CARL was enacted in 1988 opponents of land reform still repeatedly introduced various bills to amend CARL in attempts to restrict the scope of the reform.<sup>42</sup> Few of them, however, made any headway. It is not entirely clear why this was the case, but several possible explanations for such relative inaction on the part of the reform opponents have been offered, such as: (1) that the House and Senate committee activities were relatively inactive on any issue; (2) that reform opponents may have found it enough to have merely threat posed by these amendments for the purpose of derailing or slowing the reform implementation process; (3) that landowners may have been successful enough in avoiding or sabotaging reform at its implementation level so that it was not really necessary to push through these legislative actions; and (4) that legislators may have been concerned about potential political liability of being identified as anti-land reform. In addition, despite the rhetoric employed by reform opponents, following the passage of CARL, to characterize the 1992 elections (Presidential, Congressional, and provincial and local levels) as a referendum on CARP, land reform appears to have played a relatively minor role in these elections. The new Congress elected in 1992, however, was seen by some observers as more conservative than its predecessor; for example, 117 of the 197 members of the House of Representatives were medium and large landowners. (Riedinger 1995)

One major, if modest, legislative advance from the pro-land reform point of view, made toward the end of Ramos presidency, was the passage of RA 8532, in February 1998, providing additional P50 billion of funding for CARP implementation as well as its ten year extension. The detailed account of the final three days of the legislative process leading to the passage of RA8532 suggests that the strong leadership performance by the then House Speaker Jose de Venecia (e. g., instructing all of his own LAKAS party congressmen not to object to the bill) was instrumental in pushing through the bill within a very limited timeframe left toward the end of the Congressional session. (Borras 1999: 80-84) On the one hand, Speaker de Venecia was running for the presidential election immediately following the Congressional session, and was likely in need of a political asset to generate mass support for his campaign.<sup>43</sup> By taking advantage of such political circumstances, strong lobbying efforts orchestrated jointly by the DAR leadership and major peasant organizations at the national level were directed toward Speaker de Venecia. Similar to what was repeatedly found by Presidents Magsaysay, Macapagal and Aquino before their respective initiatives for land reform legislation, Speaker de Venecia appears to have found the instrumental worth of taking an initiative in legislating a land reform-related law as a means of mass campaign aimed at presidency.

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<sup>42</sup> This paragraph draws upon Reidinger (1995).

<sup>43</sup> Indeed, the final passage of the bill on the House floor and the intensive lobbying within the Congressional building mobilizing some 600 peasants culminated in a symbolic 'photo session,' where de Venecia shook hands with the DKMP leader Jaime Tadeo and then "abruptly pulled ... [their hands] ... up, making it appear that Tadeo was raising his hands as though to endorse of his presidential candidacy" in front of a crowd of hundreds of peasants. Earlier in a private conversation between Speaker de Venecia and DAR secretary Garilao, de Venecia reportedly asked Garilao, "How many votes are we talking about here?" to which Garilao reportedly replied, "At least three million." (Borras 1999: 83)

## 2-4. Politics of Land Reform Implementation in the Philippines

We now explore the main factors affecting the political forces resulting in the *implementation* records of the Marcos land reform and CARP. It is not easy to understand the political dynamics behind the lengthy processes of implementing land reform laws. This difficulty partly stems from the serious reliability issues regarding the official data on land reform implementation, and partly from the fact that the literature focusing on the implementation dynamics appears relatively scarce compared to the one on the national-level legislative processes of land reform. Generally speaking, a major impetus for pushing implementation ‘from above’ seems to come from electoral cycle, while major dynamics of land reform implementation ‘from below’ come from the development in the civil society. For example, the very slow start of implementing the 1963 Code was partially offset by President Macapagal’s push for implementation toward the period immediately preceding the November presidential election. (Wurfel 1983) President Marcos also expanded the declared land reform areas under the 1963 Code toward his 1969 re-election bid. (Takigawa 1976) Similarly during the days immediately preceding the 1986 presidential election, President Marcos authorized the immediate distribution of EPs to designated beneficiaries, regardless of their amortization payment status, in a desperate (but ultimately unsuccessful) attempt for re-election. (Putzel 1992: 193) In what follows, we now discuss such dynamics in some detail.

### *Land Reform Implementation During Marcos Presidency*

The DAR data show that there was a major increase in the implementation of the 1963 land reform code during President Marcos’s second term (1970-1972). As discussed in some detail above, there was a growing rural unrest and political mobilization among peasants, labor unions and students in the national political arena. Such political climate, the same set of factors that pushed the Congress to enact the 1971 Code, appears to have forced Marcos government to recognize the political urgency of stepping up the land reform implementation during this period.

As we saw above, the implementation record of the Marcos regime indicates that a significant portion of the modest accomplishment under his presidency was concentrated in the early 1970s. Many observers interpret such results as an indication of the change in the President’s intention: the fading of the President’s even modest commitment to his implementing the land reform program, as years went by, for various reasons. Wurfel (1988: 176) notes that toward the late 1970s “President Marcos came to appreciate more fully his need for local leaders as intermediaries in the patrimonial system, . . . [and] . . . he became even less inclined to disturb modestly landed elites.” According to another account, “Marcos wavered when it turned out that a greater proportion of land was owned by small and medium owners than expected and that these included the professionals, officials, officers, and ‘economic middle class’ in general on whom the regime depended for implementation of its overall policies and who Marcos hoped might become a new constituency for his regime after destruction of the rural oligarchs.” (Fegan 1989a: 133) Similarly, Hayami, *et al.* (1990), also

suggested that it reflected the emergence of the rural landed middle class. Another political explanation for the slowing-down of the reform implementation beyond the initial stage could also be found in the relative forces of resistance between the small number of rice hacienda owners, who was targeted first, and the middle-sized landowners targeted after the initial stage. The former, though still powerful, had been already targeted by the social and land reform measures by the previous administration, was a relative minority in number and had rather shallow roots in rural communities (many of them were absentee landlords). The latter, medium-size landowners, were large in number and made allies with wealthy peasants and were well connected among the local-level polities. (Hayami, *et al.* 1990)

Furthermore, the speed of land reform also partially reflected the institutional design of implementation agencies. On the one hand, as noted above, each Agrarian Reform Team had a whole municipality (typically including some 20 villages) to work with, being overburdened (compared to their much earlier Japanese counterparts, for example), thereby exacerbating the problems arising from information asymmetry. In addition, the complete lack of peasant representation in ART likely allowed traditional political forces in the locality, dominated by landlords, to influence the land reform implementation outcomes. As a result, despite the similar tactics employed by landlords in resisting the reform implementation, both the institutional capacity and the political dynamics at the grass root level of the reform implementation was likely quite different between the Philippines and Japan. (Takigawa 1976)

### *Was There Any Shift in the Land Reform Implementation Politics Between Aquino and Ramos Presidency?*

As we saw in section one, most of the land redistribution achievements during Aquino presidency was concentrated on the OLT program (i. e., redistribution of tenanted rice and corn lands). The relatively small achievements, compared to those of the Ramos administration, in the redistribution of private lands that was newly introduced under CARP concentrated in the Voluntary Offer to Sell (VOS) program rather than in the more controversial operation of Compulsory Acquisition (AC). The impressive record of implementing the OLT program under President Aquino, compared to the record of the Marcos administration, appears still noteworthy. One likely reason could be the predilection of the Marcos-era holdovers within the DAR pipelines although, as we saw above, President Marcos himself appeared to have lost interest in expanding land reform after the initial years. In addition, it appears that the landowners in the rice and corn sectors had been politically marginalized considerably by this time. While landlord resistance with various tactics was highly noticeable during the early period of implementing PD27 (e. g., Takigawa 1976, Umehara 1997), the implementation of OLT during the Aquino administration appears to have involved less controversy, except in the area of compensation. A symbolic indication of the substantial political marginalization of rice and corn landlords was the contrast between the agrarian reform debate during the 1950s where these landlords were actively involved in opposing the reform and the 1986-88 CARP debate where rice and corn growers were conspicuously absent. (Riedinger 1995) Another explanation offered in the literature is that

due to the deteriorating terms of trade against rice farming during the 1970s rice landowners had diverted their investments away from rice land and diversified their asset holdings into non-agricultural investments such as: in urban investment and higher education (in the case of larger landlords), or in rural light engineering, commercial poultry and pig raising, and farm services (in the case of small and medium provincial landlords). In other words, the once powerful (in the 1950s) rice landowners did not have as much stake in the rice land any more by the 1980s. (Fegan 1989b)

The DAR record shows that, during the period of President Ramos, there was a significant increase in the land redistribution ‘accomplishments’ in the more contentious elements of CARP, especially in the redistribution of privately owned land through compulsory acquisition. One plausible interpretation appears to be that such a seemingly impressive achievements under Ramos presidency merely reflected the acceleration of the CARP implementation that started in 1988. While the process started with the enactment of CARP under the Aquino administration, it likely took a few years for the CARP implementation to gain its momentum. According to this view, there was no significant difference in the degree of ‘pre-reform’ tendency between the Aquino and Ramos administrations.

In addition, however, there appear to be two supplementary factors that might have partially contributed to the significant increase in the land redistribution achievements under Ramos presidency: the leadership change, as well as subsequent organizational-orientational changes, within DAR, on the one hand, and the broader changes in peasant mobilization and in civil society, on the other. The latter forces, in turn, can be characterized by the increasing diversity among peasant organizations and among their mode of mobilization. On the one hand, as noted above, Secretary Garilao apparently established stable leadership in reorienting DAR toward pro-reform stance with much greater cooperation with the peasant organizations. On the other hand, there were social movements ‘from below’ pressuring the DAR bureaucracy toward greater land redistribution. During the Marcos martial law regime, which permitted only armed and clandestine forms of struggle, the Maoist Communist Party of the Philippines (CPP) developed a virtual hegemony within the social mobilization against the martial law regime. CPP considered the peasantry as the ‘main force’ (as opposed to the proletariat as the ‘leading force’) and carried out selective land reform in the areas where they had control. This orientation of CPP helped its organized armed struggles to spread in the countryside during the late 1970s and the early 1980s. KPM (Kilusang Magbubukid ng Pilipinas: Peasant Movement of the Philippines) was formally launched in 1985 under CPP as the main legal peasant movement and quickly became the main forces in peasant organization. (Borras 1999) However, the “People Power revolution” in February 1986, leading to the fall of the Marcos regime and the subsequent democratization of the Philippines, precipitated the major split within CPP and its subsequent decline in its influence,<sup>44</sup> on the one hand, and the

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<sup>44</sup> In this context, a major turning point, as we saw above, was the decision by CPP to boycott the 1986 ‘snap’ Presidential election, which ultimately triggered the People Power revolution. It led to its substantial decline in political influence in the national political arena and the declining influence of CPP and its affiliated peasant organizations.

multiplication of social actors and the diversification in the forms of social mobilization among peasant sectors, on the other. While KMP remained the most vocal leader of peasant movements lobbying for liberal land reform during the initial years of the Aquino administration, including the peasant demonstrations leading to the ‘Mendiola massacre,’ its relative dominance subsequently eroded; the movements led by CPP, including KMP, formally split into sub-groups between the late 1980s and the early 1990s. At the same time, multiple groups have emerged in peasant movements since the mid-1980s, sometimes allying and sometimes competing with the KMP leadership. They included highly diversified set of groups including a broad-based and moderate social-democratic bloc under the Congress for a People’s Agrarian Reform (CPAR), which actively lobbied during the process leading to the enactment of CARL and subsequently (after the passage of the substantially ‘watered down’ CARL) led a (ultimately failed) signature campaign for the pro-peasant “People’s Agrarian Reform Code (PARCode).”

Not only were there more diverse sets of peasant organizations, but there also emerged diversified modes of peasant mobilization. This included the organized land occupation movements, as an intermediate tactic between the full-blown revolutionary armed struggle and the “everyday form of peasant resistance” (Kievliet 1993). While a ‘successful’ land occupation attempt was reported in as early as 1977 in a Bulacan village the height of this movement, led by national peasant organizations such as KMP, came around 1987-88 when the major legislative battle on CARP was being waged in the national political arena. (Banzon-Bautista 1989; Kirkvliet 1993; Borras 1999; Riedinger 1995; Putzel 1992) KMP claimed that 100,000 hectares of lands had been claimed via such land occupation as of 1991. (as cited in Kirkvliet 1993) Political observers note that these land occupations had some political impact on the agrarian reform debate by drawing attention to the plight of landless workers (rather than tenants) and by keeping reform issues high in the policy agenda at the national level. (Borras 1999, Kievliet 1993) Also, in some cases, land occupation incidents “set in motion events resulting in more land being redistributed under agrarian reform laws” although the occupiers themselves were often excluded from the beneficiary groups which nevertheless could include relatives of the occupation participants. (Kirkvliet 1993: 485)<sup>45</sup> Furthermore, amid these developments was a shift in the perception of CARP within the peasant community; when CARL was passed in 1988 most of the peasant groups dismissed the law as ‘anti-peasant,’ but by the early 1990s somewhat revised views emerged looking to CARP as a ‘progressive policy’ to work with, among the relatively moderate sections of the peasant community, such as DKMP (Democratic Peasant Movement of the Philippines) which had split from the CPP-led KMP.<sup>46</sup> (Borras 1999)

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<sup>45</sup> At the end, however, “[land occupation] failed as an alternative land reform program” because much of those occupied lands were later recovered by the original landowners, with the aid of private armies and the military; “[t]he large majority of take-overs were brief –at most two or three harvests, more likely not even a full season, often not longer than a week or two.” (Kievliet 1993: 482) Furthermore, much of the lands not later recovered by the owners were not made productive; in one account on the island of Negros, where KMP organized occupation of about 45,000 hectares, not more than 10 % of the occupied land were rendered productive. (Borras 1999)

<sup>46</sup> According to Borras (1999 :63), a former DKMP Deputy Secretary General, DKMP’s perception of

As a consequence, such a shift in the perception on CARP within the peasant community and the shift in the orientation within DAR, triggered by its new leadership, toward greater peasant participation converged in the early 1990s, manifesting itself as series of DAR-NGO-PO workshops, formation of joint DAR-NGO working committees focused on high priority provinces (e.g., ‘Task Force 24’ focusing on fast-tracking land re-distribution in 24 provinces, which later expanded to form ‘Project 40 Now!’ covering 40 provinces), and other direct dialogues between DAR and the civil society where conflicts between local NGOs/ peasant organizations and local DAR officials were mediated by national level NGOs and DAR officials. (Borras 1999) According to micro-level studies on land redistribution cases under the compulsory acquisition (CA) program, drawn from Nueva Ecija, Davao del Norte, Pampanga, Quizon and Laguna provinces, increasingly active involvement in the land redistribution by local NGOs took the form of: providing legal advice to counter the landowners’ legal tactics, contacting pro-reform DAR officials at the local (i. e., municipal) level; helping peasants to bring a dispute with their landowners to higher-level DAR offices beyond their own locality (e. g., provincial DAR office); and supporting peasant mobilization with demonstration, picketing, land occupation and dialogue with DAR officials. On the other hand, national-level NGOs provided peasants with: logistical support (e. g., providing transportation to and accommodation in Manila during the lobbying activities by peasant groups, national-level lobbying activities); further legal assistance; supporting collective actions; drawing media attention with public relations materials;<sup>47</sup> facilitating linkages among peasant groups from different localities; providing international linkages with foreign NGOs (e. g., facilitating field visits by foreigners which could subsequently lead to international campaigns such as letter writing by major donor country citizens to the Philippine government); and, perhaps most importantly, making an alliance with pro-reform DAR officials at the national level to intervene by pressing the local level officials (who tend to be under stronger pressure from, and be dependent on, landowners than national officials) for land acquisition. All of these case studies indicate that, at least in those ‘successful’ redistribution cases, the interactive processes of converging social mobilizations involving NGOs/POs at various levels as well as peasants themselves (‘from below’), on the one hand, and the pro-reform leadership in DAR and other bureaucracy (‘from above’), on the other, emerged to counteract the traditionally powerful political forces (which included both legal and extra-legal means including use of violence) of the landowners and their allies opposing the implementation of redistributive land reform. (Borras 1999: chapter 3)

## **2-5. Why Has Land Reform been Taking So Long?**

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CARP was “transformed from a conservative into a progressive policy” because in the early 1990s, when most of the reformed sectors in many countries in Latin America, indigenous communal lands in Africa, and state cooperative farms were being dismantled and privatized and the state’s role and initiatives were being rolled back especially from redistributive reforms like land reform, CARP emerged as progressive policy in this current context.”

