

Agrarian Reform Policies: Their Social Justice Content and Consequences on Rural Development

MA. AURORA CARBONELL-CATILO*

The social justice content in terms of the allocative principle of agrarian reform policies has critical consequences on rural development. For one, it can shape the power structure in rural society. This was found out when three cases of public policies: the Operation Land Transfer (OLT), the Corporate Farming Program (CFP), and the Masagana 99 Rice Production Program (M99) were content analyzed. The OLT not only maintains landlordism but even contributes to the formation of intermediate landlordism and subtenancy; the CFP introduces a new landlord — the corporation; and M99 promotes the emergence of commercial farmers, another tier to the existing power pyramid. When the coherence of the policies are analyzed, they are found to manifest elements of both technocratic and reformist approaches; they are growth-oriented but at the same time exhibiting redistributive concerns. This study thus proves that the value or normative commitments of governments as manifested in the policies they adopt do make a difference.

Public policies are not randomly made. They are rational responses of government to the demands of groups and sectors over others, depending upon their relative strength (i.e. the differential amount of resources they hold that are considered important by government in the attainment of its objectives) as well as government's stated and unstated goals and objectives.

Formed within this context and allocative in nature, policies can be analyzed along a distributive criterion, namely, social justice, which gives preferential treatment to disadvantaged groups and sectors in the allocation of resources. The allocative orientation of policy, in turn, has critical consequences on rural development.

Social justice is egalitarian justice, requiring some kind of "reverse

*Assistant Professor, College of Public Administration, University of the Philippines.

discrimination."¹ Its distributive core distinguishes it from platonic justice, general welfare and equity. Unlike platonic justice, social justice uses *need* rather than *merit* as the criterion of allocation. Unlike general welfare which places primacy on aggregate growth or general utility, social justice assumes the existence of *prima facie* rights regardless of the contribution to general utility. Unlike equity which corrects certain disparities, social justice effects downward redistribution or levelling.

This study seeks to evaluate agrarian reform policies along the social justice criterion. Policies relating to agricultural land, specifically, land ownership and land operation, constitute the sample of the study. They

¹The definition of social justice used in this study is derived from Romeo B. Ocampo, "Social Justice. An Essay on Philippine Social Ideology," *Philippine Journal of Public Administration*, Vol. XV, Nos. 3-4 (July-October 1971) pp. 273-281.

involve changes in land tenure arrangements and the improvement of farm service units necessary in land operation. For purposes of the study, the sample policies are referred to as agrarian reform policies.

The sample policies consist of three sets of agrarian reform policies: Operation Land Transfer (OLT), an example of land reform policy; the Corporate Farming Program (CFP); and the Masagana 99 (M99) policies, examples of policies for the improvement of farm service institutions, such as credit, fertilizer, and other farm input distribution channels.

OLT represents land redistribution policies. These policies are directed against the most common, conspicuous and serious land problem, namely, inequality in land ownership. Moreover, it is a basic agrarian change to which all other reform measures bear a more or less dependent relationship. The success of land redistribution depends on the adoption of measures that seek to improve and strengthen agricultural services, such as, research, extension, credit, marketing, and managerial know-how. In view of this, policies in M99 and the CFP, agricultural programs which seek to provide access to agricultural inputs, such as High-Yielding Varieties (HYVs), irrigation, and other infrastructure and managerial know-how, are also considered.

The operationalization of social justice varies from one set of policies to another but a common theme runs through all of them: a bias towards disadvantaged agricultural groups and sectors. Agrarian reform policies displaying this orientation take the poverty, ignorance, and powerlessness

of particular agricultural groups and sectors as valid bases for discriminating against the better-off agricultural groups and sectors.

Specifically, the social justice content of the sample policies is operationalized in:

- (1) Operation Land Transfer (OLT) in terms of giving land to the tillers and transferring income from landowners to tillers;
- (2) Corporate Farming Program (CFP) in terms of transferring corporate capital, technology, and managerial expertise to subsistence farmers; and
- (3) Masagana 99 Rice Production Program (M99) in terms of providing relatively poor and disadvantaged farmers access to agricultural production inputs, such as infrastructure, credit, fertilizer, and pesticides.

The extent to which agrarian reform policies apply the social justice criteria can be determined by content analysis.

"Rural development" is "a process which leads to a rise in the capacity of rural people to control their environment, accompanied by a wider distribution of benefits resulting from such control."² It necessarily involves changes in such areas of rural life, as productivity levels, employment policies, distribution of income and wealth, power relationships, social mobility, values and beliefs; and

²Inayatullah, "Conceptual Framework for Country Studies of Rural Development," in Inayatullah (ed.), *Approaches to Rural Development: Some Asian Experiences* (Kuala Lumpur: Asian and Pacific Development Administration Centre, 1979), p. 11.

Table 1. Styles of Rural Development

Development Strategy	Objectives	Major Beneficiaries	Dominant Form of Tenure	Ideology
Technocratic	Increase output	Landowning elite	Large private and corporate farms, plantations, latifundia, various tenancy systems	Capitalist
Reformist	Redistribute income (and wealth); Increase output	Middle peasants, "progressive" farmers	Family farms, cooperatives	Nationalist
Radical	Social change; Redistribute political power, wealth and output	Small peasants and landless laborers	Collectives, communes, state farms	Socialist

Source: Keith Griffin, *Political Economy of Agrarian Change: An Essay on the Green Revolution* (Cambridge: Harvard University Press, 1974), p. 204.

access to services. Convinced that the social justice content of policies is a critical factor in rural development, this paper focused on the distributional content of agrarian reform policies and its consequences for rural development.

