The Philippines: Land Reform Through Tax Reform
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The Philippines: Land Reform through Tax Reform

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I. Extreme poverty

Personal observations as American GI, 1945. We thought we were badly fed, but local children were salvaging our garbage. Also pilfering, mooching and—tragically—pandering for a living. *"C'est la guerre"*, we explained—the easy answer. 42 years later, the poverty and degradation remain. Now we see, *"Ce n'est pas la guerre: c'est la propriété foncière"*—it's property in land.

Extremely high concentration. E.g., in 1955, 600 entities held 13% of the farm area, with larger holdings on best land (Sorongon, 1955). Even California is more egalitarian than that (although Jefferson would gag on what has happened here). Throw in the Pentagon and the Philippine Department of Forestry and the top few have much more than 13%.

Low p/c income: $772.

Low job opportunities. "Education" is another easy answer, beloved by those who educate for a living. Education has improved dramatically, but is not a sufficient solution: it simply leads to frustration and brain drain. Education for effective reform and public policies for job creation would solve many problems, but that's not the kind they get.

Dense population, 490 psm, higher than Switzerland. This density is lower than some urbanized countries, but in this country population pressure is unrelieved by labor-using urban development (commerce, manufacturing—"hand-making").

This is a truly colonial economy, with plantation agriculture on best lands. Export-orientation, another easy explanation, is an incidental aspect; the heart of the problem is low capacity to absorb labor productively. Sugar, copra, rice: the wage bill is a low share of gross output, rent is a high share.

Plantations are economically sterile, generating no creative towns and cities to serve local agriculture. Cf. the ante-bellum south, U.S.A., in contrast to ante-bellum New England.

Contrasts of intensity of land use: the fertile lowlands around Tarlac are underused; marginal hill-lands (Ilocos, Baguio) are overcrowded.

There are corresponding contrasts of wealth, and size of farm enterprises. There is a common wage level, but highly skewed distribution of lands, with larger holdings on better lands. This is obfuscated by overt data doctoring: The Robert Hardie Report, 1952, under the U.S. Special Technical and Economic Mission (STEM) brought it out sharply. President Elpidio Quirino, representing the plutocratic oligarchy of big landowners, suppressed it; U.S. politicos went along.

This is a class society, without concealment or apology. I drive my mess-boy to his home barrio to see his sick mother, and he anxiously demands we must check in with a person whom the mess-boy insists on calling "The Spanish Master", a Spanish citizen with plans to return to Spain and marry after age 40. Meantime, he has a special claim on virgins of the barrio; for "to own the

land is to own the people"—Henry George. Complexions of children on terrace suggest he does not study planned parenthood.

Appropriate courtship mores as seen by middle-class American G.I.s: girls who can afford not being prostitutes adopt Spanish puritanism, "no-touch".

Manila, "Pearl of the Orient", is where absentee owners live and spend their rents. It is a sterile city, generating little industry. Commerce thrives mainly in foreign enclaves.

II. Foreign domination

7,000 islands are vulnerable to marine invasion. Major world naval powers covet the harbors. Same time, the unsophisticated native religions yield to Arab and Spanish missionaries. But where in The Bible does one find land title in fee simple? Mosaic land law in Leviticus 25 reads more like possessory interest, terminated by semi-centennial "Year of Jubilee".

The fractionated natives, with over 100 dialects, and many quarrels, were easy prey for foreign intervention. Even Magellan was tempted: he was killed interceding in a native quarrel. Unfortunately for the Filipinos, later Spaniards survived better.

Spanish missionaries founded Manila, and spread out. Spanish Puritanism and the chivalric conscience created a need for a persuasive hypocrisy to rationalize exploitive imperialism, salve the chivalric conscience (read Cervantes).

To the rescue: the Encomienda*, a colonizing institution blending three imperialisms: cultural, military and economic. It made natives pay rent to finance their own suppression, and instruction in The Faith. Cf. Man of La Mancha: "We were only thinking of them".

Lands were granted by Spanish Kings. (Cf. California missions.) America succeeds Spain: Spanish holdings validated by Treaty of Paris (cf. Treaty of Guadelupe-Hidalgo, 1848). Undisturbed, they ripen into fee simple titles. With social obligations reduced, they rise in value. Those sly Spaniards, to let us "win"! American ally Emilio Aguinaldo presses for independence, presumably leading to nationalization of large estates, possible anti-clerical emphasis. American military invades to suppress Aguinaldo in long, bloody, war, followed by indefinite occupation. Governor Leonard Wood is a "ruthless tyrant".