<sup>47</sup> Watchful media attention not only facilitated political mobilization but, it appears, sometimes had an effect of restraining violence to some extent even in rather intensive confrontations.

As our discussion above indicates, the processes of land reform legislation and implementation in the Philippines has been a continuous process constantly evolving for the past several decades. In the neo-classical political economy framework, as discussed in section 2-2 above, such evolution could be seen as shifting ‘political equilibria,’ reflecting constantly shifting ‘demand for’ and ‘supply of’ land reform in the ‘political market.’ For example, the relative shift over time in the military strength of the rural insurgency movements (see Table 4) is apparently one major element, which certainly contributed the evolution of the land reform politics in the Philippines. As we saw above, the growth in the number of insurgency forces apparently coincide with the shift in the ‘political equilibrium’ toward larger redistribution of lands in the occasions of the 1955 legislation under Magsaysay presidency and the 1988 CARP legislation under Aquino presidency.

Furthermore, according to de Janvry and Sadoulet (1989) the failure of redistributive land reform programs in Latin America was a result of the rising relative economic power (vis-à-vis the competing interests of the urban classes) of medium and large landowners over time, which presumably shifted the demand and supply of land reform in the political market. Despite the inverse relations between farm size and productivity (and thus the potentials for net social gains from redistributive land reform), the Latin American states who mainly were motivated to raise agricultural productivity, presumably backed by the political alliance between the urban classes and the landless agricultural workers, chose to use the land reform legislation as a means of forcing medium and large landowners to modernize their farms; the landowners were ‘forced’ to modernize since the state’s threat that their land be expropriated if modernization did not occur was credible given the ‘inverse relations’ (i. e., since land redistribution would have raised total productivity, it would have been possible for the state to expropriate lands and compensate the landlords who lost lands). Because of the modernization by medium and large farms initially induced by such a threat of distributive land reform, however, their productivity and, consequently, their relative economic power improved over time; their rise in the economic power, in turn, led to the rise in the relative political power of the landlords to the extent that they were able to block the redistributive land reform altogether. According to the de Janvry-Sadoulet model, such path-dependency (i. e., because of the state’s initial choice of forcing the modernization of larger farms instead of outright redistributive land reform, the state later on lost the opportunity for redistributive reform altogether) essentially resulted from the ‘political myopia’ on the part of the state (and thus, presumably, on the part of the urban classes and the landless workers who backed the state’s legislation on land reform); the state lost its opportunity for pareto efficient land reform since it was not able to predict, “either for lack of political foresight or because political restructuring was beyond the political horizon of the state itself,” the political consequences induced by its own initial policy of ‘modernization before redistribution.’<sup>48</sup> (de Janvey and

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<sup>48</sup> It is not clear, however, how well this model, developed for explaining Latin American cases, also captures the Philippine land reform processes. For example, some would argue that the kind of the shift in the relative political power between the landlords and the urban classes may not fit well as an explanation of the land reform dynamics in the Philippines; some observers have pointed out that the ‘landed oligarchy’ has continuously dominated the Philippine politics and thus there never was any significant growth of an *independent* urban industrial class who would have been in competition with the rural landlords. For



Sadoulet 1989: 1399)

Apart from such ‘political myopia,’ however, there may be an inertia of some kind in the nature of the politics of land reform itself that may explain the long history of incomplete land reform in the Philippine context. A dynamic game theoretic model developed by Horowitz (1993) explores such possibilities by analyzing the interaction between the rural unrest and land reform policy in a simplified dynamic model with infinite time horizon. One of the major differences of the Horowitz’s model vis-à-vis the de Janvry-Sadoulet model discussed above is that the kind of ‘political myopia’ assumed in the de Janvry-Sadoulet model is now ruled out and political actors are assumed to be ‘rational’ in the sense of forward looking. The model envisions the land reform policy as the prime instrument for preventing rural unrest. It demonstrates that there exists a unique amount of land redistribution<sup>49</sup> (as a Nash equilibrium) which is just enough to pacify the potential rebels (i. e., either landless tenants and laborers or landlords who are dissatisfied by land reform) depending on the initial land distribution and the probability of successful ‘revolution’ when the potential rebel finds the reform unsatisfactory; the amount of such redistribution is likely to be larger if the divergence between the ‘strategic endowment’ (i. e., probability of successful revolt, which is exogenously given and fixed over time) and the actual initial land endowment between the landlords and the landless is larger. Furthermore, the model demonstrates that, under some conditions (i. e., (1) there is non-zero probability of armed revolt leading to a stalemate which sustains status quo in land distribution, *and* (2) the initial land distribution between landlord and landless is not exactly proportional to the relative probability of winning by landlord and landless), the land reform process can be self-sustaining, rather than a one time re-distribution alone preventing all the potential future revolts.

One remarkable feature of this model is that this ‘self-perpetuating’ property emerges even though the probability of successful revolt is held constant over time. Such self-perpetuating property results from the fact that every land reform episode in one period raises the ‘expected payoff’ from revolt for the reform beneficiaries in the next period, creating an additional demand for further reform. Each reform episode raises the ‘expected payoff’ from revolt because, as far as there is a positive probability of the stalemate or status-quo outcome (which does not change the existing land distribution pattern after the conflict) from revolt<sup>50</sup>, each reform episode increases the expected (future) payoff for the reform beneficiaries in the case of status-quo/stalemate outcome (vis-à-vis such payoff in the last period before the reform), which in turn raises the expected payoff from engaging in revolt by the reform beneficiaries, creating new demand for additional land redistribution. While each land redistribution creates new demand for additional redistribution in the next period, the ‘optimal’ redistribution is shown to decrease over time.

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example, see Hutchcroft (1998) for such a view.

<sup>49</sup> The uniqueness of such land reform ‘plan’ is dependent on the risk neutrality of both landless and landlords. (Horowitz 1993: 1008)

<sup>50</sup> The other outcomes are: successful revolt leading to revolutionary land reform and the total suppression of revolt leading to the capture of all the land by the landlords.

Thus the Horowitz model demonstrates that: (1) if ‘rational’ landlords concede to the degree of land redistribution that is just enough to prevent the ‘revolt’ by the potential reform beneficiaries in each period, (2) if the ‘revolt’ can lead to a stalemate (status-quo) outcome without changing land distribution patterns, and (3) both landlords and the reform beneficiaries are risk neutral<sup>51</sup>, then a land reform program in any one period is *not* likely to result in a land redistribution of enough amount so that the reform ends up as a one time reform preventing all the future threat of revolt. In other words, the model illustrates a situation where interactions between ‘rational’ landlords (who is willing to implement land reform in an attempt to prevent peasant revolt) and a dissatisfied but ‘rational’ mass of peasants/ landless (who poses potential threat of violent revolution) stop short of the kind of once-and-for-all land reform as observed in Japan or in other East Asian countries (where significant exogenous factors were operating simultaneously). The hypothesis of such ‘political rationality’ among actors appears to be consistent with the sequence of the ‘inadequate’ or ‘incomplete’ reform attempts in one administration after another as observed in the Philippine land reform history, as described in the previous two subsections.<sup>52</sup> One might argue, however, that the kind of ‘rationality’ incorporated in the model is nevertheless still rather limited. In particular, the model’s dynamics follow (first order) Markov processes; the decision by the agents is ‘rational’ in the sense of forward-looking, but the agents are assumed not to learn from the past history. Furthermore, such purely *political* ‘rationality’ nevertheless lead to *economic costs* such as large administrative costs of prolonged reform, investment disincentive effects due to the uncertainty due to prolonged reform, and various social costs of conflict due to prolonged reform processes (see below).

## **2-6. Conclusions on the Politics of Land Reform in the Philippines**

In this section we have discussed political aspects of the Philippine land reform in the recent past. Our discussion suggests that political dynamics of reform legislation, played out mainly at the national political (legislative) arena, and that of reform implementation, played out in each locality, could be different. At the national level, each new piece of land reform legislation was a modest improvement in terms of the scope for land redistribution over the previous law, as observed typically in the evolution of the retention limits for the landowners. At each time such small improvements were made by a government initiative, the political motivations behind such an initiative was the combination of the perceived need for addressing rural unrest *and* the substantial and immediate instrumental value (i. e., as a means of ensuring political survival) of placing land reform on political agenda. The timing of the most of the legislative initiatives in land reform (except the one in 1965) corresponds to the periods of rising rural unrest and insurgency activities. Examples of the instrumental political value of reform initiatives include: the need for building as broad an electoral support

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<sup>51</sup> If the landlords and the reform beneficiaries are risk averse, then the ‘optimal reform path’ is no longer unique, and the perpetual nature of land reform is somewhat weakened. But the ‘inertia’ of land reform program still remains, preventing a once-and-for-all land reform.

<sup>52</sup> One of the Horowitz model’s predictions that are not supported by the actual historical record, however, is the pattern of decreasing land-redistribution over time as generated by the model, while the actual land redistribution accomplishment has increased over the last three administrations.

as possible by an opposition Presidential candidate (Magsaysay, Aquino), one of the re-election campaign tactics by an incumbent President (Macapagal), or the need for striking a selective blow at the economic base of political opponents in an attempt to consolidate President's political power under an authoritarian rule (Marcos). Furthermore, the recent game-theoretic model developed by Horowitz (1993) indicates that there may be a systematic tendency in land reform politics where such purely political rationality between the government (mainly controlled by landlords) and the landless is *not* likely to lead to a swift and significant land redistribution, as was observed in East Asia, that will prevent future rural unrest once and for all.

Despite such a pessimistic picture of the general political dynamics of land reform, however, there appear to be some new developments in land reform dynamics at the level of local implementation. Recent experiences during the period of the Ramos administration indicate that the involvement by people's organizations and the effective linkages among beneficiaries, people's organizations, NGOs at local and national levels and the land reform administrators have a potential of forging a political force counteracting the strong resistance by landlords against land redistribution, which has traditionally constrained sweeping implementation of even modest redistributive land reform codes legislated in the past.

### **3. Major Economic Issues in Land Reform**

In this section, we will depart from the politics of land reform and will focus on major economic issues involved in the land reform policy making. There are two major economic issues involved in the Philippine land reform; one has to do with the conversion of share tenancy into fixed-rent leasehold, and the other has to do with economic rationale for land re-distribution in terms of improving efficiency in agricultural production.

#### **3-1. Tenancy Reform**

As we saw in section one, the conversion of share tenancy into fixed-rent leasehold was introduced in the 1963 Code under the Macapagal administration. Much of the thrust in the Congressional debate indicates that the major rationale for the prohibition of share tenancy was the perceived inefficiency of the share tenancy contract. (e. g., Hayami, *et al.* 1990, Takigawa 1976) Many of the economists of the time appeared to share such 'Marshallian' inefficiency view of share tenancy. (Hayami and Otsuka 1993) Theoretical work during the following three decades, however, has led to a more subtle view of the relative efficiency among alternative contract types suggesting that share tenancy can lead to efficient outcomes under various circumstances. Furthermore, empirical evidence has shown that, at least in the Philippines, there is not much of a difference in efficiency among alternative contract forms in many cases, and that prohibiting share tenancy in the Philippines likely induced inefficient as well as inequitable resource allocation.

#### *Theoretical Reasoning*

The so called ‘Marshallian’ inefficiency view rests on the argument that share tenancy is inefficient due to the ‘agency problem.’ ‘Agency problem’ arises when agricultural workers or tenant farmers face weak incentives to work diligently (or face incentives to shirk) on the farm under the contractual arrangement with their farm operators/landowners. Under share tenancy a portion of the tenant’s marginal products is taken away as share rent and thus the tenant’s labor effort would be less than the optimal level which should occur if he receives full marginal products (i. e., under owner-cultivation or fixed-rent leasehold). If it is possible to monitor the labor effort of the tenant and such monitoring is not highly costly, however, then such inefficiency can be avoided by specifying the optimal labor effort level by the tenant in the contract. (e. g., Cheung 1969) Thus, if landowners are able to observe the labor effort with relatively low cost (as likely to be the case if, for example, the landowner and her/his tenants live in the same community) and if sanction can be enforced onto the tenant when the contract is violated (through, for example, tenant eviction and/or loss of reputation which could preclude the tenant’s future employment prospect within the community), then serious ‘Marshallian inefficiency’ is not likely to arise. It appears that such conditions tended to apply in the rice growing areas in the Philippines where the tenancy reform was mainly targeted. (Hayami and Otsuka 1993) Theoretical arguments suggest that under these circumstances of perfect enforceability of optimal labor input of the tenant/laborer, the optimal level of per hectare yield would be the same under share tenancy, fixed-rent lease or owner cultivation. (For a detailed theoretical discussion, see Hayami and Otsuka 1993: chapter 3-5)

The agency problem arising from the imperfect monitoring of the labor effort of the tenant is a real one, however, and the cost of such monitoring can be quite high in certain circumstances. Even under such conditions, share tenancy can still be seen as an efficient contract form due to missing market phenomena. For example, since markets are usually missing for insurance in the case of crop failure for tenant farmers, share tenancy can be seen as a risk sharing device in such a situation. (e. g., Stiglitz 1974) It has been shown that when tenants are risk-averse share tenancy can be an efficient contract choice.<sup>53</sup> Furthermore, even without such consideration of risk sharing, a somewhat similar logic can apply under the ‘two-way moral hazard’ problem of the costly monitoring of labor services of tenants by landowners *and* the non-enforceability of ‘managerial skills’ provision (e. g., information on new technology and inputs, on market, etc.) from landowners by tenants under the condition where landowners are better equipped with such ‘managerial skills’ (such might be the case especially under rapidly changing circumstances); since fixed-rent leasehold would provide no incentive for landowners to provide their ‘managerial skills’ share tenancy could be an efficient contract form that gives incentives for both the parties to provide their respective production inputs. (Eswaran and Kotowal 1985)

Theoretical development in the literature thus suggests that, whether or not the labor

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<sup>53</sup> In general, when tenants are risk-averse, per hectare yield can be higher or lower under share tenancy than under fixed-rent lease or owner cultivation depending on the size of the elasticity of substitution between labor (work effort) and land (per worker farm size) in the production function. (e. g., Hayami and Otsuka 1993: 49)

monitoring costs are high for landowners, prohibiting share tenancy could lead to inefficient resource allocation in either case. As a result, a strong consensus appears to have emerged among economists that ban on share tenancy is not a desirable policy instrument.