Policy consequences may be predicted from policy contents. In other words, policies may have a logic of their own. In this connection, Griffin proposes three types of rural development strategies each with an internal logic or coherence.³ They differ on four dimensions: the objectives they

pursue, the ideology they adopt to guide development efforts, the land tenure institutions they create, and their distributional consequences. Griffin's typology can be used to guide the effort at identifying trends and patterns in policy content and consequences. the technocratic, the reformist, and the radical strategies. A comparison of the strategies along these dimensions is shown in Table 1.

Trends and Patterns in Policy Content and Policy Consequences

The Case of Operation Land Transfer (OLT) Policies

The Philippines had high tenancy rates. According to the 1960 census, the tenancy rate in rice and corn lands

³ Keith Griffin, *Political Economy of Agrarian Change: An Essay on the Green Revolution* (Cambridge: Harvard University Press, 1974), pp. 198-203.

was 47.3 percent; in certain areas, the figure was higher as in the case of Nueva Ecija which registered 76.4 percent. Thus, there is a large number of tillers who part with a certain percentage of their harvest in exchange for the right of access to cultivate another's land.

The concentration of landownership places wealth in the hands of a few and the option to choose the manner in which to use that wealth. Landowners do make certain investments in rural areas but these are in the form of additional land purchases rather than farm improvements.

Not interested in managing their lands, the landowners fragment their landholdings into plots that are farmed separately by individual tenants. Since dispersed farms require a large amount of labor and capital, the output per unit of land and per unit of labor is low. Nevertheless, the landowner is assured a share of the harvest or rent for the use of his land.

In the meantime, the tillers work on uneconomical fragmented lands. According to the 1960 census, the average rice and corn farm size was only 2.08 percent. Under conditions of population pressure, competition for land would therefore be very keen.

These factors have brought about the problem of landlessness and the concomitant predicament of the landless agricultural workers.

In a land-scarce and labor-surplus economy, tillers have to compete with one another for work and accept the monopsonistic position of

the landowners or their employees in the determination of their rentals or wages. These economic setbacks find their way into the social sphere, affording no chance or nil chances for social mobility, generating fatalism and alienation. Economic and social setbacks do have political repercussions. Without the power bases necessary for effective participation, needs, demands and grievances cannot be brought to the attention of government.

Thus, with concentration of land ownership, forms of power become agglutinate; those who own land tend to acquire other power resources, political and social; those who do not own land tend to lose other power bases such as status and political participation. Thus, the unequal distribution of land ownership is probably the single most important determinant of the unequal distribution of income and other resources.

The significance of Operation Land Transfer (OLT) lies in its attempt to correct the unequal distribution of land ownership.

OLT was decreed in 1972 when the country was placed under martial law. This was, however, not the first attempt at land reform. Through various periods of Philippine history, the government has adopted interventions that sought to change the distribution of land ownership. In their common attempt to transfer landownership to the tiller, they have been heralded as social justice measures.

The criterion of social justice requires OLT policies to treat agricultural groups differently, discriminat-

ing against the owners of the land in favor of the tillers or cultivators. This allocative bias is operationalized by the coverage of OLT — the kind of crop lands as well as the size of landholdings subject to land transfer.

The coverage of OLT is limited. It is confined to tenanted rice and corn lands above seven hectares. As a proportion of the total area of rice and corn lands, OLT covers only 11 percent. If total cultivable area is considered, OLT's coverage is even narrower, only 6.5 percent.

With a scope as limited as this, OLT excludes agricultural groups who by their sheer number must be considered significant. Confined to tenanted rice and corn lands above seven hectares, OLT excludes agricultural landless workers because they do not have tenancy rights. Landless agricultural workers number 3.5 million and constitute 48 percent of the total agricultural labor force. OLT also excludes rice and corn tenants on lands seven hectares and below, relegating them into "permanent lessees." There are slightly more permanent lessees than amortizing owners, comprising as they do 50.6 percent of rice and corn tenants.

Limited to tenanted rice and corn lands, OLT exempts lands planted to commercial crops as well as rice and corn lands under plantation management or labor administration. This is reinforced by policies which promote large-scale commercial agriculture. One such policy in OLT sets aside areas for joint ventures with foreigners in agricultural enterprises.

With such coverage, transfer of land from the landowner to the tiller that OLT policies can effect is limited.

This indicates the extent to which they favor disadvantaged groups, in this case, the cultivators rather than the landowners. While those on coverage set the potential scope of OLT, policies on landowner compensation and land valuation define the effective or actual scope of OLT. Their social justice content or the extent to which they favor disadvantaged groups — the cultivator rather than the landowner — is indicated by the extent to which they transfer income.

Landlord compensation was originally set at 68 percent of the agricultural value of the land to be transferred. However, subsequent changes in compensation schemes raised this to as high as 92 percent.

Exemptions from certain taxes given to landlords can very well compensate losses incurred under land transfer. Moreover, the process of land valuation moves the price towards the market price.

The process of land valuation gives landowners a bargaining advantage. It is also hampered by the lack of definite measurements for setting land values since they are not backed by legal sanctions. Decisions arrived at by pricing committees are not binding.

All these policies prevent a substantial transfer of income from the landowner to the cultivator.

One other point must be made. The tenant, to whom whatever income gains would be transferred, is not necessarily the cultivator or the tiller of the land. Agricultural landless workers, who do most of the farmwork, are excluded from OLT. Thus, income gains may accrue to the farm operator, in this case, the

amortizing owner or the lease tenant who employs agricultural landless workers.

Allowing land transfer in a limited number of cases and income transfer from landowner to tenant, OLT policies can be seen as exhibiting particular objectives or a priority of objectives. The policies display eclectic or mixed objectives to meet the requirements of both social justice and faster growth or increased productivity. While decreeing owner-cultivatorship in tenanted rice and corn lands, OLT at the same time retains the integrity of *haciendas* or plantation farms, whether they are planted to rice and corn or to commercial crops. The first policy attempts to satisfy social justice considerations; the second, the growth objective. The latter is reinforced by policies promoting large-scale commercial agriculture.