Who won the Spanish War, and who lost? America's first duty was to protect Spanish tenures. American taxpayers and Filipino natives lost.

What is the effect on the U.S.? The Philippines has been a playing-field and training ground for American men on horseback, with repressive, anti-democratic attitudes which they then brought home: Frederick Funston; Leonard Wood; Henry L. Stimson; Douglas MacArthur—the kind for whom we name boulevards and forts.

The price of power is that Washington is besieged by foreign lobbyists, a corrupting influence. Sugar lobbyists are among the worst. Chief lobbyist in U.S. was Manuel Quezon. Washington

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* Spanish colonial system, under which the Spanish Crown assigned specified numbers of natives to the "protection" of grantees, who were supposed to care for them and instruct them in the Catholic religion; in return the natives owed labor services to the *encomendero*. In practice, the *encomienda* differed little from slavery.

picked him as chosen instrument, or cacique. Quezon moved the capital to a private estate outside Manila, named for himself (owned by ??—it must be an illuminating story, parallel to cases of Willows, Alaska; Westwood and Irvine campuses of UC, etc.)

During the Japanese occupation, Spanish titles were undisturbed. One case is the Azucarera Central de Tarlac, (Central Sugar Plantation) where the Spanish Master held sway, 1945. Cf. French real estate in South Viet Nam. All-out war is just for soldiers; the unwritten transnational comity of property protects landholders. The last time the U.S. confiscated lands from the losers was during and after the American Revolution, and that was done by the colonial governments, not the U.S.

In the U.S. re-occupation, land titles of Spanish collaborators were still undisturbed. Priority went to putting down Huks. Lansdale, Magsaysay, woo "hearts and minds". 1972, problem still unsolved, so Marcos declares martial law. 1986 U.S. engineers the Aquino presidency, again promises land reform. Promises, promises! In 1987, there is still no progress on land reform, 42 years after "saving" Filipinos from Japanese. Cf. progress in enforcing Reclamation Act of 1902 in U.S. How long will these stalling games be tolerated?

U.S. presence manifests the "Cacique" syndrome: U.S. pays for defense, so they needn't tax themselves. This is landlordship in its purest form, free even of military obligations. The Army focuses on suppressing Filipinos, making them pay rent.

III. Role of church

The R.C.C. was totally implicated in the Spanish conquest, as Yale missionaries were in the conquest of Hawaii. Encomienda financed cultural conquest, conversion and submission. Jesuits acquired vast lands, too, 19th cent. We surmise clergy restrained worst excesses of landholders, as today, but offered no preventive therapy.

Parable of Detective Joe Friday and the priest. Do those who bind up wounds develop a vested interest in wounds? "I helped the poor and they called me a saint; I ask why they are poor and they call me a communist."

Jos3 Rizal, martyr of struggle for independence from Spain. Wrote books attacking religious orders, was executed, 1896, a sequence suggesting a church militant to protect its privileges. Upper Catholic hierarchy has generally supported the prevailing land dispensation and system. Liberal popes criticize worst abuses and indirect results (like poverty and unemployment and death squads) but uphold the core concept of private collection of rents and unearned increments. Historical tradition of church as major landholder.

Cases of Corrigan vs. McGlynn; New York mayoralty election, 1886; Irish hierarchy and Parnell vs. Henry George; Cardinal Spellman and Viet Nam; John Paul II vs. Boff, Hunthausen et al. Attempt to kill Paul VI in Manila, 1970.

Can Church be changed? The runaround we economist-pilgrims got in Rome in 1986 suggests the Vatican apex is as immovable as any other bureaucracy. There is change in the field, among brave and dedicated priests on the firing line, but it is poorly supported at top, and vulnerable to local bravos in the field.

Cardinal Sin? He supports Cory, who has emerged as just another political hypocrite who promised reform but backed off from her window of opportunity, and passed the buck to an unwilling Congress.

Philippine society needs radical, wrenching reforms. But the church, trying to be liberal, has lost its radical mission. Trying to conciliate, the church has not led. Trying to participate, the church has been coopted. Trying to make religion easy, the church has made it trivial.

IV. Role of the U.S.A.

The Pentagon wants bases: Cavite, Subic, Clark Field, etc. Circular rationale of imperialism, *petitio principii*: function of each base is to support others, and vice versa. None dare call it imperialism, and ask why have the whole regional presence. There is oil in S. China Sea; maybe someday Manila will be leasing some of it. But on the whole there are there for us no strategic resource benefits to justify the cost of military spending. Sugar and rice add to our surpluses.