### *Empirical Evidence*

Given the wide variety of theoretical possibilities where share tenancy can lead to efficient or inefficient outcomes, the question of whether share tenancy leads to relatively inefficient outcomes vis-à-vis leasehold or owner cultivation and, if so, the question of the degree of such inefficiency become largely an empirical question. Generally it is not easy to compare the relative productivity under alternative land tenure arrangements (i. e., share tenancy vs. fixed-rent leasehold vs. owner cultivation) due to the difficulties in fully controlling for the various factors, other than the tenurial arrangement, simultaneously affecting productivity. Nevertheless, there have been numerous studies comparing per hectare yields under alternative land tenure arrangements in the Philippines as well as in other countries. As a whole there appears no strong empirical evidence to support the existence of ‘Marshallian inefficiency’ of share tenancy in the Philippines. For example, Mangahas *et al.* (1976) and Hayami and Kikuchi (2000) found no significant yield difference among share tenancy, leasehold or owner cultivation in Nueva Ecija and in Laguna communities, respectively. Agricultural census data collected in the 1950s as well as in the 1960s indicated *higher* per hectare rice yields on share tenancy lands than on owner cultivated lands though the differences were found to be small. (Berry and Cline 1979<sup>54</sup>) Furthermore, Hayami and Otsuka (1993) surveyed some 32 empirical/case- studies, drawn mainly from South and Southeast Asia, and constructed empirical distributions of the yield and input use differences between share tenancy, on the one hand, and fixed-rent leasehold or owner cultivation, on the other. Their overall conclusion is that “on balance, the evidence is stronger to support the hypothesis of equal efficiency between share tenancy and other land-tenure forms.” (Hayami and Otsuka 1993: 98) Carroll (1983), on the other hand, found significantly higher per hectare yields on leasehold farms than on share tenancy farms, but he interprets such difference as the result of the inherent productivity of the farmers self-selecting the leasehold (under PD27) than to the incentive effects of the tenure contract.

In one of the more carefully done statistical analyses on the subject, Shaban (1987) found evidence of significant ‘Marshallian’ inefficiency in input use and output (e. g., 16% difference in per acre outputs) of share tenancy but no significant difference between fixed-rent lease and owner cultivation in Indian villages, after controlling for farmer characteristics, farmer ability and various land quality measures. Hayami and Otsuka (1993: 102) note, however, that such inefficiency found in Shaban (1986)’s study is likely to be the result of not so much the share tenancy per se as of the short-term tenancy contract as a disguised labor-

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<sup>54</sup> As noted by Berry and Cline (1979), it is not clear if such results reflected the productivity differences between share tenancy and owner cultivation, or they were due to some other factors. Nevertheless, one possible explanation offered for the higher yields under share tenancy is that, as indicated by a 1955 survey by the University of the Philippines, the tenant farmers appeared to have better access to capital, perhaps through their landlords’ credit, than did owner cultivators.

employment contract under a specific policy context, viz. the land reform regulation prohibiting long-term lease, and that the result cannot be taken as evidence of 'Marshallian inefficiency' of general share tenancy after all.

A recent study by Foster and Rosenzweig (1994), based on data from Bukidnon province (northern Mindanao) collected in the mid-1980s, directly tested the existence of the 'moral hazard' problem (costly monitoring of hired laborers on farm) by estimating the effects of alternative contract arrangements on the level of work efforts (as measured by the decrease in the body mass index –BMI : weight divided by height squared). They find that farmers spend about 13% more work efforts under owner cultivation, on average, than they do under share tenancy, thereby confirming the significant 'moral hazard' problem involved in hired labor under share tenancy (i. e., 'Marshallian inefficiency'). Although Foster and Rosenzweig (1994) contain no discussion of the social environments of the tenancy contracts in the data area that are important for interpreting their results (c.f. Hayami and Otsuka 1993), according to the description of the data area provided by Bouis and Haddad (1990), the data area is predominantly small holder based (average farm size being 2.6 hectares) with the majority engaged in corn production (255 out of the total 448 households) with prevalent share tenancy (58% of the corn farm households being tenants while 35% being owner farms and the rest being laborers) although a minority of farms (77 out of the total 448) are engaged primarily in sugarcane production with low (fixed rent) tenancy (17% of sugarcane producing households).<sup>55</sup> Thus, the Foster-Rosenzweig's findings appear to be primarily driven by the inefficiency of the small scale share tenants in corn production. Although no discussion is provided about the extent of absentee landlordism, judging from the facts that the area was inhabited by relatively recent immigrants and that the average size of owned farms is small (Bouis and Haddad 1990), the owners of the corn farms cultivated by their share tenants in the sample are likely to have resided in the same or nearby communities as the tenants' own. Therefore, it appears that the Foster and Rosenzweig (1994)'s findings do contradict the Hayami and Otsuka (1993)'s findings on the absence of moral hazard problem in share tenancy (see above)<sup>56</sup>. It is not clear, however, to what extent such degree of labor 'shirking' under share tenancy translates into efficiency losses in production, although Foster and Rosenzweig (1994: 225) argue that "existing empirical evidence on moral hazard, based on directly observed input use, such as labor time, fertilizer, etc., understates the extent of moral hazard." Furthermore, the existence of significant moral hazard in hired labor under share tenancy would not necessarily mean inefficiency of share tenancy contract given other possible functions that share tenancy serves, such as risk sharing or incentive for landowners' provision of managerial skills (see above). Nevertheless, at least in parts of the Philippines that are similar to the Bukidnon data areas (e. g., corn predominates in agricultural production

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<sup>55</sup> Smallholder agriculture in the area was almost exclusively devoted to semisubsistence corn production until the mid-1970s, but the establishment of a sugar mill in 1977 in the area led to a rapid spread of sugarcane production. (Bouis and Haddad 1990)

<sup>56</sup> One major obstacle for drawing this conclusion definitively, however, is the lack of descriptive information on the characteristics of the landlord-tenant relationship (e. g., the degree of paternalism), on which the cost of monitoring tenants' labor effort could very much depend as Hayami and Otsuka point out, in the Bukidnon area.

accompanied by relatively small production of rice and sugarcane), the study suggests a distinct possibility that moral hazard is a real problem, unlike in the areas where Hayami and Otsuka (1993)'s observations were based on. The issue of the 'Marshallian inefficiency' under share tenancy does not yet appear to be quite settled in the empirical literature. On overall balance, however, we might tentatively conclude that "[t]he empirical discussion shows that inefficiencies of share-cropping, measured at the farm level, are not large." (Binswanger, et al. 1995)

### **3-2. Economic Rationales for Land Re-distribution: Farm size and productivity**

Another major economic issue closely related to land reform is the question of whether breaking up large farms into smaller farms would have negative effects on agricultural productivity. For example, during the Congressional debate over CARP concerns were expressed that redistributive land reform, by breaking up plantations where there were significant economies of scale existed, would disrupt agricultural production, and that decline in production of export crops, produced by plantations, would weaken the country's foreign exchange earnings capacity.

Based on theoretical and empirical work in the literature in the last three decades, a rather strong consensus has emerged among economists about the desirability of land redistribution in developing countries where distribution of wealth is highly unequal. Land redistribution is largely seen as improving efficiency as well as equity. Such reasoning is mainly based on the widely-accepted view of the 'inverse relation between firm size and productivity.'

#### *Theoretical Reasoning*<sup>57</sup>

There are various potential sources of economies of scale in agricultural production. They include: (1) lumpy inputs, such as machinery, farm animals and 'management skills'; (2) processing and marketing; (3) credit access and risk diffusion; and (4) occupational choice among farmers. Starting with draft animals for plowing, and later re-enforced by the introduction of modern farm machinery for various farm tasks, such as threshers, tractors, harvesters, etc., a certain minimum size of land is required to make efficient use of these 'lumpy' inputs. Management skills (e. g., making decisions about introducing new technologies and various inputs, such as fertilizers and pesticides) can also be seen as a lumpy input whose cost increases less than proportional to the increase in the firm size.

In addition, for the cases of typical plantation crops, such as sugarcane, banana, oil palm and tea, economies of scale seem to arise in processing or marketing stage. Sugarcane, for example, needs to be crashed within a short period of time after harvest and such processing of sugarcane is a heavily capital intensive operation with strong scale economies.

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<sup>57</sup> Theoretical discussions along the lines similar to the ones presented here can be found in: Banerjee (1999), Berry and Cline (1979), Binswanger, *et al.* (1995), Hayami, *et al.* (1990), Rashid and Quibria (1994).

To take another example, bananas need to be placed into a cold boat within 24 hours of harvest, posing a major challenge of careful coordination, including coordination of harvest timing, arrangement of boats arriving timely and ensuring transportation between harvest point and shipment, which is very difficult to do for a large number of independent small farmers. As a yet another example, careful marketing is said to be required for tea.

Furthermore, credit is one of the important inputs in developing country agriculture partly because of the lack of other inter-temporal markets (such as insurance) to insure against crop failure or price risks, but credit markets are quite thin in rural areas in these countries. Larger farmers tend to have better access to credit than small farmers. This is partly due to the economies of scale in lending –i. e., the transaction costs of providing formal credit in such areas are high and do not increase with loan size, leading to declining unit costs with loan size. Scale economy in credit access can also arise because farmers with larger land ownership tend to have larger political power and such political power may play important role in the allocation of highly rationed resources such as credit. Given the much more limited access to credit among smaller farmers, these farmers may be forced to accumulate assets as a risk diffusing device. This need could make smaller farmers less able to choose efficient (i. e., profit maximizing) asset portfolio than do wealthier farmers who have better access to the markets to diffuse risks (such as credit), a yet another potential source of allocative inefficiency disadvantaging smaller farmers vis-à-vis larger farmers. (Banerjee 1999, Binswanger, *et al.* 1995, etc.)

Finally, the process of occupational choice among farmers could also lead to a tendency of larger farms being more productive than smaller farms. That is, more productive/talented/technologically-savvy farmers would want to work with more land than would less productive farmers. Thus larger farms may tend to be cultivated by more productive farmers. (Banerjee 1999)<sup>58</sup>

On the other hand, however, at least some of the potential sources of economies of scale identified above could be (and have been) mitigated by various institutional innovations. For example, possible scale economies due to lumpy inputs (e. g., draft animals, farm machinery) could be utilized by small-scale farms through rental markets. Similarly, possible advantages of larger farms could be counteracted by smaller farms by the use of contract farming. (see below for empirical examples) These institutional innovations such as rental markets for lumpy inputs and contract farming, however, could potentially involve agency/moral hazard problems. The viability of rental markets for lumpy inputs depends on the importance of maintenance activities required to keep the input function while on rental; since such maintenance (e. g., feeding and other care required) is crucial for the proper functioning of draft animals, for example, it is more difficult for rental markets for draft animals to develop (or if a rental market emerges, the term of rental would tend to be short term, rather than long term, rental) than it is for lumpy inputs that require less maintenance (e.

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<sup>58</sup> Banerjee (1999: 3) notes, however, such increasing return should be smaller in agriculture than in other industries due to relatively slow pace of technological change and relatively smaller importance of talent in production success in agriculture.



g., machine). (Binswanger and Rosenzweig 1986)

Furthermore, a major force counteracting potential sources of scale economies is the ‘agency problem’ contributing to greater *inefficiency* of larger farms. In the present context, agency problem arises because large farms usually require hired labor force while small farms are typically cultivated by family labor; unlike family labor (whose labor effort is easily monitored or who are motivated to work diligently), in order to prevent hired labor force from opportunistic behavior of not working sufficiently hard it is necessary to monitor the work effort of these laborers or tenants. In agriculture, such labor monitoring tends to be costly, leading to relative inefficiency of larger farms, which tend to depend more heavily on hired labor force, vis-à-vis smaller farms, which mainly depends on family labor. Feder (1985) has shown, for example, that the presence of such costly monitoring of hired labor coupled with the limited access to credit (e. g., available credit amount being constrained by the amount of land owned that is used as collateral) can lead to the often observed (see below) ‘inverse’ relationship between farm size and productivity.<sup>59</sup> Thus if such ‘agency problem’ is serious, braking-up large farms into smaller units would enhance overall production efficiency.

In addition, if operators of large farms can choose optimal contract forms<sup>60</sup> then making laborers residual claimants, i. e., making them fixed-rent tenants, would provide maximum incentive to work hard, but it also makes the laborers or tenants bear all the risks as well. If they are (more) risk averse (than large farmers or farm managers) it could be in both parties’ interest to move away from fixed-rent contract to sharing arrangement, leading again to lower work incentive. (*a la* Stiglitz 1974) In such situations, again, land redistribution can enhance overall efficiency if the degree of risk aversion among farm workers/tenants is dependent on wealth.

In a recent paper, however, Banerjee (1999) cautions that there are a few distinct theoretical possibilities where redistributive land reforms may *not* lead to any efficiency gains (or even to negative productivity effects) *despite* the presence of the seemingly ‘inverse relationship’ between farm size and productivity which has been consistently observed in empirical studies from various parts of the world (see below). For example, in the context of the previous paragraph, if the degree of risk aversion among landless laborers or tenants

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<sup>59</sup> Even if monitoring is not very costly, Banerjee (1999) argues that, agency problems leading to greater inefficiency of larger farms relative to smaller ones could also result from the limitation on enforcement. Hired laborers may face weaker incentives to work hard because there is a limit, physically or socially, as to how much poor laborers can be punished when they are found not working diligently enough –taking away too much as punishment from poor laborers could well be counterproductive (thus such a threat of punishment non credible) since such a punishment could render laborers run away or rebel. Alternatively, larger farmers (or managers of large farms) could reward rather than punish laborers in order to provide work incentives but rewarding costs money.