The same objectives can be inferred from policies on landowner compensation and land valuation. As social justice measures, they do not fully compensate the landowner. However, the distributive effects are diluted by later policies and by administrative problems inherent in the land valuation process which move land values towards the market price. These latter policies can be considered growth measures. Protecting landlord interest, these policies can be seen as facilitating the diversion of landlord capital from agriculture to industry which is in fact stated by government as one of the objectives of land reform.

In seeking to satisfy the twin objectives of growth and redistribution, OLT treats tenure groups differently, thereby creating and maintaining a

mixture of land tenure institutions that includes the following: (1) family-sized farms exemplified by those transferred to amortizing owners and those placed under the leasehold provision, (2) large plantations exemplified by sugar haciendas, other commercial crop plantations, and rice and corn plantations, and (3) agricultural landless workers who neither have ownership or tenancy rights and are hired by the first two institutions.

The transfer of ownership of land is limited to tenants of rice and corn lands above seven hectares. Tenants of rice and corn lands seven hectares and below are given security of tenure under the leasehold provision upheld in OLT. Agricultural landless workers are given neither ownership or tenancy rights. A stratification within the peasantry is thereby created.

The resulting stratification is not limited to tenure differentiation. It spills over to social, economic, and political areas and the stratification is consistent throughout. On any ladder of well-being, the agricultural landless worker occupies the lowest rung. With no rights to land ownership or to tenancy, the agricultural landless workers have to be content with labor arrangements which approximate subtenancy. Operating under the monopsonistic position of large plantations as well as amortizing owners and lease tenants, many agricultural landless workers agree to work under unfair labor practices exemplified by the *gama* and *sogod* systems.⁴

⁴Labor arrangements existing in Laguna and Iloilo provinces, respectively, where farmers agree to do weeding free of charge in exchange for the right to participate in harvesting and receiving 1/6 of the harvest.

Exacerbating this differentiation is the emergence of intermediate landlordism, adding a new tier to the tenure pyramid. It is the product of the interplay of the leasehold provision upheld by OLT, and economic, technological and demographic factors. The dynamics of this phenomenon can be briefly described as follows: the leaseholders become intermediate landlords and the agricultural landless workers they hire become their tenants. A new brand of landlordism emerges — one where the landlord is also a peasant, thereby, creating cleavages within the peasantry. This, in turn, can prevent the formation of class consciousness among peasants, a critical element in promoting their capacity to control their environment.

The effects of OLT policies are not confined to the rice and corn sector and to the agricultural population groups participating in this sector. Its effects extend over the whole agricultural sector. Not only a stratification within the rice and corn peasantry is created but also a stratification within the larger agricultural sector. Griffin refers to this as the creation of a bimodal or dualistic agricultural sector.⁵

The commercial agricultural sector is exempt from OLT. Owners retain their rights of ownership to the land. A concession to social justice, however, is made by the provision that the food commodities sector, specifically, portions of the rice and corn sector, i.e., tenanted rice and corn lands above seven hectares, must be covered by OLT.

⁵Griffin, *Political Economy of Agrarian Change*

The Case of Corporate Farming Programs (CFP) Policies

The Corporate Farming Program (CFP) derives its existence from General Order (G.O.) 47 issued on May 27, 1974. It was tied with the nationwide food production program whose objective was to secure the sufficient supply of rice, corn, and other staple food products.

Recognizing that this food production program required the utilization of all economic resources, G.O. 47 mobilized the participation of "the sector composed of corporations and partnerships that have demonstrated high profit-making operations and have accounted for a major portion of the national employment." Thus, G.O. 47 required all corporations and partnerships with reported earnings over the last four years preceding the issuance of the Order and with at least 500 employees to provide for the rice and corn needs of their employees and their immediate families. This requirement could be met by the production or importation of rice and corn.

The objectives of G.O. 47 are the following:

- (1) to increase cereal production;
- (2) to maintain sufficient supply of rice, corn, and other grains in the country; and
- (3) to develop the agricultural industry through the infusion of private sector financing, application of technology, and the utilization of management expertise.

These objectives are operationalized in terms of the establishment of corporate farms. Through the corporate farms, the private sector is mandated to modernize agriculture.

This strategy views the agricultural sector as a lagging sector due to its shortage of capital inputs, inefficient and primitive technologies, small or constricted domestic demands and markets, as well as traditional values and attitudes. Explaining agricultural conditions in these terms, the solution proposed is one of diffusing capital and technology as well as socio-economic, cultural and political institutions to this lagging sector from sectors with such assets, in this case, the corporations. In other words, the solution lies in modernizing agriculture.

As a program for redesigning rural institutions, the CFP forges a link between the private corporation and the farmer. The former possesses assets lacking in the latter. Whether the relationship will be beneficial to the farmer critically depends on the conditions governing such relationship. These conditions are set by policies.

The extent to which such conditions allow or facilitate utilization of corporate assets for the farmers indicates the policies' application of the social justice principle. The conditions governing the relationship between the corporation and the farmers can be gleaned initially from the percentage of corporate farms linking with farmers and more directly, the amount of protection afforded participating farmers vis-a-vis participating corporations. These are the following:

- (1) Cultivation of firms' existing landholdings;
- (2) Lease or purchase of idle private agricultural lands;

- (3) Lease of public agricultural lands;
- (4) Linkage contracts with farmers' group;
- (5) Management contracts with the Department (now Ministry) of Agrarian Reform;
- (6) Linkages with timber licensees or pasture permittees;
- (7) Management contracts with agricultural service corporations, and
- (8) Linkages with provincial governors on the Palayan ng Bayan Projects.

Supplementing this listing are variants of option 4, namely, tie-up with Irrigators Service Association (ISA) - Farmers Group and tie-up with Agricultural Credit Administration (ACA) compact farms.