Why there in first place? There were few prior U.S. holdings when Adm. Dewey said "You may fire when ready, Gridley". (Possible reason, a Vatican influence, to protect church from followers of Rizal the anti-cleric. I am only speculating; research needed.)

More general answer: there were "potential absentees", the sort who grabbed Hawaii about the same time, following the imperialist formula: get land cheap, then call the Marines to firm up precarious tenures and get preferential political treatment. Henry L. Stimson, a Skull-and-Bones Yale man with prior service in Nicaragua, was no stranger to this formula; his protégé McGeorge Bundy also tried it later in Viet Nam.

What kind of preferential treatment? Putting down Aguinaldo firmed up land tenures. After that, land is worth more with preferential access to the U.S. sugar market. Sugar is a favorite enterprise for absentee landholders because it needs lots of land with little labor or management.

Land is worth more if you get police protection without paying taxes. U.S. Aid in 1985 was $334 millions, to a country whose GNP is $16 billions. There are also loans and grants and base rentals and Pentagon spending, and the shelter of U.S. forces. Result? Little pressure on holders of Philippine land to pay taxes, direct or otherwise.

Ironically, it is now proposed that U.S. taxpayers finance Philippine land reform by buying back the same land their spending makes valuable, to return to the Filipinos from whom it was stolen. Who lost the Spanish-American War? The American taxpayer seems to be the ultimate patsy. His sons may win battles, but his brains are hors de combat.

He is stupefied by The Great Secular Superstition that unearned income and stolen property are sacred, and protecting them is an obligation owed to God and country. He holds it a moral and social lapse to challenge The Superstition, which he wraps in the flag, democracy, freedom, church and country—anything to hide its nakedness.

An occasional American does, to be sure, preach land reform. First, the Bell Report. Then Robert Hardie, 1952, fresh from the heady success of reshaping Japan under MacArthur, now with STEM of MSA. Hardie expelled, his report recalled and suppressed under Quirino.

Adm. Raymond Spruance, U.S. Ambassador, 1952-55, a believer in Henry George. As hero of Midway Island, dealt from some strength. Demonstration effects spill over from Japan, Taiwan. Land Reform popular with U.N., World Bank, IMF, etc. Charismatic, popular President Ramon

Magsaysay, 1953-57, dedicated to land reform. But Spruance, appointed by Harry Truman, was quickly made a lame duck by another hero, President Eisenhower. It was also the sick and sinister age of Jos. R. McCarthy and Edward Lansdale, who prevailed. No reform, to the shame of Republicans.

V. Role of Philippine nationalism

Dr. Sun Yat-sen's classic testament, the San Min Chu I, builds the reform state on three legs: nationalism, democracy and right livelihood. Nationalism has a bad odor for its abuses, and yet every egalitarian polity we know is national.

Philippine nationalism is underdeveloped. The sentiment and rhetoric are there, but not the practice. The U.S. defends their shores, rents their bases, suppresses their rebels, buys their exports, obviates their taxes—who needs nationalism? A shell of nationalism has developed, nonetheless. All natural resources "belong to the state" (it says here). Exploitation is limited to citizens, or corporations 60% citizen-owned. Florid, pompous language abounds in official documents. It is the language of hypocrisy. *De facto* and *de jure* are far apart. Cf. British Columbia, 95% owned by the Crown Provincial but leased on easy terms to MacMillan Bloedel et al. Cf. water rights in California, owned by "the people", the State Constitution alleges. Imagine—no, observe—Ferdinand and Imelda in charge of Philippine national property in resources. Net result: lots of sweetheart deals, no resource revenues.

VI. Role of the rebels

Huks originally concentrated around Tarlac, the lands of Cory and the Spanish Master of the Azucarera Central. Extremes of wealth and poverty generate rebels.

Hill lands produce fewer rebels, more ambitious opportunists like Quirino and Marcos, both of them Ilokanos.

Rebels role is to keep extracting concessions. Classical economists like Thomas Malthus and David Ricardo said that tyranny (which they called population pressure) drove wages down to the minimum at which labor would consent to live and reproduce. They should have said, will consent not to rebel.

But rebellion without a program or vision of viable reform is not sufficient to attract a majority, who still prefer frying to burning.

VII. Role of Filipino-Americans

These parties with the most direct human interest are rarely consulted in making U.S. policy. They might well lead, finance and give reasonable direction to reform, as Irish-Americans once did (only better).

Their numbers are growing fast. 1971-80, 8% of all immigrants to U.S. were Filipinos. (Cf. Mexico, 14%.) Fastest-growing stream of immigrants, after Koreans.