<sup>60</sup> Feder (1985)’s model considers only wage labor as the labor hiring contract in his analysis of possible relationship between farm size and productivity. To what extent land owners can choose contract forms (i.e., among fixed-wage, share tenancy and fixed rent lease) depends on social contexts such as current land reform regulations and the fear of future land reform granting ownership to the ‘tiller.’

depends on the combination of individual heterogeneity and self-selection (i. e., the landless are more risk averse than landowners because the landless are *inherently* risk averse people who self-selected into the position of laborer/tenants since such positions (occupations) need not bear much risks –consequently their attitudes toward risk do not change even if they become richer), rather than due to the fact that the degree of risk aversion is a function of wealth, then land re-distribution will *not* enhance efficiency.<sup>61</sup> More generally, Banerjee (1999)’s discussion suggests that if the observed ‘inverse relationship’ stems solely from some exogenous characteristics of the small farmers or the lands they till, rather than endogenous factors dependent on the fact that the small farmers are relatively asset poor vis-à-vis larger farmers, then land redistribution would not enhance efficiency (though still enhancing equity).

Apart from the ‘agency problem’ and the resultant ‘inverse relation’ between farm size and productivity, another theoretical justification for redistributive land reform is the nutrition-based ‘efficiency wage’ argument.<sup>62</sup> The main argument here is that labor efficiency is affected by income; higher incomes or wealth lead to better nutrition and thus more productive workers. For example, Dasgupta and Ray (1996, 1997) show that assetless laborers or tenants, who are usually at the bottom of the social strata in rural areas, tend to be disadvantaged vis-à-vis laborers or tenants with some assets in rural agricultural labor market<sup>63</sup> since the assetless require higher wages per output than those with some assets to be employable (while performing work requires certain levels of income to obtain minimum amount of food, those with assets can under-cut their wage rates to obtain jobs by supplementing incomes from non-labor asset incomes but the assetless need to obtain all incomes from wage thus making their required wage higher than those with assets<sup>64</sup>); thus assetless laborers/tenants suffer involuntary unemployment and malnutrition. If those assetless are malnourished, according to this model, redistribution of asset (land) from landlords (who do not enter into agricultural labor market) to the landless would lead not only to reduction of malnutrition and of poverty but also to higher overall outputs through the increased productivity of the impoverished. (Dasgupta and Ray 1987, Dasgupta 1993) Moene (1992)’s model builds on Dasgupta and Ray (1986, 1987) to include urban sector and examine further the relationship between the amount of total land endowment and effects of land reform; model shows, among others, that in a highly land scarce society redistributive land reform reduces poverty in both rural and urban areas (while in relatively more land

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<sup>61</sup> Another possibility cited is that small farms may tend to be better land; they may be ‘better,’ for example, in the sense of being safer lands where crop failure is less likely and smaller farmers likely place high premium on such safety than larger farmers. In this case, if higher productivity of smaller farmers is solely due to *exogenous* land quality (rather than *endogenous* land investments or improvements which depend on incentives faced by the tenants), again re-distributive land reform would have no incentive/productivity effects.

<sup>62</sup> Early references to this line of literature include: Leibenstein (1957), Mirrlees (1975), Stiglitz (1976), Bliss and Stern (1978). Rosenzweig (1988) is an early critique, mainly on empirical grounds (see below).

<sup>63</sup> The focus of attention here is the markets for casual agricultural labor in rural areas on which most of the poorest depend on for their livelihood and which are more or less competitive.

<sup>64</sup> In other words, the wage level at which the landless can be productive enough (i. e., the level of their ‘efficiency wage’) is higher than the ‘efficiency wage’ level of the potential laborers with some assets, which makes the landless less attractive candidates for employee from potential employers’ point of view.

abundant society such is not necessarily the case), and that redistributive land reform always increase aggregate agricultural production while urban-modern sector production could decline in certain circumstances. Both of these theoretical models generally<sup>65</sup> support the view that land reform enhances both equity and efficiency.

### *Empirical Evidence*

In this sub-section, we will briefly review empirical evidence on the relative productivity of large versus small farms, as well as on the nutrition-based ‘efficiency wage theory’ that justifies redistributive land reform. If smaller farms are more efficient or more productive than larger farms then redistributive land reform is likely to lead to both better efficiency and better equity with a possible exception of the case of agency problem arising from *exogenous*, rather than endogenous, risk averse behavior among laborers/tenants. Whether that is really the case is an empirical question.

Like the empirical studies on the relative efficiency of alternative land tenancy contract arrangements, investigating the effects of farm size on productivity is complicated by the difficulties in controlling fully for all the other factors, other than the farm size, simultaneously affecting productivity. Indeed, despite the large number of empirical studies found in the literature, none appears to be successful in controlling for all those factors. (Binswanger, *et al.* 1995) Nevertheless, it has long been recognized in the empirical literature that small family operated farms tend to yield larger amount of production per hectare than do larger farms. In one of the well known studies, for example, Berry and Cline (1979) find with their cross-country analysis that land tends to be used more intensively on smaller farms than on larger farms with such differentials relatively more pronounced in land abundant countries. Based on micro data from six developing countries (i. e., Brazil, Colombia, the Philippines, Pakistan, India and Malaysia) Berry and Cline (1979) also find consistently negative relationship between farm size and per hectare yields. A recent literature review by Binswanger, *et al.* (1995) similarly argue that three of the more carefully controlled empirical studies from Malaysia and Brazil in Berry and Cline (1979) and from India by Rosenzweig and Binswanger (1993) all found negative relationship between farm size and profit per unit wealth, and conclude that “even in fairly technologically advanced and mechanized areas . . . small farms retain a productivity advantage over large farms” suggesting “that rental markets can substitute to a certain degree for the indivisibility of machines and some management skills.” (Binwanger, *et al.* 1995: 2706)<sup>66</sup>

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<sup>65</sup> A main point of these theoretical exercises is to investigate specific conditions which may or may not prevent such outcomes.

<sup>66</sup> Additional generalizations based on their review of empirical literature include: (1) the relative productivity advantage of smaller farms tends to be larger where land holding inequalities are larger and also in land-abundant countries, such as in Latin America and Africa, (2) the highest per unit areas is often observed not on the smallest farms (who tend to be part-time farmers) but on the second-smallest farm size class (where full-time farmers prevail), (3) some plantation crops, represented by sugarcane in Brazil do not indicate negative farm-size productivity relationship, (4) when land quality is controlled for the relative productivity advantage of smaller farms weakens but does not disappear, and (5) introduction of green revolution technology in India led to weakening but not the disappearance of raw productivity differentials.

More specifically on the Philippines, the 1960 agricultural census data indicate that at the national aggregate level per hectare yield tends to decline as farm size increases. Based on crop by crop comparisons, however, per hectare yields do not vary much across farm sizes in producing rice, sugar cane, coconuts and corn, although there appeared to be slight negative relations in rice and coconut, and slight positive relations in sugar cane and corn, between farm size and per hectare yield. (Berry and Cline 1979: chapter 4) The 1980 agricultural census also showed generally similar patterns of little systematic relationship between farm size and productivity. (Hayami, *et al.* 1990) Per hectare rice yields were similar across farm sizes although they were slightly higher on very small farms (those below 1 hectare, with per hectare yields between 2.4 and 2.6 tons) than among slightly larger-small farms (those with 1 hectare or larger with per hectare yields between 1.9 and 2.2). Even among the typical cash crops which are traditionally major earners of foreign exchanges, and for whose lands redistributive land reform had long been exempted prior to the 1988 CARP due to the alleged existence of scale economy, there does not appear to exist strong evidence supporting economies of scale in production. For example, per tree coconut yields do not appear to vary much across farm sizes although the farm size of the 2 to 3 hectare range has slightly higher yields than do farms of below or above this range. Based on this and other evidence including their own field observations, Hayami, *et al.* (1990) conclude that there is no support for the existence of scale economies in coconut production, as does Habito (1988). Hayami, *et al.* (1990) and Habito (1988) also note the higher intensity in intercropping on the coconut lands by smaller farmers than by larger farmers, indicating the higher per hectare agricultural output (including coconuts and other crops that are intercropped) on smaller coconut farms than on larger farms.

On the other hand, per hectare sugar yields do tend to be moderately higher on larger farms than on smaller farms but per hectare production costs also tend to be higher on larger farms than on smaller farms.<sup>67</sup> (Hayami, *et al.* 1990) Such patterns appear to reflect, according to Hayami, *et al.* (1990), the fact that yield-increasing modern inputs were used on larger farms beyond socially optimal level, which in turn is a result of their preferential access to subsidized credit. If such an interpretation is warranted then, despite the seemingly existent scale economy in the per hectare yield data, subdivision of large scale sugar farms into small family sized farms is likely to lead to more efficient input use in sugar production. Furthermore, Hayami, *et al.* (1990) note some examples of institutional development to circumvent potential scale economies due to lumpy inputs (e. g., tractor use) or coordination between growers and processing (e. g., in sugar) in some parts of the Philippines; for example, rental markets for large tractors (markets for custom-plowing services) were observed in sugar areas in Batangas and Bukidnon where both small and large sugar plantations coexist<sup>68</sup>, and

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<sup>67</sup> A small household data set taken from small/medium holder communities in Bukidnon province also indicates somewhat higher sugar yields on relatively larger farms (above 2 hectares) than on smaller farms. (Bouis and Haddad 1990)

<sup>68</sup> Hayami, *et al.* (1995) noted the possible economies of scale in sugarcane production up to 50 hectare due to the use of a large tractor for deep plowing as expressed by many planters and technicians during their field interviews in Negros, but argue that such potential source of scale economy can be counteracted for

an example is found of successful coordination of sugarcane delivery scheduling between a sugar mill and small scale sugar planters in Batangas. (Hayami, *et al.* 1990: Chapter 6)

Nor is there much evidence of scale economy in typical plantation crops, which are often operated by large multinational firms. According to the data reported in Tsurumi (1982: its original source is David 1981), for example, under the management of the same multinational corporation the average per hectare yield of banana was higher among small scale contract farms (average farm size being 7 hectares) than among the large-scale corporate plantations (size ranging between 500 and 1000 hectares). Similarly, per hectare yield comparisons for pineapples (between small farms and corporate plantations) indicate no significant difference across farm sizes. (Hayami, *et al.* 1990: chapter 6) Hayami, *et al.* (1990: 144) add, however, that “[u]nder the prevailing set-up, the need for precision in production control and coordination to meet the demands of marketing/processing operations appears to be so great for banana and pineapple that the cost of coordination and supervision of a large number of small contract growers appears to be greater than that of a centrally managed wage laborers.”

Furthermore, a longitudinal micro study in a Laguna village during the period between the 1970s and the 1980s also show no significant yield differentials in rice production across farm sizes. (Hayami and Kikuchi 2000<sup>69</sup>) In addition, Umehara (1997) finds in a Nueva Ecija rice village that larger land holders in the community (meaning the Marcos land reform beneficiaries, who were mostly CLT holders) tended to rent out a part of their land; this also indicate the lack of any scale economy in the rice bowl. The household data taken from the Bukidnon province in the mid-1980s also appear to indicate little relationship between corn yields and farm size. (Bouis and Haddad 1990) Thus, on the whole, strong support for the ‘inverse relation’ between the farm size and productivity is not found in the Philippines. Rather, there does not appear to be any strong systematic relationship between farm size and productivity (with a possible exception of sugar production). This indicate that redistributive land reform is not likely to result in any loss in total production, including the plantation sectors where substantial economies of scale are often said to exist. We should note, however, that none of the empirical studies from the Philippines comes close to the ideal study with appropriate measures of productivity and with appropriate control variables, as discussed in Binswanger, *et al.* (1995).

Apart from the possible scale diseconomies observed in larger farms, another distinct argument for land redistribution is based on the nutrition-based ‘efficiency wage’ theory as we saw above. According to this argument, if household access to land affects labor productivity of its members through their nutritional status, this provides an additional case

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smaller farms once rental markets for tractor services develop.

<sup>69</sup> Hayami and Kikuchi (2000) do find a significant yield differential between larger (2 hectares and above) and smaller farms in their 1995 data in the same village; the emergence of such differential is attributed to the faster utilization of privately-owned pump irrigation by larger farmers than by smaller farms in response to the degradation in the national irrigation system. As access to pump irrigation spreads, via private ownership or via the development of rental market, however, such yield differential is likely to diminish.

for land redistribution which enhances both efficiency and equity. One crucial proposition in this theory is that wealth holding and nutritional status affect productivity. Empirical results (and the interpretations of them) on this subject in the literature have been somewhat controversial, partly due to various technical and data issues. While Rosenzweig (1988: 720) concluded, based on an early set of empirical evidence, that “it is unclear if the [nutrition-based efficiency wage] model has any relevance to any known population on this planet,” more recent reviews of the literature indicate that there has increasingly been an accumulation of evidence from more recent studies that nutritional and health status is significantly associated with higher labor productivity. (e. g., see Strauss and Thomas 1995) For example, data from Bukidnon province in the Philippines, where many of the workers are sugarcane cutters, show that the nutritional status or calorie intake has significant effects on market wages. (Haddad and Bouis 1991; Foster and Rosenzweig 1992, 1994) To the extent such evidence support the efficiency-wage argument land re-distribution is likely to raise productivity among the poor landless laborers or tenants.

### **3-3. Conclusions on the Economics of Land Reform**

In this section we have discussed some major economic issues involved in land reform policies. A major component of explaining both the potential ‘Marshallian’ inefficiency of share tenancy and the potential ‘inverse relationship’ between farm size and productivity is the higher supervision costs of the hired labor/tenants as opposed to the family labor. However, the empirical literature has tended to suggest that such higher supervision costs of hired labor/tenants is not generally very serious in the Philippines, except in the plantation sector, although the issue does not appear to be quite settled (e. g., the evidence from Foster and Rosenzweig 1994 to the contrary). There has been relatively little evidence of either inefficiency of share tenancy or of systematic inverse relationship between farm size and productivity in the Philippines, in contrast with South Asia. This, in turn, suggests that prohibiting share tenancy has no efficiency gains while it likely had negative equity effects.

Furthermore, it also follows that not much efficiency gains can be expected from land redistribution per se in the Philippines either, unlike in the areas where much stronger inverse relation between farm size and productivity has been observed. It appears rather unlikely that the redistributive land reform under PD27, which had substantial income redistribution effects in some geographically limited areas in Central and Southern Luzon, was a major factor with the increase in the rice production observed in the 1970s. The lack of strong systematic relationship between farm size and productivity in the Philippines also suggests that much efficiency loss is not likely to arise from redistributive land reform even in the traditionally more controversial plantation/cash crop sectors. In the Philippines, therefore, redistributive land reform can be seen mainly as a policy instrument for equitable asset distribution and rural poverty reduction, but, perhaps, not so much as a policy for increased production in agriculture.