Of these options, linkage with farmers is the most promising insofar as the utilization of corporate assets for the benefit of farmers is concerned. However, only 25 percent of the total number of corporate farms opted to link with farmers. Other options involve indirect linkages but they comprise only 9.1 percent of the total number of corporate farms that have been established by virtue of G.O. 47.

Even in cases of farmer linkage, the utilization of corporate assets for farmers' benefit may not be utilized because policies do not provide adequate guarantees to participating farmers. They cannot compel corporations to provide the necessary agricultural inputs and resources.

From this analysis of the social justice orientation of CFP policies, something can be said about the kind of objectives they pursue. CFP policies attempt to reconcile social justice and growth.

A concession to social justice is made with the inclusion of farmer linkage among the production schemes available to participating corporations. Farmer linkage is offered side by side with direct cultivation and management contracts with agricultural service corporations, options that may be more efficient and profitable as far as the corporations are concerned. These options which were availed of by most of the corporations can guarantee the attainment of the growth objective.

There are other policies that can have the same effect. Given the relatively greater risks and lower profitability in rice production, the Agricultural Investments Priorities Plan (AIPP) was promulgated granting incentives to participating corporations.

This growth measure can operate against social justice. The kind of incentives granted by AIPP encourages a capital-intensive approach to production, an inappropriate measure in a labor-surplus economy like the Philippines. The alternative, a labor intensive approach, on the other hand, can redistribute agricultural benefits from CFP through employment generation.

The AIPP also shifted the production focus of corporate farms from food crops to commercial crops. With the production focus changed, corporations need not link with farmers. The cultivation of commer-

cial crops which is the focus of AIPP does not address itself to the needs of subsistence farmers who are mostly in rice and corn.

Pursuing the productivity objective and at the same time making concessions to redistributive considerations has the effect of creating new institutions in the agricultural scene — the modern corporation and the corporate farm that it builds — juxtaposed on a system of small or family-sized subsistence farms. The corporation becomes a new landlord — one that can mobilize modern technologies, e.g., the new HYVs, fertilizer, infrastructure, credit and managerial know-how.

In the case of corporate farms linking with farmers, the modern landlord brings about a new breed of cultivators — one that depends on the agricultural inputs and operating guidelines provided by the corporation. Hierarchical relationships assume a new form. The participating farmer either is an amortizing owner or a lease tenant. The corporation does not take possession of the land; it only provides the other agricultural inputs such as the HYVs, the machineries, the infrastructures, and the management of farm operations. Under this arrangement, the farmer becomes a mere member of an advisory council or a subordinate, taking orders from the management staff hired by the corporation.

Thus, the introduction of corporate farms creates a new patron-client relationship — the corporation as the patron and participating farmers as clients.

The CFP restructures relationships not only within the corporate farms that it establishes but also outside

of them. It creates gaps in the larger agricultural society in more ways than one. These are illustrated in the following cases:

- (1) The emergence of a new landlord in the form of the corporation may extend even in areas where land transfer may have operated.
- (2) It is possible that with the production schemes available to participating corporations such as direct cultivation, some farms brought under CFP may have been originally cultivated by small settlers, tenants or agricultural landless workers. If this is the case, then it is possible that the introduction of the CFP may have been accompanied by the dislocation of these agricultural groups. In fact, actual cases of ejection have been reported.

CFP has other externalities. Direct cultivation and management contracts with agricultural corporations chosen by most of the participating corporations, unlike farmer linkage chosen by relatively few corporations, are likely to involve a capital-intensive rather than a labor-intensive approach to production. A capital-intensive strategy, in turn, displaces rural labor, requiring the inflow of urban labor. This raises the rural wage levels but creates wage differentials between employees of corporate farms and those of the small farms. Wage differentials, needless to say, aggravate existing inequalities in rural society.

Where the corporate farm has labor requirements that cannot be met by rural labor, it will develop independently of its surrounding areas.

It becomes an enclave, "an island of modernism amidst traditionalism." This tendency towards "enclave development" is reinforced by the fact that corporate farms, by virtue of their assets, can easily take advantage of HYVs and other technologies. They can take the risk of innovation much more easily than small farms. They can also take advantage of price supports. It is they, not the subsistence farmers, that are likely to realize surpluses. Where supply cannot meet demand, prices go up. Since it is the corporate farms that realize surpluses, they are the ones who sell and are, therefore, the ones who can benefit from increased prices.

"Enclave development" of the corporate farm may assume a new twist. With its superior assets, the corporate farm can mobilize the resources of its surroundings and make them respond to its requirements. When this happens, growth in the surrounding countryside can be described as "dependent development," one that is geared not to its particular needs but to the production imperatives of the corporate farm.

All these illustrate the distributional consequences of the CFP on rural development. The corporation becomes a landlord — a modern one providing modern agricultural inputs to farmers who become its subordinates in the process. The CFP has effects even outside the corporate farm. This new patron-client relationship extends over to OLT areas in cases where tenants have been ejected to pave the way for the entry of CFP.

Given the technologies and modes of production used in the corporate farms, the CFP is also likely to affect

agricultural wage levels and employment profiles and to grow independently of its surroundings, meeting its own unique requirements. It becomes an "enclosure," an "enclave."

In other cases, because it enjoys a monopsonistic position, the corporate farm can condition the growth of its surroundings and make them respond to its requirements. Given its superior assets, it is the one among the agricultural sectors that can take advantage of technological breakthroughs and price supports extended to innovative activity, thereby, aggravating inequalities in rural society.

In each of these cases, the corporation together with its corporate farm can be described as a lord in the countryside, not necessarily monopolizing land but invariably monopolizing the required resources to make land productive. A bimodal, dualistic food sector is created: corporate farms with high productivity levels existing side by side with family-sized subsistence farms.

Expanding its operations to commercial crops, the corporate farm with its resources reinforces the dualism in the agricultural sector as a whole, one that consists of a highly productive commercial sector and a lagging food sector.