But Filipino-Americans are nearly invisible. In L.A., there are 2.5 times as many Philippine natives as Japanese natives, but who knows where to find Little Manila?

San Diego and San Francisco have highest mix, 1.5% of population.

Why are Filipino-Americans invisible and powerless? a) They are below a critical mass; there may be an explosion when they reach it. b) They have no distinctive church, melt in with other Catholics, who are settled and conservative. c) They have only a weak entrepreneurial tradition and class, like African-Americans. d) They are poor.

Should reformers help organize and motivate this group? Earlier Irish experience gives pause. Ethnic groups are just that, and later fall away from reform as such. Cases of Parnell, Corrigan, Ford, Powderly, Croker. Are Jewish-Americans going the same route?

VIII. What can we do?

A. Reduce American support, in reasonable stages but with firm direction and sustained resolution. To defend their own nation they must:

a) Tax their own lands, especially the absentees;

b) Placate dissident population; let their fear of Marxism drive them, not ours;

c) Foster development at home, following Japan, Taiwan, Singapore, Korea, Hong Kong.

We must give up illusion of cultural superiority—cf. Alfred Russel Wallace on Malay folkways; and give up illusion of control. You may sometimes impose on an occupied nation a better system than it would produce itself: Japan, Kiaochow, Taiwan. But The Philippines have their own Congress, firmly controlled by Philippine landholders, whose power derives from their long history of collaboration with occupying foreigners like ourselves. Hoover may not have handled the stock collapse wisely, but he was smart enough to veto the 1930 Independence Act for The Philippines because it left us with Responsibility without Power. Yet that is where we are today.

B. Limit foreign aid to one kind alone: technical assistance assessing land, avoiding regressive assessment, and collecting taxes based on market value of land. Philippine tax administration is advanced enough to benefit from aid, and backward enough to need it.

Tax reform of this kind obviates other land reform because the market reforms itself under this stimulus. The landholder is the successor-in-interest to those who stole the land from the majority. He now compensates them in three ways: by supporting government; by hiring workers to put the land to its highest use; and by producing goods for the workers to buy with their new wages. Supply-side and demand-side economics work together to raise real output and income.

Land reform of this kind is free of defects that have made most other land reforms exercises in mere tokenism, stalling, graft and CIA militarism. Land taxation raises money, and that without burdening any useful activity; Liberal "land reform" buyouts cost money, raised, if at all, by taxing commerce, industry and labor in the cities and aborting urban development, the very thing this country needs most.

Liberal "land reform" benefits at best the handful of lucky ones who get farms; land taxation helps everyone by lowering other taxes, making jobs and increasing output. Liberal "land reform" accepts and validates the extreme concentration of wealth that curses the Philippines; land taxation strikes its root. Liberal "land reform" is strictly agrarian; land taxation deals with urban, mineral, forest and other lands and, properly construed, deals with all economic land including fisheries, radio spectrum, air rights, water rights, amenity rights, recreational values, etc. ad inf.

Of course, the very virtues of land taxation guarantee it will arouse powerful opposition. Greed and fear often have their way; it was ever thus. But let that be their problem, not yours: no reason for you to be bamboozled or deterred.

C. Reject hypocrisy and stalling, when words are vague and w/o specific procedures for early implementation.

a) Don't believe that "all natural resources belong to the people" in practice, just because that's what "it says here";

b) Avoid liberals, clerical and other, who sympathize and patronize w/o tangible results. Look elsewhere for salvation.

c) Avoid touting free trade in colonial settings, it has become a code-word of Spanish-Master types for a land-using, unbalanced, labor-evicting, foreign-enclave sterile economy—(cf. the ante-bellum cotton South). Rather, settle the land (including urban land) and free trade will flourish, as in Taiwan.

D. Focus efforts where cataclysms have happened or are credibly threatened, as in environs of Soviet Union, Nicaragua, Cuba, or in Nicaragua itself. Principle of Challenge and Response makes things happen.

E. How did Henry George wield such influence? First he allied with radical rebels, 1879-86. Only thus did he develop power to frighten landholders and become worth coopting. Was cooptation death? No, it was a golden age of constructive reform in America, 1886-1917, the Progressive Era. First you rebel, then ally, have real impact.

It is a dynamic process, however, and must be repeated regularly because each cycle ends in decadence. It's time to begin again.

F. What can honest people do now? They can combat The Great Secular Superstition in schools and churches, move into influential positions in the screening processes that generate ideas and select leaders. They can keep their faith by continuing association and good will.