### **4. Alternative Land Reform Designs**

The foregoing discussion on the politics and economics of land reform leads to the question: what should the government do (or not do)? This section reviews recent policy debates on designing land reform programs. The main policy questions arising in the Philippine context include: (1) Is tenancy regulation desirable?; (2) Is redistributive land reform desirable?; (3) And if redistribution is desirable, how should the government design policies to facilitate land redistribution that benefits the rural poor?

#### **4-1. A Strong Consensus on the Negative Effects of Tenancy Regulation**

There is a strong consensus among economists that regulating tenancy, such as the prohibition of share tenancy under the Philippine agrarian reform code, likely has negative efficiency and negative equity implications. Theoretical arguments suggest that share tenancy can be an important device for risk sharing between landowners and tenants or for working capital finance (if share tenancy entails cost sharing, as is often the case) under the condition of market imperfection in insurance and credit. Generally, there has been relatively little empirical evidence to support the existence of so called ‘Marshallian inefficiency’ of share tenancy although the literature does not seem conclusive. Furthermore, tenancy regulation could limit the access to land by landless laborers by way of becoming tenant farmers (i. e., via agricultural ladder). It also reduced land access by former tenant farmers by providing incentives for landowners to evict their tenants and to engage in (likely inefficient) direct farming coupled with long-term wage laborer arrangements. More generally, as Binswanger *et al.* (1995) conclude, “[t]he empirical evidence suggests that government interventions into ... [tenancy and sharecropping] ... have had little success in achieving their stated objective of protecting tenants, which is hardly surprising given the market imperfections leading to the emergence of share tenancy.” Economists thus agree, in discussing alternative land reform designs, that the tenancy regulation prohibiting the share tenancy contract should be abolished. (Banerjee 1999, Balisacan 1990, Hayami, *et al.* 1990, Hayami and Kikuchi 1982, 2000, Hayami and Otsuka 1993, Lipton 1990, Binswanger, *et al.* 1995, Rashid and Quibria 1995)

#### **4-2. On Land Redistribution: Alternative Policy Options**

Given the ineffectiveness or undesirability of tenancy regulation, it follows, the efficiency and equity objectives of land reform could better be addressed through land redistribution rather than tenancy reform. “Historically,” argue Binswanger *et al.* (1995), “land reform that resulted in establishing owner-operated farms appears to have been a far more successful way of addressing the equity question.” As we saw above, there is a strong theoretical as well as empirical case for land redistribution for both potential efficiency as well as apparent equity gains although the efficiency gains may be somewhat limited in the Philippine context.

Generally, ‘[o]perating on their own, land sales markets are notably thin, segmented, and exclusionary of the poor. . . Indeed, land markets have failed to autonomously allocate land to smallholders in spite of the presumed inverse relation. . . . Special interventions are

consequently needed if the rural poor are to participate to [sic] these markets.’ (de Janvry *et. al.* 1998) The question is how such interventions can best be designed. While most discussions in the literature on land reform by economists note, as we did in the previous section, that land redistribution is desirable in principle, on both theoretical and empirical grounds, there is yet to emerge a clear consensus on how best to design the policies to implement land redistribution.

*a. Is land reform the best way of re-distributing wealth?*

Despite the near unanimity on the desirability of asset redistribution for both efficiency and equity grounds, some economists wonder whether *land* redistribution is the best means of redistribution. Theories supporting the efficiency gains from wealth distribution support any kind of asset distribution, not necessarily land. In theory, the government could expropriate lands, sell them and distribute the proceeds to the beneficiaries, which economists would tend to prefer (to distributing land) because the beneficiaries then have a choice of purchasing land as well as other alternatives which they might prefer. Extending along this line of argument, Rashid and Quibria (1995)’s detailed survey concludes that “land reform is *pas*se” due mainly to political and administrative difficulties involved despite the strong economic rationale on both equity and efficiency grounds (to which the authors very much agree<sup>70</sup>); summarizing their argument, Rashid and Quibria (1995: 129) note that “[i]f a State is too weak to enforce justice and legislate appropriate taxes, it is too weak to enact effective land reform; if a State is strong enough to uphold the law and enforce its taxes, it can achieve all the goals claimed for land reform through other, less interventionist, means.”

The case for land redistribution rather than redistributing money could be made (only) if all the poor landless would want to buy land even if given the option of investing in something else with the same amount of money, in which case redistributing land saves transactions costs compared to the case where expropriating lands, selling it, distributing the money and then buying back the lands by the beneficiaries; not much appears to be known, however, whether such is the case. (Banerjee 1999) Nevertheless, some would argue that rural poor would prefer acquiring land to any other alternative investment, given the perception of many Filipino peasants that land “is more than an economic factor of production, but is also an integral part of the social, cultural and political being of peasants.” (Borras 1999: 137) In addition, recent both theoretical and empirical literature on intra-household resource allocation indicates that the household head does not necessarily act in the collective interest of the household; if there are conflicts of interests within the household or between the current and future generations, then “the goal of redistribution may be better served by giving the family an asset rather than money” thereby preventing a husband “from decamping with the money, leaving his wife and children.” (Banerjee, 1999: 15-16)

Also land reform implementation requires administrative costs as well as state

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<sup>70</sup> Rashid and Quibria (1995) do caution, however, that in the realm of the economics of land reform the yet-largely-unexplored issues involved in the effects of land reform on gender and environmental issues “can turn out to be a serious lacuna.”



subsidy that fills the gap between the landowner compensation and the beneficiaries' amortization (the effective subsidy rate under CARP has been said to be roughly 10% — Borras 1999), which must be provided by fiscal resources. Unfortunately relatively little is known in the existing empirical literature on the relative returns (in terms of, say, poverty reduction) on government investment in alternative activities between land redistribution and other investment, such as infrastructure, or other services for the poor, such as education and health. (Banerjee 1999) One study that attempts to address this question (albeit in a somewhat limited way) is Balisacan and Bacawag (1995) who caution against diverting fiscal resources from infrastructure development and education toward land reform administration; based on household-level earnings function (control variables at the household-level include age, sex and education of household head, household size and the number of household members employed, but not land holding) regression they find that effects of reducing the regional-level average inequality in landholdings down to the national average in the areas where land distribution is highly skewed has relatively little impact on household income while improving access to road and electricity in under-served regions up to the level of the national mean has a larger impact on household income.<sup>71</sup> They also find that improving access to education up to high school level has a large impact.<sup>72</sup>

#### *b. Social costs of delayed reform*

Despite some skepticism about the cost-effectiveness of administering land redistribution, however, one additional argument for land reform could be the social costs of delayed reform. Given the nature of land as the 'integral part of socio, cultural and political being' as perceived by Filipino peasants, it is likely that the demand for *land* redistribution is likely to continue to be quite high in rural areas. As the Philippine history shows the social costs of the un-satisfied demand for land redistribution, seen as social justice, is likely to be high, manifesting through various levels of violence. Such consideration thus could provide a justification for land redistribution in the current Philippine context. More generally, many analysts emphasize the important role of peasant discontent in incidents of regional and national violence, and "[i]n many countries, protracted and violent struggles have significantly reduced the performance of the agricultural sector and the economy as a whole." (Binswanger, *et al.* 1995: 2691)

#### *c. Land re-distribution is not enough*

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<sup>71</sup> The authors note a few potential caveats, however, such as the somewhat limited geographical coverage (17% of total farm area in 6 out of 12 agricultural regions is covered in the simulation) and its partial equilibrium nature (e. g., effects of inter-regional labor migration implied by the simulated land re-distribution is not taken into account). Furthermore, since the earnings equations are estimated with cross-section data, if policy variables (e. g., regional allocation of electricity, roads and farm size distribution) are endogenous with respect to household income, then the estimated impact of policies on household earnings could be biased. (See, for example, Binswanger, *et al.* 1993, for this line of argument and for a methodology for overcoming such a potential problem.)

<sup>72</sup> In the household earnings function, education of household head is controlled at the household level while the effects of farm size is controlled by the regional average (but not at the household-level). It is thus not clear whether policy impacts are directly comparable between the two.

All advocates of redistributive land reform, however, agree that simply redistributing lands to the landless poor would not achieve equity nor efficiency objectives of land reform. The ultimate achievement of land reform program would not be so much land redistribution per se as enabling reform beneficiaries to become “competitive in the context of liberalized markets and a sharply reduced role of the state.” (de Janvry, *et al.* 1999: 14) Thus additional measures are needed to ensure that small family farms constitute a stable class and that lands not be re-consolidated into large landholdings, as has sometimes happened historically. Most observers agree that one of the most important of such additional measures is the elimination of distortionary government interventions favoring larger farms vis-à-vis small farms, *prior to* land redistribution. These distortionary interventions include taxes, output and input subsidies and subsidized credit schemes which larger landowners tend to have disproportional access. More specifically in the Philippine context, argues Balisacan (1996), the high import protection for sugar producers and the so-called ‘safety nets’ intended to cushion the impact of the GATT ratification on agriculture (including concessional credit, output support prices, post-harvest facilities and subsidies to cooperatives) fall into such distortionary interventions. Such distortions make land values for large owners to be higher than the discounted sum of agricultural profits. With such distortions, after land redistribution small farmers are likely to have an incentive to sell out their newly acquired lands to larger farmers.

Another policy measure to complement land redistribution is to ensure access to complementary inputs and to output markets by reform beneficiaries. Making appropriate institutional arrangements would be needed for extension services, credit and markets. (Binswanger, *et al.* 1995) Furthermore, a few others advocate a progressive land tax as one of the effective measures of discouraging possible land re-consolidation. (Hayami, *et al.* 1990, Otsuka 1996; see below for more on land taxation) In addition, a longitudinal study from Northern Luzon village shows that access to education is one of the major determinants of social mobility between the small-farmer and the landless classes, thereby indicating that educational investment could be another additional measure to ensure the stability of the reform beneficiaries. (Fuwa 1999)

#### *d. Retention limits and restrictions on land sales*

Measures often used to ensure the stability of reform beneficiaries and to prevent the re-consolidation of lands by large landowners include the ban on land sales by the reform beneficiaries and landholding retention limits. CARP prohibits sale or transfer of lands by reform beneficiaries for a period of 10 years except through hereditary succession or except for sales to the government, to the Land Bank of the Philippines or to other qualified reform beneficiaries. It has been estimated, however, that about 30% of farmer beneficiaries have engaged in currently ‘illegal’ land sales. (Garilao: 1998: 33, 39) Also under CARP landholding retention limits were set at 5 hectares (plus 3 hectares for each child of the landowner provided the child is at least 15 years old and is actually tilling the land or directly

managing it) for landowners<sup>73</sup> and at 3 hectares for the reform beneficiaries.

There appears to be a broad consensus that crop-specific retention limits (e. g., PD27's retention limits on rice and corn lands) or retention limits based on the organization of farm (e. g., exemptions for commercial farms under CARP, or reform coverage of only tenanted farms under PD27) are distortionary and thus should be avoided. (e. g., Banerjee 1999, Binswanger, *et al.* 1995, Hayami, *et al.* 1990) To the extent a retention limit is desirable such limit should be applied uniformly regardless of crop types or of farm organization. Furthermore, the major role played by retention limits in preventing new land (re-)consolidation in the 'successful' land reforms in the past, such as in Japan and in Korea, has been recognized. (Binswanger, *et al.* 1995)

Desirability (or undesirability) of restrictions on land sales for the reform beneficiaries, on the other hand, appears much less straightforward, and no clear-cut answer seems to exist. To the extent the 'negotiated' land reform schemes (see next subsection) can self-select farmer beneficiaries who are more likely to be viable/competitive farmers, potentials for land sales after redistribution could be mitigated by use of such mode of redistribution. However, some fundamental issues still remain. On the one hand, the non-transferability of land diminishes collateral value of the land and thus restricts severely the critically needed access to credit by the reform beneficiaries. (Geron 1994 for empirical evidence) Such limited access to credit, as combined with land rental regulation, has sometimes led to sub-optimal land rental or labor contracts as a partial substitute for credit. (Binswanger, *et al.* 1995, Hayami and Otsuka 1993) In addition, ban on land sales could also limit potentially efficiency-enhancing land redistribution—such as potentially more talented farmers taking up farming— or could limit land sales for consumption smoothing; talented farmers, however, can obtain and expand farm operation by renting or leasing if land rental markets are de-regulated, which most observers advocate,<sup>74</sup> and, to the extent the beneficiaries may need to sell parts of their land for consumption-smoothing purposes, ban on land sales could be complemented with emergency income assistance, such as a food-for-work program. (Banerjee 1999)

On the positive side, on the other hand, ban on land sales could be desirable in the early years after redistribution if land markets are thin and accurate information is not available on the expected stream of incomes from the land; Binswanger, *et al.* (1995) argue, for example, that a temporary ban on land sales of up to three to four years would be

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<sup>73</sup> Landowners whose lands were previously covered under PD27 and homestead grantees (or their direct compulsory heirs) were allowed to retain their original 7 hectare and 24 hectare retention limits, respectively.

<sup>74</sup> The issue could still remain that, to the extent land renting is less secure claim on land than full-ownership (otherwise ban on land sales would have no effect in the first place), investment in land by such talented tenants would be discouraged. Such negative effects, argues Banerjee (1999), can be mitigated somewhat by making it easier, through publicly funded research on agricultural technology, better extension services, infrastructure investments and improved credit access, for land owners to make necessary investments.

reasonable. Such is not generally the case, however, in the 'land-to-the tiller' reform (e. g., PD27) since the current 'tillers' (tenants) are likely to be reasonably familiar with the productive values of their land.

In addition, a major advantage of a 'permanent reform' by restricting land sales could be that it reduces uncertainty; once there is one reform there can always arise a social pressure for another one, which is always costly (politically, fiscally, and administratively), if the land distribution reverts to being too unequal again, and this would provide disincentive to investing in lands. Such argument thus becomes a justification for some kind of restriction on land sales. (Banerjee 1999) In this regard, removing any distortions encouraging the tendency for land re-consolidation would become all the more critical. Nevertheless, to what extent such measures could eliminate the possible future pressures for redistribution is not clear.