The Case of Masagana 99 (M 99) Policies

The Masagana 99 Rice Production Program or Masagana 99 for short (to be referred to subsequently as M99) is a program designed to raise crop productivity and to achieve national self-sufficiency in rice. It was the government's response to the rice supply shortage in 1971-1973. It has the following objectives:

(1) to encourage and assist farmers in irrigated and rainfed areas in increasing their yields to about 99 cavans per hectare, by adopting a suitable package of modern technology;

(2) to intensify agricultural extension methods in the target provinces supported by extension personnel, local leaders, and farmers; and

(3) to establish applied research projects on rainfed rice-culture land that would serve both as demonstration plots and as basis for recommending farm practices.

M99 seeks to fulfill these objectives by providing a particular package of services including a "revolutionary credit system," where farmers could avail of non-collateral low interest loans for the purchase of production inputs under a supervised scheme. The loans are given by 420 rural banks, 102 PNB branches, and 25 ACA offices, contributing 55 percent, 40 percent, and 5 percent, respectively, to M99 loaning operations. During Phases I and II, the minimum loan was ₱700.00 per hectare. This amount was subsequently raised to ₱900.00 per hectare during Phase III and IV and then to ₱1,200.00 per hectare during Phase V. The corresponding maximum loans that could be obtained were ₱900.00, then ₱1,200.00 and then ₱1,400.00 per hectare.

Ten to fifteen percent of M99 loans are given partly in cash to cover actual labor costs; the rest, in the form of "chits" or purchase orders for fertilizer and agro-chemicals.

The Land Bank guarantees up to 85 percent of M99 loans.

M99 also provides technology transfer. Through extension services, farmers are taught the use of HYV seeds,

the application of the recommended 16 steps in rice culture, chemicals and fertilizer. They are also taught how to form *seldas* (literally, a cell; joint liability groups) and how to obtain loans. Participating farmers are supervised by farm management technicians or plant technicians.

M99 also sets floor and ceiling prices for palay for the purpose of guaranteeing and stabilizing farmers' incomes. The floor price is set at the anticipated cost of production per cavan plus ₱5.00 per cavan. The ceiling price is also set for the purpose of maintaining a price level within the reach of consumers. To implement this price support policy, a government agency, the National Grains Authority (NGA), engages in cereal-buying operations at the guaranteed price, stores the purchased grains, and later on, markets them if rice supply is low in order to stabilize cereal prices.

In addition to these services, M99 institutes a system of subsidized prices for fertilizer, reducing prices by as much as 21 percent. Priority in fertilizer allocation, moreover, is given to the food crop sector.

Irrigation support to the program in terms of well-scheduled water-release and water management is also provided for by another government agency, the National Irrigation Administration.

Like the CFP, M99 seeks to change certain rural institutions such as credit and fertilizer distribution channels. Its adherence to the social justice principle or the extent to which it favors disadvantaged farming groups, is indicated by the kind of credit eligibilities it stipulates. Far from applying the criterion of social justice,

M99 reverses this principle.

The nature of the technology package it propagates tends to be class-biased; it requires the possession of certain assets, such as land, cash and literacy. Thus, it is those who have these assets who are likely to adopt the M99 technology package.

This tendency is "legislated," in a manner of speaking, by the credit eligibilities stipulated in M99. They give preferential treatment to relatively well-off agricultural sectors, such as irrigated and large farms. M99 excludes upland farms, agricultural landless workers, and farmers who have outstanding loans. Rainfed farms qualify but they do not get as much credit as irrigated farms. The M99 definition of its client population follows such criteria as profitability, risk reduction, ability to repay all of which gloss over the principle of social justice.

Patterns in total agricultural credit give an overall picture which can situate M99 credit policies within the context of total agricultural credit allocation. For these reasons, patterns of total credit allocation can be used as surrogate indicators of the social justice orientation of M99.

The bulk of total agricultural credit goes to commercial crops, particularly sugar. Whether by commodity or by level of activity, loaning operations favor sugar. Insofar as sugar lands are owned and controlled by the most affluent sectors of society, this bias for sugar is tantamount to a lack of a social justice content among agricultural credit policies.

Credit allocation by clientele also reverses the social justice principle.

Large farms which generally realize greater aggregate profits than small ones are favored. Credit allocation has also a geographic bias and this is for relatively more developed regions.

Thus, the biases of M99 are carried over in the allocation of total agricultural credit. M99 credit eligibilities favor the relatively well-off rice sectors; total agricultural credit also favors the relatively well-off sectors in agriculture, namely, commercial crops, large farms and relatively more developed regions.

Another agricultural input or resource is fertilizer. Insofar as credit obtained from M99 is used to obtain fertilizer, fertilizer allocation can be said to follow the bias of credit which is for relatively well-off rice sectors. Patterns of fertilizer allocation show that sugar uses fertilizer more intensively than food crops in spite of the fact that it has reached self-sufficiency levels.

Thus, from the kind of credit eligibilities that it stipulates and the patterns of total agricultural credit and fertilizer allocation of which it is a part, it can be said that M99 favors the relatively well-off rather than the disadvantaged agricultural groups. In so doing, it departs from the social justice criterion. Particular objectives can be inferred from this. M99 attempts to effect some kind of distribution but requires that it be made within the context of increasing productivity. Its attempt at distribution can be gleaned from the fact that it is a program directed towards a depressed sector — the rice production sector. It may be recalled that it was propagated to avert a rice crisis. Nevertheless, there is evidence that this must be done in the context of

increasing productivity. Its credit eligibilities follow such criteria as risk reduction and ability to repay which serve to ensure the profitability of the program. Moreover, total agricultural credit and fertilizer allocation continue to favor commercial crops, particularly sugar, which are more profitable than rice and owned by the better-off and the affluent in society.

Combining the objectives of redistribution and growth, M99 tends to create mixed institutions in the rice sector: (1) commercial sectors represented by larger farms, irrigated farms, and "preferred risks" farmers, and (2) subsistence farms represented by small farms, rainfed farms, upland farms, and "delinquent" farmers.

One dramatic development in the agricultural sector is the emergence of commercial farmers, adding a new institution to the tenure pyramid. M99 is a contributory factor to this development. Technical and economic forces inherent in the M99 technology package are critical factors in the conversion of landlords into commercial rice farmers. Modern inputs introduced by M99 have economies of scale but it is the landlord who can take advantage of this because of their cash requirements and the risks involved in adopting them. Landlords take advantage of their economies of scale by direct cultivation or other forms of commercial farming. Thus, technical and economic forces inherent in M99 may induce landlords to become commercial farmers. This tendency is reinforced by the credit policies of M99. Its credit eligibilities favor the relatively well-off agricultural sectors. Moreover, the rural banking system, the "channel institution" for M99 loaning operations, though defining

its client population as the "small farmers" favors those who can provide collateral, namely, the landowners. Thus, credit policies reinforce the technical and economic factors inherent in M99 in inducing landlords to become commercial farmers. Realizing profits in commercial farming, the landlord's initial superior position is reinforced, exacerbating inequalities between them and other agricultural groups.

M99 has peculiar distributional consequences. It favors irrigated farms and farmers who are "preferred" risks. There are also priority and associate regions. These are expected to realize higher yields and higher incomes, getting as they do more agricultural resources than the other rice sectors. Thus, what emerges is a rice sector composed of sub-sectors which display different levels of innovation, yields, incomes and styles of life. It may be more accurate to say that M99 reinforces existing disparities. This is because the already well-off sectors — those who have larger farms, have capital, and are literate — are more likely to innovate than those who have smaller farms or who are landless, without liquid assets and are illiterate. M99 "legislates" that these people be the ones to innovate because it stipulates credit eligibilities in their favor.

Patterns of total agricultural credit and fertilizer allocation also tend to create a dualistic agricultural sector — one composed of commercial crops and enjoying the bulk of agricultural resources, the other composed of food commodities and getting much less. These two sectors expectedly would have different productivity and income levels and, conceivably, styles of life.

What therefore emerges in the rice sector as well as in the larger agricultural sector are the productive and the lagging farms.

The preceding sections sought to explain the relationship between the social justice content of policies and their consequences on rural development. The social justice content of policies shapes their consequences on rural development. In fact, if the policy objectives, the institutions they create, and their distributional consequences were identified, a certain internal logic, coherence, and unity can be found.

Common Policy Themes and Style of Rural Development: The Case of OLT, CFP, and M99 Policies

Objectives Pursued

OLT promotes owner-cultivatorship in land, but subject to certain conditions. It covers only tenanted rice and corn lands above seven hectares. Other kinds of lands are exempt to accommodate productivity considerations. Rice and corn lands under plantation management or labor administration and lands planted to commercial crops are not covered in OLT.

In the policy area of landlord compensation and land valuation, the same attempt to reconcile considerations of growth and social justice is made. The landlords are compensated at lower than the agricultural value of their lands, a social justice measure. However, this measure is coupled with tax exemptions and other fiscal incentives granted to landowners, compensation schemes geared towards the diversion of landlord capital from agriculture to indus-

try and land valuation processes that tend to move the land price towards the market price. All of these can be seen as growth rather than redistributive measures.

Thus, OLT attempts to harmonize the requirements of growth and redistribution. CFP displays the same orientation.

CFP seeks to modernize traditional agriculture through the establishment of corporate farms by private corporations. It offers a variety of production schemes. Farmer linkage which provides the most promising scheme for the utilization of corporate assets for the benefit of subsistence farmers is availed of by only a fourth of the corporate farms. On the other hand, direct cultivation and employment of agricultural service corporations have been opted by most of the corporate farms. These may represent the most efficient and profitable production schemes as far as the corporations are concerned, glossing over the need to involve farmers.

The latter schemes serve the productivity objective. Other measures in CFP which serve this purpose are policies that provide greater protection to participating corporations than participating farmers and policies that encourage large-scale commercial agriculture, particularly AIPP which changes the production focus of corporate farms from food to commercial crop production and grants incentives to participating corporations, both local and foreign. The capital-intensive approach that is encouraged by the incentives can also guarantee productivity.

Like OLT and CFP, M99 also attempts at redistribution and productivity. It was undertaken to resus-

cite a depressed rice sector. The nature of its technology package, however, is class-biased, that is, it is the relatively progressive areas and farmers who are likely to adopt the new technologies. This tendency is reinforced by stipulated credit eligibilities. Due to the nature of the technology package, M99 is likely to be propagated in initially progressive areas and adopted by better-off farmers. M99 credit eligibilities "legislate" this by giving preferential treatment to irrigated areas and "preferred risks."

Situating M99 within total agricultural credit and fertilizer allocation, the policies favor the relatively more profitable commercial crop sector.

Land Tenure Institutions Created

The OLT, the CFP, and the M99 exhibit the eclectic objectives of growth and redistribution. In so doing, they create a mix of land institutions — institutions which validate the social justice claim of policies existing side by side with institutions which guarantee increased productivity.

As one goes to the countryside, one sees family-sized farms transferred to amortizing owners or retained under leasehold provision upheld by OLT, and plantation haciendas representing lands exempt from OLT. Working in either or both of these two kinds of farms are agricultural landless workers who neither have ownership nor more tenancy rights.

CFP elaborates on the system of land tenure institutions created by OLT. It injects a modern entity, the corporate farm, owned and/or managed by a modern institution, the private corporation.

The corporate farm exists side by side with family-sized farms which may be linked with the corporate farm by relations of dependency or isolated from the corporate farm that is pursuing "enclave development."