#### *e. Alternative modes of land redistribution*

Traditionally redistributive land reform programs have mostly been 'state-led' in the sense that state initiates land redistribution by expropriating and distributing private lands or by resettlement on public lands. State-led land reform in the post-World War II period resulted in swift and substantial land re-distribution, effectively eliminating landlordism and establishing small-scale owner family farms, in Japan, South Korea and Taiwan. However, it has become increasingly understood that such successful results of state-led land reform were partially attributable to special socio-political circumstances (e. g., occupation by the U. S. forces in the case of Japan) that cannot be replicated in many other currently developing countries including the Philippines. (Balisacan 1990, Hayami, *et al.* 1990, Putzel 1992, Rashid and Quibria 1995) As we saw in section one, the record of state-led land reform legislation and its implementation in the Philippines has been an extremely slow process filled with cases of resistance, evasion and corruption. Similarly in Latin America, the sixty-year history of state-led land reforms has still left the fundamental aims of the land reform, i. e., providing land access to rural poor and rendering reform beneficiaries competitive in the market place, incomplete. (de Janvry, *et al.* 1999)

Such disappointing results of the state-led land reforms worldwide have led many to search for alternative land reform designs. Such alternative approaches to state-led land redistribution, according to de Janvry, *et al.* (1999), can be grouped into two categories: 'negotiated' (also known as 'market-assisted' or 'market-based'), on the one hand, and 'grassroots initiated,' on the other. One of the most notable examples of the 'grassroots-initiated' land reform can be found in Brazil. Over its 15 year history, the Rural Landless Workers' Movement (MST), a grassroots organization (GRO), "has helped to establish more than 1,100 land reform settlements by mobilizing approximately 145,000 families to occupy unproductive land and pressuring the government to negotiate for title to the property." (de Janvry, *et al.* 1999: 13) De Janvry, *et al.* (1999) note that the 'success' of the MST in Brazil is a rather special case and do not foresee its replication even in other relatively land abundant Latin American countries. While in the Philippines somewhat similar attempts for land

redistribution initiated by organized land occupation emerged during the initial years of the Aquino administration even their very limited ‘success’ was largely due to the rather special socio-political circumstances after the fall of the Marcos dictatorship (Kirkvliet 1993), and these attempts were never viable alternative land reform operation. Nevertheless, the success of Brazil’s MST, as well as the recent experiences in land reform implementation in the Philippines, does underline the importance of grass-roots mobilization/initiatives and of the appropriate state-society coordination/linkages at both local and national levels, and thus should be taken into account when searching for an alternative land reform design. (Borras 1999, de Janvry, *et al.* 1999)

In the rest of this subsection, we will review recent discussions on ‘negotiated’ land reform as an alternative to the state-led land reform. In response to the disappointing records of traditional state-led land reform programs, ‘negotiated’ land reform programs have been experimented in recent years in Colombia, Guatemala, Brazil and South Africa. The specific contexts triggering the introduction of these ‘negotiated’ land reform programs differ among countries. While in Colombia the loss of the traditional source of finance for the country’s land reform agency (INCORA), as well as the nearly 35 years of unsatisfactory achievements of the state-led reform programs under INCORA, resulted in the new reform experiments, the search for an administratively cheap and quick implementation scheme at state level led to a market assisted pilot scheme in Brazil. In South Africa, on the other hand, the main reasons for its pilot schemes utilizing negotiated reform were the felt need to maintain public confidence in land markets and respect for property rights. (Deininger 1999)

Nevertheless, there are a few basic features that are common among different country programs (Banerjee 1999; Deininger 1999; de Janvry, *et al.* 1999):

- (1) Land transfer is voluntary and demand-driven; beneficiaries are self-selected (except for the Colombian case) and desirable lands are identified by the beneficiaries, with the assistance of grass-roots organizations, peasant organizations and NGOs, and land purchases are ‘negotiated’ between buyer and seller with government mediation.
- (2) As a consequence, no target is set *a priori* for the type of lands, the number of beneficiaries, the amount of lands to be transferred, or a time frame.
- (3) In order to ensure economic viability of the reform beneficiary farms, some of these programs require the selection of beneficiaries based on ‘productive projects’ or ‘farm plan’ (outlining crops grown, input requirements, and complementary investments) *before* acquiring lands.
- (4) The major roles of the government are to help determine appropriate land price, to provide subsidy to the landless beneficiaries for land purchase, and to provide various support services to beneficiaries so their farms become economically viable.

Such basic design features of the ‘negotiated’ land reform appear to have a few major advantages. Perhaps the key feature of these ‘negotiated’ reform experiments concerns its reliance on local information and local initiatives for beneficiary identification and technical assistance. One major constraint on the state-led reform programs has been the fact that government is often ill-equipped to acquire critical local information such as potentially

successful beneficiaries, lands suitable for redistribution and necessary assistance that reform beneficiaries might need in order to establish viable and competitive farm operations. Being demand-driven, ‘negotiated’ land reform schemes address the problem of such information asymmetry between the government and reform beneficiaries by leaving the identification of beneficiaries and lands to the beneficiary self-selection, thereby leading to better targeting in terms of economic viability and competitiveness of beneficiaries. Furthermore, ‘negotiated’ reform schemes tap local information by facilitating involvement of NGO/PO/GRO, which have better access to local information (esp. the local needs of the beneficiaries), in land redistribution and provision of support services. Also, the requirements of drawing up a productive project /farm plan for potential beneficiaries before land acquisition, as is done in the Colombian case, likely enhance the identification of beneficiaries more likely to be successful. It is less clear, however, to what extent such a scheme can well target the poorest population. The role of NGO/PO/GROs in encouraging and assisting the participation by the poor is likely to be crucial for greater equity.

Secondly, since buyers and sellers negotiate directly, reform beneficiaries (buyers) are likely to have better incentives to negotiate for lower prices than would the land reform bureaucracy (such as DAR). Given the many scandals and other cases of abuse involving the Voluntary Offer to Sell (VOS) program under CARP, this feature could potentially be a major improvement vis-à-vis the state-led reform programs, where state officials who negotiate the price with the landowners are likely to have less incentive to price down lands than the beneficiaries who would have to pay themselves. Since direct ‘negotiation’ between sellers (i. e., landlords) and buyers (i. e., landless tenants/ laborers) could entail massive power asymmetry, organization and mobilization of the potential beneficiaries, with assistance of local and national-level NGOs, would become a key to successful reform implementation.

Finally, the feature that no specific type of lands nor any specific time table needs to be specified *a priori* might somewhat ease/bypass the traditionally fierce political opposition by landowners against reform legislation. The historical experiences in the political processes of land reform legislation in the Philippines indicate that the tactical moves made by landowners have often been to focus on precisely these aspects of reform programs without opposing the basic principles of land redistribution per se. Main results of these landowner tactics have been specific ‘loopholes’ inserted into the law, often with negative consequences for both equity and efficiency (as we have seen earlier), as well as the long delay in the legislative processes while those specifics are debated among legislators. Therefore, the vagueness on targeted lands, on beneficiary and on time table of the ‘negotiated’ reform may make it easier to set the basic legal framework of land reform.

Beyond these common features, however, are the differences in design of the ‘negotiated’ land redistribution among different country experiments. For example, in terms of beneficiary selection, income ceiling for eligibility is imposed on the self-selected beneficiaries in South Africa, while in Brazil beneficiaries, though self-selected, are required to obtain state clearance on price and land title. In the Colombian scheme, while the final selection of the beneficiaries is based on the productive projects proposed by potential

beneficiaries, there is also an additional INCORA involvement in requiring potential beneficiaries to register with their information on reported income, asset, education, etc., which in turn is used for their pre-qualification. Lands to be ‘negotiated’ are identified by the individual beneficiaries under the Colombian scheme while they are identified by the community in the Brazilian and South African cases.

Furthermore, a major difference observed among different ‘negotiated’ reform schemes is the degree and mode of government subsidy for land purchase. The Colombian scheme provides a grant of 70% of land value (with a ceiling of US\$22,000 per beneficiary); a flat subsidy of US\$ 1,600 is given in Guatemala; maximum grant of US\$3,300 is provided under the South African scheme. In the Brazilian case, considerably subsidized bank finance is available but no grant is provided. (de Janvry, *et al.* 1999, Deininger 1999) It appears that the level of state subsidy has been set in specific country contexts (e. g, in conjunction with the pre-existing land reform scheme) and it is not clear what principles should guide how its level is set. In the Philippines, one DAR estimate notes that 10% to 15% of land purchase amount is subsidized. (Borras 1999) Given the relatively high rate of delinquency in amortization payment among PD27 beneficiaries the effective subsidy rate is likely to be higher.<sup>75</sup>

In general, (regardless of whether a land reform is ‘negotiated’ or state-led) there is a fundamental trade-off in any land reform design between higher (i. e., more generous) landowner compensation, which makes landowners less resistant and thus makes land redistribution easier, and the extent of wealth redistribution (the larger the landowner compensation, through higher land prices set under the reform, the more beneficiaries would have to pay, thereby reducing the wealth re-distribution impact). In this context, the Philippine land reform appears to be one of the reform programs where landowners are more generously compensated. According to some theoretical arguments, if real wealth redistribution impact is small then the likely efficiency, as well as equity, gains are also likely to be small.<sup>76</sup> (Banerjee 1999) State subsidy can enhance both land redistribution and efficiency gains from reform among poor beneficiaries. The trade-off here is between the more easily implemented land redistribution through larger subsidy, on the one hand, and the larger fiscal burden placed by larger subsidy, on the other, which would in turn limit the program scope. Indeed, one of the most serious questions raised in the literature against the ‘negotiated’ reform experiments appears to be that, given their heavy subsidy elements, these schemes are very expensive. (Banerjee 1999; de Janvry, *et al.* 1999)

Financing land reform with a heavy state subsidy means that the funding has to come from the tax money which could otherwise have been spent in other (possibly pro-poor) investments, from taxing non-agricultural sector, or from taxing the landowners. At the

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<sup>75</sup> Actual (quantitative) magnitude of such delinquency has not been clear, however, under the implementation of PD27 nor under CARP.

<sup>76</sup> At the same time, however, Banerjee (1999) discusses a few theoretical arguments for efficiency gains from land re-distribution when beneficiaries have to pay all the landowner compensation (i. e., zero state subsidy).

moment, there is not any solid empirical basis on the relative cost and benefit of investing the tax money in land reform implementation versus other investments presumably helping the rural poor. (Banerjee 1999) The most natural candidate for funding the reform implementation thus emerged in the literature is the tax on landowners; progressive land tax has been advocated as a means of fiscal revenue generation as well as for its desirable incentive effects upon larger landholders to sell their lands. (Hayami, *et al.* 1990; Deininger, *et al.* 1999, Otsuka 1996)

Apart from the state subsidy for land purchase, the financing provided to the beneficiaries for activities other than land purchase differs among various country experiments in negotiated land reform. While the Brazilian scheme includes credit for reform beneficiaries and a \$4,000 community grant for off-farm investments, no special financing is provided for complementary investments by beneficiaries and off-farm investments are left with the municipalities in Colombia and South Africa. In Colombian case, however, a ‘municipal land reform plan’ is required, as a key document for reform implementation *prior to* initiating land reform in the municipality, in an attempt to enhance program ‘ownership’ by the local government and to integrate land reform into existing municipal development priorities. (Deininger 1999)

Despite the potential advantages of ‘negotiated’ land reform design, it is certainly not a panacea. For example, according to Deininger (1999), experiences during the early years of ‘negotiated’ land reform in Colombia encountered several problems and shortcomings that other countries could potentially face. They included: that the restriction of subsidy to land purchase (but not complementary investment components) provided a biased incentive away from redistributing underutilized land (since investments to make underutilized lands more productive was not subsidized, it gave incentive for potential beneficiaries to focus on well developed lands that do not require additional investments); that the program had set too high a minimum income requirement with the intention of targeting beneficiaries with greater viability potentials; and that despite its decentralized institutional structure little incentive was in fact given for local leaders.

Also, the emphasis on the self-selection of the reform beneficiaries with greater potential for economic viability and competitiveness suggest some inevitable trade-offs against equity consideration. Thus it would be critical to simultaneously initiate alternative programs that take care of the specific needs of the groups among the poor who would not benefit from the land reform in the immediate future. In Colombia, for example, such programs include chicken hatcheries and other micro-enterprises for female headed households, construction of rural roads under seasonal food for work schemes, and reforestation of environmentally fragile zones. (Deininger 1999)

Based on the recent experiments in Colombia, Brazil and South Africa, Deininger (1999) summarizes the preconditions for successful implementation of ‘negotiated’ land reform programs as follows:



- (1) ‘Negotiated’ reform can only succeed if measures are simultaneously taken to make the market for land sales and rental transparent and fluid. Since there is often little information on land market (e. g., prices) and beneficiaries’ ability to assess the value (i. e., the productive potential) of a piece of land can be quite limited, a reform program would need to provide additionally: (a) technical assistance at the community level, (b) co-financing by private financial intermediary, who, by bearing a part of the risk, has an incentive to assess the viability of farm projects, and (c) ‘market information system’ that provides price information.
- (2) Productive projects, rather than land re-distribution per se, are a core element for establishing economically viable and productive farms. This in turn requires active beneficiary involvement (e. g., familiarizing themselves with the realities they face as independent farmers and with their own aspirations, potential and limitations) *prior to* land acquisition.
- (3) The only way to achieve effective coordination among various entities involved in reform implementation is through decentralized and demand-driven implementation.
- (4) The long run success of land reform is likely to depend on private sector involvement, especially by ‘crowding in’ private investment by the use of land purchase grant. In providing land purchase grant, a flat and fungible grant (like the South African scheme and not like the Colombian scheme) is preferable. At the same time, beneficiary contribution and assured financial market access are also important.

Perhaps many of these conditions for success do not necessarily apply exclusively to the ‘negotiated’ reform schemes but rather they are more general conditions for successful land reform regardless of the mode of land reform implementation.

In fact, many of the features of the recent ‘negotiated’ land reform experiments are not entirely new in the Philippine contexts. Most notably, the reliance of all of the ‘negotiated’ land reform experiments on local information and local initiatives, assisted by local NGOs/POs, for beneficiary self-selection, beneficiary organization and the identification of the lands to be redistributed –arguably the key feature of the ‘negotiated’ reform schemes-- parallels the major policy shift within DAR in the Philippines under Secretary Garilao in the early 1990s, which subsequently facilitated, as we saw earlier, the faster land redistribution accomplishments under the Ramos administration. Despite frequent reference to their being ‘market-based’ or ‘market-assisted,’ ‘negotiated’ land redistribution transactions are heavily subsidized by the state, as the state-led Philippine land redistribution has been. Furthermore, as we saw earlier in Table 2-4, the majority of the land redistribution transactions of non-rice/corn lands under CARP did not take place through compulsory acquisition but through either the ‘voluntary offer to sell’ (VOS) or the ‘voluntary land transfer’ (VLT). Especially during the Ramos administration, the majority (about 47%) of the transactions were made through VLT. While, unfortunately, relatively little has been written on how these ‘voluntary’ transactions took place and on the consequences of those transactions under CARP, one might argue that the recent CARP implementation potentially contains, if not systematically, some of the elements incorporated in the recent ‘negotiated’ reform experiments, and that there might be much room for systematic mutual learning between the

Philippine experiences and those in the ‘negotiated’ reform experiments in Latin America and in South Africa.