M99 transforms one part of the system of land tenure institutions — it facilitates the conversion of large landowners into *commercial* farmers. With the technology package it propagates and the eligibilities that govern its loaning operations, it is landowners of large farms who can take advantage of the benefits of M99. They take advantage of the economies of large scale of M99 inputs by direct cultivation and other processes of commercial farming.

The commercial farmers operate side by side with small farmers who because they do not have as much land, cash, and access to technical information cannot innovate as easily as large farmers.

This system of land tenure institutions created by M99 does not change or modify the place of agricultural landless workers in rural society. They are not eligible for credit. Presumably, they participate in M99 only indirectly by serving as wage laborers in commercial and subsistence farms.

Thus, the OLT, the CFP, and the M99 create and maintain a mixed system of land tenure institutions. This can be traced to the fact that they pursue mixed objectives. Two kinds of institutions emerge — those serving the social justice objective and those serving the productivity objective. The institutions created and maintained reinforce each other. OLT may be seen as setting the framework or pattern: a system of family-sized and plantation farms participated in

by amortizing owners and leaseholders on small farms and landowners of the plantation farms. CFP elaborates on this basic system of institutions by adding a new big landowner and/or farm manager who can be placed on the same level as the plantation owners whose landholdings are exempt from OLT. The plantation owners, in fact, may have been bought out by the corporation, converting the plantation haciendas into modern corporate farms.

Distributional Consequences

The foregoing analysis suggests not a "horizontalization" but rather a "verticalization" of relationships in rural societies. A hierarchy of farms is created. OLT stratifies rural society into family-sized and plantation farms. CFP modifies the top levels of the hierarchy by introducing a new landlord, the modern corporation. While the CFP introduces a new landlord — one that is urban-based, holding massive corporate assets, M99 introduces a transformed rural landlord in the person of the commercial farmer. The modifications, however, do not change the essential character of the hierarchy.

In all cases, the hierarchy is maintained; while the top level is transformed or modified, it is made to retain its dominance over small farms and agricultural landless workers. This tenure hierarchy has a way of distributing agricultural benefits. Its distributional effects introduce significant changes at the lower levels of the hierarchy. The following discussion focuses on these changes. As mentioned earlier, changes at the top levels only involve a change of hands.

All three sets of policies create and reinforce stratification within the peas-

antry. OLT stratifies the peasantry into (1) amortizing owners, (2) lease tenants who, by the interplay of policy and demographic, technological and economic factors, may become "intermediate landlords," and (3) agricultural landless workers who, by the operation of intermediate landlords, become subtenants.

Another form of stratification within the peasantry also results from the operation of OLT. Commercial agriculture is exempt from OLT. Tenanted rice and corn is subject to OLT, exempting rice and corn lands under plantation management. Thus, cultivators in these crop sectors cannot equally benefit from land transfer and consequently from welfare improvements associated with land ownership.

CFP transforms the feudal landlord into a modern capitalist landlord. This changes the character of peasants at the lower levels of the tenure pyramid. They become dependent on the corporation for agricultural inputs. Nevertheless, the same patron-client relationship is maintained as in pre-OLT or pre-CFP days. Only the character of the patron has changed.

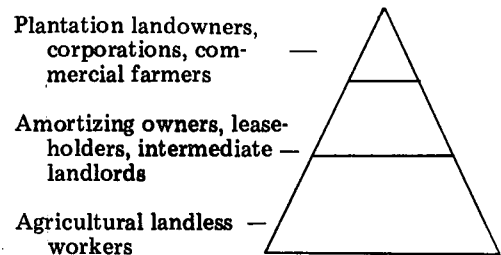
M99 transforms the large landowner into a commercial farmer. Small farmers who cannot innovate as easily as the landowners may end up losing their land and join the ranks of the agricultural landless workers.

Both CFP and M99 do not make provisions for agricultural landless workers. Production schemes under CFP do not involve them. Credit eligibilities under M99 specifically exclude them. They can only participate as wage laborers in corporate farms where employment opportuni-

ties may be limited or in plantation farms where work may be seasonal, and in small lands under amortizing owners or lease tenants who behave like intermediate landlords. Thus, CFP and M99 do not correct the discrimination of OLT against agricultural landless workers; they reinforce such discrimination.

Taking all these analyses together, a particular tenure stratification may approximate the one illustrated below:

Figure 1. Tenure Pyramid: Rice and Corn Sector



The consequences of OLT, CFP, and M99 on rural development can be operationalized in terms of this tenure pyramid. It is a sensitive indicator because it correlates positively with well-being levels.

This tenure pyramid emerges in the food sector, i.e., rice and corn sector. OLT, CFP, and M99 also impinge on the operations of the commercial crop sector. A tenure pyramid, likewise, emerges here.

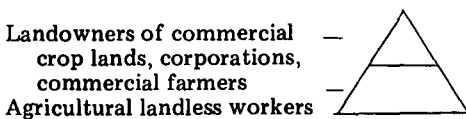
OLT exempts lands planted to commercial crops. Cultivators in these lands, therefore, cannot benefit from land transfer and its concomitant welfare benefits. The differentiation between commercial and subsistence farming made by OLT, (by exempting

the former from land transfer and by promoting large-scale commercial agriculture) is reinforced by CFP through fiscal incentives granted to corporations going into commercial agriculture. This orientation is further reinforced by credit policies which allocate the bulk of credit resources to the commercial crop sector.

As in the food sector, agricultural landless workers occupy the lowest rung of the tenure pyramid in the commercial crop sector. They can only serve as wage laborers in commercial crop production, where, in the first place, employment may be limited.

The tenure pyramid that emerges in the commercial crop sector may approximate the one illustrated below:

Figure 2. Tenure Pyramid:
Commercial Crop Sector



This tenure pyramid may be viewed as defining the distribution of agricultural benefits. Occupying the lowest rung of the tenure pyramid, the agricultural landless workers can be expected to have the lowest welfare levels — the lowest incomes, the most inadequate diet, the barest necessities.

From this analysis of trends and patterns in agricultural policies' objectives of the institutions they create and of their distributional consequences, the policies can be viewed as pursuing essentially the same strategy or style of rural development.

Style of Rural Development

All the three sets of policies seek to combine growth with distribution or distribution in the context of increasing productivity. This orientation results in the emergence of likewise eclectic institutions. The policies create tenure and social pyramids among agricultural sectors and population groups. They change, modify or transform the character of the landowner but make him retain his dominance in rural society. They maintain the subordinate position of small farmers and agricultural landless workers. They even create stratification within the peasantry itself, making some of them "landlords" to their fellow peasants.

Redistribution of agricultural benefits, within this context, cannot be significant or meaningful. The dominant position of the feudal landlord before OLT is taken over by commercial farmers in M99, corporations participating in CFP and retained by owners of commercial crop lands by virtue of OLT. With commercial farming, whatever redistribution may be effected is one from the upper to the middle groups. Such limited redistribution, moreover, occurs with new forms, of "internal" inequalities such as those that install landlords from among the ranks of the peasants themselves.

Going back to the concepts mistakenly equated with social justice, the agrarian reform policies studied here can be seen as pursuing equity to a certain extent. They correct certain disparities (e.g., those among tenanted rice and corn tenants) but not the framework of inequalities (e.g., that governing the relationship between commercial and food sectors,

the relationship between tenants and agricultural landless workers, the relationship between tenants on rice and corn lands above seven and those below seven hectares).

The preceding analysis shows that the three sets of policies pursue common objectives and in the process, create and/or reinforce a basic framework of land tenure institutions that produce mutually-reinforcing distributional effects on the rural society.

OLT, CFP, and M99 pursue both growth and redistribution objectives. In more specific terms, their objective can be stated as "redistribution in the context of increasing productivity" or "redistribution from growth," which in effect places priority on growth.

OLT, CFP, and M99 create and maintain a system of land tenure institutions that is basically hierarchical. At the top of the pyramid are plantation farms consisting of food or commercial crops, corporate farms and commercial farms, together with their owners and/or managers. At the bottom are the agricultural landless workers. Situated between the two levels are amortizing owners, small owner-cultivators, and lease tenants.

Distribution of benefits follows this tenure pyramid. Tenure differentiation can be translated into social and economic differentiation, and welfare differentiation. Thus, those at the top of the tenure pyramid have the highest incomes and the highest welfare levels. Those below have the lowest incomes and lowest welfare levels. Those at the middle of the tenure pyramid enjoy the same position in the social pyramid.

Sharing common components, OLT, CFP, and M99 pursue basically the same style of rural development. They seek redistribution but this must be within the context of growth. In effect, this policy prescription places priority on growth. The policy can also be described as "redistribution from growth," where benefits are assumed to trickle down from growth centers.

By putting a high premium on productivity/growth, the policies maintain a high concentration of property ownership in the form of commercial crop plantations, establish corporate farms, and contribute to the emergence of new tenancy arrangements. With its secondary concern for redistribution, the policies establish side by side with the plantations, family-owned small farms and leasehold farms.

Pursuing redistribution only to a limited extent because of its primary concern for growth and productivity, the policies create a dualistic agricultural sector marked by the co-existence of large plantations and small farms. They also effect distributional patterns that benefit men of property as well as certain groups and sectors identified with the lower rungs in rural society such as the owners of irrigated and larger family farms, and the lease tenants.

The strategy being pursued by these policies is not clearly reformist because of their overriding objective of growth. The policies may be viewed as applying such principles associated with a liberal-capitalist ideology as private property and free markets. The policies, thus, exhibit some features of the technocratic strategy. Yet, the policies do have reformist components — they also seek redistri-

bution; lower classes also benefit from their operations, thus, displaying to a certain extent, a populist orientation.

The policies have both technocratic and reformist components. But they are too growth-oriented and too liberal-capitalist to be labelled reformist. They have redistributive concerns, albeit secondarily, to be properly labelled technocratic. Griffin's classification may thus be too gross for the purpose of classifying the rural development strategy pursued by the agrarian reform policies sampled. A refinement suggested is the inclusion of another type — one that can be labelled "techno-reformist" displaying the characteristics of the policies that have been examined.

This mixed approach to rural development — a techno-reformist strategy — does not adequately address itself to agricultural problems. If agricultural problems can be described as basically distributional ones, the reformist strategy clearly fails on this count. It enhances rather than corrects inequalities in rural society. It creates and maintains a tenure pyramid that defines the distribution of not only tenurial but social, economic and political benefits or, more succinctly, the distribution of welfare. It is true that peasants could improve their lot but their relative position remains intact. Thus, the strategy pursued by agrarian reform policies — OLT, CFP, and M90 — not only maintains inequalities;

it also creates new forms of inequalities.

However, it may be argued that such inequalities have their roots in history and, as such, contemporary policies cannot possibly correct them in a short time. Nevertheless, this should not cause despair because the policies at least produce certain improvements. In the case of the policies studied, certain agricultural groups, such as lease tenants, amortizing owners, and farmers who have availed themselves of the rice technologies experienced increased welfare. This is to be welcomed even if their relative position in rural society is maintained and even if new internal inequalities emerge as a consequence of policy operations.

This argument should not be taken as an excuse for the failure of policies to address the problem of inequalities in rural society. If they reinforce existing disparities or create new ones, this should be considered a major limitation. The underlying assumptions of the rural development strategy pursued should then be questioned. At this point, it may be asked: can a technocratic or a reformist strategy or even variants of these adequately address the problem of rural society? Can a strategy that maintains an unequal distribution of political power and wealth succeed? In other words, can rural inequalities be solved without altering the framework of global and national inequalities of which they are a part?