*f. Alternative Proposals for the Philippine Land Reform*

After the passage of CARL in 1988, alternative design proposals for the Philippine land reform program have been put forth by various authors, based on their perceptions of various shortcomings of the current CARP design. As a principle, all proposals agree that the reform rules (e. g., retention limit, land valuation) should be simple, transparent and uniform. This is a natural conclusion from the past experiences in the Philippine land reform; complex regulations and numerous clauses for exemptions have provided ample grounds for (legal) evasion from reform by landowners, rent-seeking activities by political elite and by bureaucracy and long delay in implementation, all of which are to the detriment to both efficiency and equity. (Hayami, *et al.* 1990, Otsuka 1996, Balisacan 1995, 1996, Lipton 1990) Furthermore, all the proposed alternative reform programs advocate de-regulating tenancy contract; they all argue, in particular, that the current prohibition on the share tenancy should be abolished.

Among the earlier and more comprehensive of the proposed ‘alternative land reform paradigms’ was the one presented by Hayami, *et al.* (1990). They advocate the combination of: (1) land tenure de-regulation, (2) uniform land ceiling for all types of lands and confiscation with modest compensation after a ‘sufficiently long transition period,’ with long-term credit programs for land purchase by the poor during the transition period, (3) progressive land taxation, both as a disincentive for speculative land holding and as a source of funding for credit subsidy, complementary services and land confiscation after the transition period, and (4) progressive rent on public land lease. Among these components, progressive land tax appears to have gained particularly strong support by proponents of various alternative land reform designs for the Philippines (Hayami, *et al.* 1990, Otsuka 1996, Balisacan 1995, Lipton 1990, Deininger, *et al.* 2000), but it is not without controversy. For instance, skepticism has been raised by Binswanger, *et al.* (1995) in that landowners tend to find ways around such taxes, that similar attempts were in fact applied but failed in Argentina, Bangladesh, Brazil, Colombia and Jamaica, and that progressive land taxes could entail higher administrative costs and protracted litigation. Binswanger, *et al.* (1995), as well as Rashid and Quibria (1995), also argue that “it is not obvious why such an indirect approach would be politically more acceptable than direct redistribution of land,” and somewhat similar (though slightly weaker) point was also made by Otsuka (1996), while Lipton (1990) appears to have an opposite view arguing that progressive land tax offers few political problems (if levies and progressiveness are modest)<sup>77</sup>. Thus, while there is no question about the logical necessity and desirability of progressive land taxation, its practicality has been debated.

A relatively more recent proposal by Balisacan (1996) has some similarities with the recent experiments in land reform design attempted in Latin America and South Africa as

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<sup>77</sup> Nevertheless, Lipton also argues that such a scheme is likely to entail serious administrative problems.

discussed above. While agreeing with Hayami, *et al.* (1990) for advocating land tenancy de-regulation, simplicity in rules, progressive land taxation and use of market forces, Balisacan (1996) appears to place a greater emphasis on de-centralized decision making including ‘fiscal federalism’ and reliance on NGOs/POs. He argues that the relative priority placed on land reform, vis-à-vis other development priorities such as infrastructure investment and export-manufacturing development, should be left with each local government unit (LGU) to determine. Generally, political observers have often equated de-centralized decision making in the realm of agrarian reform implementation with greater influence of landowners in the decision making (Putzel 1992, Riedinger 1995, Wurfel 1983, 1992). Wurfel (1983) noted that the relative decline of the political influence by the landed elite, to the extent such is the case, was much slower at the local level than at the national level. Riedinger (1995) also characterize the attempts by major landowner legislators, most notably Jose Cojuangco, Jr., to amend CARP by decentralizing agrarian reform implementation as a landowners’ tactic to derail land reform in landowners’ favor. As a consequence, most political scientists have tended to prefer land reform implementation by a strong and centralized national authority; how such a ‘strong state’ could be brought about has never been clear, however. Balisacan (1996) argues, on the other hand, that a central authority (such as DAR), without a centralized system, can ‘guide’ LGUs in land reform implementation by providing matching grants to LGUs; the national government could enhance land reform by linking its fiscal assistance for farm infrastructure and agricultural support services with reform implementation. He similarly advocates matching grant schemes for inducing reform beneficiaries to self-select and to engage in land market transactions; similar in spirit to ‘negotiated’ reform experiments worldwide. He also suggests additional measures to increase land supply (e. g., sale of public lands) or to somewhat reduce land demand (e. g., distribution of public lands) in the market in order to check the land price from rising out of control.

## 5. Conclusions

There has emerged a substantial range of consensus within the economics literature that informs policy makers involved in land reform programs. While the empirical evidence is perhaps not yet fully conclusive, there has been relatively little support, both in theory and in empirical evidence, for the view that share tenancy is inefficient, at least in the Philippine context. There has also been a growing view that regulating tenancy contracts is likely to have some negative consequences. Therefore, economists generally agree that regulating tenancy contracts (such as the prohibition of share tenancy) does not achieve its stated objectives and thus should be abolished. Furthermore, there has emerged a strong theoretical case within the economics literature for the desirability of equitable redistribution of wealth for both equity and efficiency goals. Observers tend to agree that there is little reason to expect much efficiency losses from land redistribution, if it were to occur, because of: the general lack of systematic relationship between farm size and productivity in a wide range of crops (including the traditionally controversial ones, such as those grown on traditional plantations—e. g., sugar and coconut— and on large commercial farms—e.g., banana and pineapple—) in the empirical literature from the Philippines, and of the examples of institutional innovations (e. g., rental market for tractors, contract farming), which can

substitute for the economies of scale that do seem to exist in the production/processing of some crops. As a result, there has emerged a strong consensus among economists supporting policies for greater equity in wealth distribution. Such consensus appears to break down, however, when it comes to the question of whether redistributive land reform is the best means of wealth redistribution. A main reason for this controversy seems to be the fact that little has yet been known empirically about the marginal impact, in terms of poverty reduction, of investing fiscal resources into alternative policy instruments such as land reform, human capital investment and infrastructure development. Another source of this controversy appears to be the varying assessment of relative political feasibility among alternative means of wealth distribution, such as redistributive land reform versus redistribution through taxation.

Once redistributive land reform is determined as one of the desirable policy instruments, however, land reform advocates agree that a successful land reform requires a wide range of policy measures. Economists agree that the main objective of the land reform program should not be redistribution per se but the creation of economically viable and competitive small farms, which in turn requires policy measures in addition to land redistribution. Among the most important of such additional policy measures are the elimination of distortionary taxes, subsidies and credit schemes favoring larger farms vis-à-vis small farms and measures to ensure access to inputs and outputs markets by reform beneficiaries.

The question of how redistribution of land should be carried out is obviously a central policy issue in designing a land reform program. Given the historical experiences regarding the landlord tactics of prolonged legislative debate over details, of inserting legal loopholes and of evasion by exploiting the discriminatory reform implementation by crop type or by farm organization (e. g., tenanted versus use of hired labor), observers agree that land redistribution rules should be simple, transparent and uniform. The desirability of land retention limits and some types of restriction on land sales by the reform beneficiaries has been debated, with a clear consensus yet to emerge, and it would also depend on specific local circumstances. But many would agree that such a restriction, if at all desirable, needs to be applied uniformly regardless of crop types or of farm organization.

Furthermore, there has been an emerging consensus that the past experiences from the 'state-led' land reform, where the government expropriates lands 'from above' and then sells/redistributes them to beneficiaries, has inherent problems in its design which resulted in unsatisfactory accomplishments worldwide (except for the few East Asian examples whose success critically depended on the exceptional political and social circumstances which are unlikely to be replicated elsewhere). The changing attitudes within the Philippine civil society during the Ramos period, as well as the experiments of 'negotiated land reform' programs in Latin America and in South Africa, are based on such recognition, where the basic thrust is the emphasis on local initiatives. Common elements among the recent 'negotiated' land reform experiments include: (1) self-selection of land reform beneficiaries and of lands to be 'negotiated;' (2) direct 'negotiation' between the potential beneficiaries and the landowners, mediated by the government, over land transactions including the price; (3)

the emphasis on identifying ‘productive farm projects’ *prior to* land redistribution; (4) the crucial roles played by local organizations (i. e ., GROs, POs, NGOs) in facilitating all of these processes; and (5) the state’s role being limited to subsidizing land purchase and facilitating the functioning of land transactions. A great variation exists among these experiments, however, in terms of: the mode and the amount of state subsidy for land purchase by beneficiaries, the criteria for beneficiary eligibility, and the processes of beneficiary identification. In addition, while it is recognized that the ‘negotiated’ reform programs need to be complemented by other types of projects to take care of the segment of the poor population who have limited potentials as productive and competitive farmers, little has been known as to how serious the inherent trade-off between the emphasis on ‘productive potential’ and equity consideration may turn out to be. Systematic principles to guide the land reform program design in these aspects do not yet seem to exist; a systematic research integrating experiences from such ‘negotiated’ land reform experiments worldwide and from CARP implementation where some of the common threads can also be found is likely to yield a high payoff for such an attempt.

In the context of the Philippine land reform, a solid consensus has emerged among economists who advocate land reform on the necessity and desirability of progressive land taxation, which would both generate fiscal resources and provide strong incentives against land consolidation, but some controversy has focused on its political and administrative feasibility. There has also been some divergence in views over the desirability of decentralizing the reform implementation between economists, who have increasingly recognized the virtue of decentralized decision making processes including fiscal resource allocation, and political scientists, who tend to emphasize the stronger influence of landlords over local politics than over national politics and to favor centralized implementation by a strong state bureaucracy. Given the serious information asymmetry between the central government and local actors, and given the lack of our knowledge on how political processes for creating ‘strong bureaucracy’ can be designed, realistic approach might be a combination of decentralized administrative structures with ‘fiscal federalism,’ provision of some fiscal incentives by central government, and development of civil society that facilitates initiatives ‘from below’ by the potential reform beneficiaries. (see below)

In discussing land reform, its political aspects are no less important than its economic aspects. We have made a distinction between the political processes of land reform legislation which play out at the national level and the implementation processes of enacted land reform laws on the ground which mainly play out at the local level. In the Philippines, land reform has been on national political agenda at least since the early 20<sup>th</sup> century and the scope of land redistribution has gradually expanded over time as a new piece of reform legislation was enacted intermittently as a means of responding to rising rural unrest and of other immediate political gains (such as re-election campaign by an incumbent President, or a coalition building tool to defeat an incumbent President). The latest of such legislation, CARP, has far more comprehensive scopes for land redistribution than any other previous agrarian reform law, but it suffers from legal loopholes, budgetary shortage, and lack of adequate administrative capacities, which hinder swift and massive land redistribution. The

national-level political dynamics dominated by the ‘landed oligarchy’ behind such legislative outcomes have been a constant feature of the Philippine politics with its origin rooted in the colonial period. As has historically been the case in the Philippines, and as the logic of a simplified game-theoretic model (by Horowitz) shows, it appears quite difficult (unlikely) for the interaction between the landlord dominated state and the periodic rise in rural rebellion to produce the kind of sweeping land redistribution program that will end such prolonged cycles of incomplete/partial land reform and intermittent rural unrest.

Despite such a pessimistic prospect for the national-level political scene, however, there appear to be some indications of changes in the land reform implementation processes at the local level. Especially after the fall of the Marcos dictatorship, there has been a spread of local level peasant organizations, people’s organizations (POs) and non-governmental organizations (NGOs) and increasing linkages among these local organizations, national (and international) NGOs and also some elements of the land reform bureaucracy. In some cases, land reform implementation has been enhanced by such new movements which became a political force to counter-balance the political force of the landlords who had traditionally dominated local politics. While it is not yet clear how strong such a new force might become, such development in the local level political dynamics appears to be consistent with the emerging consensus among economists, as we saw above, advocating land reform programs with emphasis on beneficiary initiatives and administrative decentralization.

Finally, our survey has revealed that, despite the relatively large literature on land reform in the Philippines which we have reviewed in this paper, little has yet been known about the consequences of CARP implementation at the micro level. There has been few systematic studies on the impact of CARP implementation (including redistribution of rice and corn lands after the 1980s) on the economic welfare and economic viability of reform beneficiaries, on the differences in the reform impact on the beneficiaries among alternative modes of land redistribution (such as compulsory acquisition, voluntary transfer, voluntary offer to sell) and on the impact of CARP implementation on the extent of poverty and inequality in local communities. Attempts toward designing alternative land distribution schemes suitable in the Philippine context would benefit from research efforts synthesizing past experiences in the Philippines as well as from the recent experiments in alternative land reform schemes from other countries.

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**Table 1. Evolution of Recent Land Re-distribution Legislation in the Philippines**

Legislation	Retention limits	Type of lands covered by reform	Prospective beneficiaries	Land valuation and payment	Major limitations/ loopholes	Implementation schedule & budget
1955 (Magsaysay)	<ul style="list-style-type: none"> <li>•300 contiguous ha. (private rice land);</li> <li>•600 ha (corporate farms);</li> <li>•1024 ha (private farms other than rice)</li> </ul>	Sugar and coconut lands excluded (by tacit agreement)	Tenants only??	Landowners: cash only Land valuation: 'just compensation' ? Beneficiaries: 25 year amortization (6% P.A. interest).	Only upon majority tenants' petition	P300,000 (land acquisition)
1963 (Macapagal)	<ul style="list-style-type: none"> <li>• 75 ha</li> </ul>	Rice & corn (in declared agrarian reform municipalities only)	Tenant only	Landowners: 10% cash, Land Bank bonds rest Land valuation: 'just compensation' based on capitalized annual rent with 6% interest rate. Beneficiaries: 25 year amortization	Implementation only in pilot areas. Rice & corn only Tenants only	2 step procedure: (1)operation leasehold ➔ (2) operation land transfer
1971 (Marcos)	<ul style="list-style-type: none"> <li>•24 ha</li> </ul>	Rice & corn only ( <i>entire country</i> )	Tenant only	Landowners: 20% cash, Land Bank bonds rest; Land valuation: no change? Beneficiaries: 25 year amortization?	Rice & corn only Tenants only	DAR created 2 step procedure: (1)operation leasehold ( <i>automatic conversion</i> )➔ (2) operation land transfer
1972 (Marcos)	<ul style="list-style-type: none"> <li>•7 ha</li> <li>•5 ha (non-irrigated)/ 3ha (irrigated) for reform beneficiaries</li> </ul>	Rice & corn only ( <i>entire country</i> )	Tenant only	Landowners: 10% cash, 90% Land Bank bonds Land valuation: 2.5 times the value of average annual production in past 3 years. Beneficiaries: 15 year amortization.	Rice & corn only Tenants only	Same as above
1988 (Aquino)	<ul style="list-style-type: none"> <li>•5 ha with 3ha for each heir for landowners (7 ha for PD27 covered lands)</li> <li>•24 ha for homesteaders</li> </ul>	<i>All crops</i>	Tenant and regular farm workers	Landowners: 24~35% cash depending on size Land valuation: 'fair market value' with a complex formula	Many 'alternatives' to re-distributions offered (voluntary land sharing, corporate stock sharing,)	1. public lands and PD27 lands 2. private lands over 50 ha 3. private lands 24-50 ha

	•3 ha for reform beneficiaries			Beneficiaries: 30 year amortization	Commercial estate exempted	4. private lands 5-24 ha
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Sources: Hayami, et. al. (1990), Putzel (1992), Riedinger (1995), Takigawa (1976).

**Table 3. Political Forces behind Recent Land Re-distribution Legislation in the Philippines**

Legislation	an opposition candidate?	Campaign issue during the Presidential election electing him?	President's Coalition included:	Rural unrest present?	Major opposition/enemy?	External influence?
1955 (Magsaysay)	• yes	Yes		Huk rebellion	Quirino/Liberal (Incumbent President)	Yes, strong US backing
1963 (Macapagal)	•No	No (but, pre-campaign for re-election bid??)	•Tenants' support in the coming re-election campaign attempted; •New middle class (industrialists, professionals)	Not much at the moment (Huk had been defeated in the 1950s)	?	Macapagal's perception of communist threats in Southeast Asia. (e.g., Vietnam)
1971 (Marcos)	•No	n.a.	(President not directly involved)	CPP formed; peasant demonstration	?	US?
1972 (Marcos)	•No	Matial law	No coalition.	CPP	Traditional oligarchy	US?
1988 (Aquino)	•Yes.	Yes	Peasants, business, military (RAM), 'urban middle class'?	NPA	Marcos (Incumbent President)	Relatively weak, and no strong interest in reform by outsiders.

**Table 4. Major Rural Unrest Episodes in the Philippines**

Name	period	Size at peak	origin	Main aim/ideology	Geographical strong holds	How did it end?
Hukblahap	1942-45	10,000 (1943 ca)	Early remnants of peasant rebellion against patron-client (PKP, AMT, KPMP)	Against Japanese and its collaborators	Bulacan, Nueva Ecija, Pampanga, Tarlac	GOP-US military crack down and arrest of leaders
Huks Rebel (HMB)	1946-54	5,000-10,000	Remnants of earlier Hukblahap; HMB, PKP	Right to retain arms, repression, social welfare and agrarian reforms	Central Luzon, Southern Luzon	'battle fatigue;' community development; more disciplined military propaganda; anti-Huk propaganda; 1952 renouncing by PKP of armed struggle; 1954 surrender of Huk commander
CPP/NPA	1968- present	8,000? (as of 1972) → 25,200 (1987: 12% of barangay infiltrated) => 10,600 (1993)	Remnants of Huk guerrilla	CPP ideology (US imperialism; feudalism; fascism; 'two-stage' revolution;	Nationwide: Central Luzon → Isabela (early 70s) → Eastern and Northern Mindanao, Samar, Bicol, Cordillera (in the 80s??)	CPP/NPA losing political ground by boycotting 1986 election



## Table 2. Land Re-distribution Implementation in the Philippines

### Table 2-1. Landed Estates Programs (1940-1998)

President	Period	Landed estates acquired (ha): series 1 <sup>1</sup>		Landed estates acquired (ha): series 2 <sup>2</sup>	
		Total	Annual average	Total	Annual average
Quezon	1935-41	5,825	832	N.A. <sup>3</sup>	N.A.
Roxas	1946-48	9,395	3,132	N.A.	N.A.
Quirino	1949-53	33,723	6,745	N.A.	N.A.
Magsaysay	1954-56	1,194	398	N.A.	N.A.
Garcia	1957-61	15,147	3,029	N.A.	N.A.
Macapagal	1962-65	3,342	836	N.A.	N.A.
Marcos	1966-85	32,054	1,603	N.A.	N.A.
	(1966-69)	(2,727)	(682)	N.A.	N.A.
	(1970-72)	(12,453)	(4,528)	N.A.	N.A.
	(1972-86)	(16,874)	(1,205)	(11,041)	(789)
Aquino	1987-Jun.92	N.A.	N.A.	25,781	4,297
Ramos	Jul.1992-Jun.98	N.A.	N.A.	41,201	6,867

Sources:

<sup>1</sup>. Department of Agrarian Reform as quoted in Balisacan (1990: 88) and Putzel (1992: 115).

<sup>2</sup>. Department of Agrarian Reform as provided to the author as of June 1999.

<sup>3</sup>. Not available in the series.

### Table 2-2. Operation Land Transfer under PD27<sup>1</sup>: CLTs<sup>2</sup> and EPs<sup>3</sup> Printed (1972-1985)

Year	CLTs printed		EPs printed	
	Beneficiaries	Area (ha)	Beneficiaries	Area (ha)
1972	295	682	-	-
1973	144245	258666	-	-
1974	44645	77790	-	-
1975	19513	29875	97	52
1976	21882	33642	534	604
1977	27500	44241	600	465
1978	28146	46812	287	263
1979	46561	53520	82	51
1980	34187	26556	84	83
1981	50361	74907	115	107
1982	42524	54544	34913	45592
1983	34768	55717	62782	71131
1984	12277	19765	21208	44770
1985	4038	11458	17229	20453

Sources:

<sup>1</sup>. Department of Agrarian Reform as quoted in Putzel (1988:139).

<sup>2</sup>. Certificate of Land Transfer.

<sup>3</sup>. Emancipation Patent.

**Table 2-3. Operation Land Transfer after PD27: Lands Transfer Completed (1972-1998)**

President	Period	Land transfer completed (ha): series 1 <sup>1</sup>		Land transfer completed (ha): series 2 <sup>2</sup>	
		Total	Annual average	Total	Annual average
Marcos	1972-86 (1972-85)	N.A. <sup>3</sup> (11,197)	N.A. (861)	15,061 N.A.	1,076 N.A.
Aquino	1987-Jun.92 (1987-Dec.92)	N.A. <sup>3</sup> (386,890)	N.A. (64,482)	340,045 (356,484)	61,826 (59,414)
Ramos	Jul.1992-Jun.98 (Jan.92-Dec.93)	N.A. (65,705)	N.A. (32,853)	154,974 (57,450)	25,829 (28,725)

Sources:

<sup>1</sup>. Department of Agrarian Reform as quoted in Riedinger (1995: 92, 196-197).<sup>2</sup>. Department of Agrarian Reform as provided to the author as of June 1999.<sup>3</sup>. Not available in the series.**Table 2-4. Land Re-distribution Under CARP (except OLT and DENR) (1987-1998)**

President	Period	Total (CA+VOS+VLT)		Compulsory Acquisition (CA)		Voluntary Offer to Sell (VOS)		Voluntary Land Transfer (VLT)	
		series 1 <sup>1</sup>	Series 2 <sup>2</sup>	series 1 <sup>1</sup>	series 2 <sup>2</sup>	series 1 <sup>1</sup>	series 2 <sup>2</sup>	series 1 <sup>1</sup>	series 2 <sup>2</sup>
Aquino	Jan.1987-Jun.92 (Jan.87-Dec.92)	88,230 (129,095)	N.A. (122,544)	13,482 (9,698) <sup>4</sup>	N.A. <sup>3</sup> (10,904) <sup>4</sup>	54,011 (83,397)	N.A. (76,599)	20,737 (36,000)	N.A. (35,041)
Ramos	Jul.92-Jun.98 (Jan.92-Dec.93)	704,823 (186,837)	N.A. (194,814)	120,828 (34,423)	N.A. N.A.	255,341 (97,191)	N.A. N.A.	328,654 (55,223)	N.A. N.A.

Sources:

<sup>1</sup>. Department of Agrarian Reform as provided to the author as of June 1999.<sup>2</sup>. Department of Agrarian Reform as quoted in Riedinger (1995: 92, 196-197).<sup>3</sup>. Not available in the series.<sup>4</sup>. 1991 only.

**Table 2-5. Agrarian Reform Accomplishments under Marcos, Aquino and Ramos Administrations<sup>1</sup>**

Reform Program Component	working scope (ha) <sup>2</sup>	Marcos		Aquino		Ramos	
		area	Accomplishment (%)	Area	Accomplishment (%)	area	Accomplishment (%)
OLT	579,520	15,061	2.60	340,045	58.68 (61.28) <sup>3</sup>	154,974	26.74 (88.02)
Non-rice/corn private lands (CA+VOS+VLT)	2,186,789	not applicable.	not applicable	88,230	4.03	704,823	32.23 (36.27)
CA	1,505,363	not applicable.	not applicable	13,482	0.90	120,828	8.03 (8.93)
VOS	396,684	not applicable.	not applicable	54,011	13.62	255,341	64.37 (77.99)
VLT	284,742	not applicable.	not applicable	20,737	7.28	328,654	115.42 (122.70)
LES	70,173	11,041?? 32,054	15.73/ 45.68	25,781	36.74 (52.47/ 82.42)	41,201	58.71 (111.18/ 141.13)
RESETTLE	566,322	32,054 246,237??	5.66/ 43.48	193,207	34.12 (39.78 /77.60)	352,497	62.24 (102.02/ 139.84)

1. Department of Agrarian Reform as provided to the author as of June 1999.

<sup>2</sup>. As of June 1999.

<sup>3</sup>. Cumulative accomplishment in parentheses.

## 2-6. Leasehold Operation (OLH) Accomplishment Areas and Beneficiaries

Year	Area (ha) converted to leasehold	Number of farmer-beneficiaries
As of 1986 (cumulative total since 1963??)	572,999	546,520
1987	3,459	4,846
1988	6,018	3,848
1989	22,328	16,326
1990	72,165	43,109
1991	267,160	170,904
1992	189,091	113,747
1993	123,270	75,277
1994	89,522	50,742
1995	42,841	25,952
1996	27,527	12,852
1997	27,830	13,129
1998	13,450	7,271

(source: Department of Agrarian Reform)

**Table 5. Major Events related to Agrarian Reform (AR) between Feb. 1986 and June 1988**

Year	Government action	Demand for AR Pro-reform action/event	Supply of AR Anti-reform action/event
1986	<p>2: Marcos flees, Aquino assumes Presidency</p> <p>3: 1973 Constitution suspended</p> <p>4: Alvarez named MAR</p> <p>5: Con-Comm<sup>3</sup> appointed</p> <p>6: PCGR<sup>10</sup> task force</p> <p>10: Constitution voted by Con-Com</p> <p>11: cabinet shake up (a few liberal members ousted)</p>	<p>3: NCARRD<sup>1</sup> I, NGOs start consultation</p> <p>4: KMP's 6 point proposal<sup>2</sup></p> <p>5: BISIG<sup>4</sup> founded; FFF<sup>5</sup>'s 10 priorities</p> <p>NEDA<sup>6</sup>/UP<sup>7</sup>'s liberal draft policy agenda</p> <p>6: (PCGR task force's liberal AR<sup>11</sup> draft)</p> <p>7~10: peasant demonstrations</p> <p>8: NCARRD II</p> <p>9~: KPM's organized land occupation</p> <p>10: AMA<sup>13</sup>, KASAMA<sup>14</sup>, PAKISAMA<sup>15</sup> join land occupation campaign</p> <p>KPM led demonstration to mark PD27 anniversary (10/21)</p> <p>12: ITFAR<sup>16</sup> formed</p>	<p>3: Ongpin<sup>8</sup> advocates corporate stock sharing instead of re-distributive AR</p> <p>NEDA/UP policy agenda rejected by Ongpin/Mitra<sup>9</sup></p> <p>7: 'Manila Hotel coup attempt' (failed)</p> <p>(No action was necessary to influence Con-Com since anti-distributive land reform commissioners held overwhelming majority?)</p> <p>11: coup plot found (mainly in response to government's negotiation with NPA)</p>
1987	<p>1: CAC<sup>17</sup> appointed to draft an EO (1/28)</p> <p>2: Constitutional plebiscite approves Constitution</p> <p>5: Congressional election</p> <p>5~6: public consultation by CAC</p> <p>7: EO229<sup>20</sup> issued (7/22)</p> <p>Congress meets (7/27)</p> <p>8(?): cabinet shake up removing Ongpin and Arroyo</p>	<p>1: peasant demonstration in Manila and 'Mendiola massacre'<sup>18</sup> (1/22)</p> <p>ITFAR proposes reform program</p> <p>5: liberal EO draft by ITFAR</p> <p>CPAR<sup>12</sup> launched, 8 point 'authentic AR'</p> <p>7: series of CPAR led mass demonstrations</p> <p>8: relatively liberal House bill (HB400) proposed</p> <p>10: relatively liberal Senate bill proposed</p>	<p>1: military revolt by 'Marcos loyalists' failed. (1/27)</p> <p>2: 'Total War' on NPA resumed.</p> <p>5~: ITFAR draft rejected by Ongpin<sup>19</sup> et al., alternative drafts prepared</p> <p>anti-reform lobby intensifies after Congressional election</p> <p>6~7: anti-reform campaign by landowners</p> <p>Bankers' opposition to liberal reform</p> <p>8: Col. Honasan's coup attempt</p>
1988	<p>1: provincial/municipal elections</p> <p>4: House and Senate bills passed</p> <p>5: Joint House-Senate Conference meets</p>	<p>4: CPAR led 'Agrarian Reform Express'<sup>21</sup></p> <p>Church involvement in support of AR intensifies</p>	<p>3: series of amendments 'watering down' HB400</p>

	6: Aquino signs RA6657	Peasants denounce RA6657, PARCODE <sup>22</sup> proposed as an alternative	
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1. NCARRD: the National Consultation on Agrarian Reform and Rural Development
2. KMP: Kilusang Magbubukid ng Pilipinas (Peasant Movement of the Philippines) led by Jaime Tadeo.
3. Constitutional Commission
4. BISIGBUkluran sa Ikaunlad ng Sosyalistang Isip at Gawa (Union for the Advancement of Socialist Thought and Action)
5. FFF: Federation of Free Farmers (center-right)
6. NEDA: National Economic Development Authority
7. UP: University of the Philippines
8. Ongpin, Jaime: Finance Minister
9. Mitra, : Agricultural Minister
10. PCGR: Presidential Commission on Government Reorganization
11. AR: agrarian reform
12. CPAR: Congress for People's Agrarian Reform
13. AMA: Aniban ng mga Manggagawa sa Agrikultura (Union of Agricultural Workers)
14. KASAMA: Katipunan ng mga Samahan ng Mamamayan ()
15. PAKISAMA: Pambansang Kilusan ng mga Samahang Magsasaka (National Movement of Peasant Organization)
16. ITFAR: Inter-Agency Task Force on Agrarian Reform
17. CAC: Cabinet Action Commettee
18. Mendiola Massacre:
19. Onping, et al: Jaime Ongpin (Finance Secretary), Deogracias Vistan (Land Bank President), Jose Concepcion, Jr. (Trade and Industry Secretary)
20. EO: executive order .
21. Agrarian Reform Express: a week long caravans from across Luzon with 20,000 peasants and advocates converging in Manila.
22. PARCODE: People's Agrarian Reform Code.