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AGRARIAN REFORM AND RURAL INDUSTRIALIZATION*

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INTRODUCTION

The concepts of rural industrialization seem to range widely from processing of agricultural products in the locality to the transformation of rural society into further industry-oriented patterns. It also implies connotation of industrialization in non-metropolitan areas of the nation. After all the rural industrialization could be regarded as basis of enlargement of employment and of betterment of income level for the populace in the rural regions of a nation, which are the most depressed segment of society and arena of social unrest.

This paper is aimed at discussing the nature of rural industrialization with special references to the conditions of the Philippines and to introduce some of experiences of Japan in this aspect. Furthermore the writer would like to add a few comments on prevailing conventional views among western literature on the basic characteristics of Japanese land reform program in the 1940's as well as its relevance to her economic development in the post-war period.

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1. AGRARIAN REFORM: PREREQUISITES FOR ECONOMIC DEVELOPMENT

Agrarian reform is often regarded by itself as progressive, sometimes revolutionary, steps for the sake of the actual cultivators of land. In some cases it was generated by upheaval of strong requests of the rural mass at the turn of political regimes, and in others it was initiated by the administration to modernize social setting of the country. So that the terms like agrarian reform 'from the bottom' and 'from above' are often used in literature describing such programs in various countries. But we have to keep in our mind that all the agrarian reforms are eventually the alignment of land relations to meet the interests of the government and the dominant class of the society.

Of course the political powers usually propagate their concerns on welfare of actual cultivators of land when they initiate the programs. But the reality is not necessarily in accordance with the ideal. Contents of the programs could be lukewarm and irresolute, and occasionally far from the interests of the peasantry. It is imperative to realize that targets of agrarian reform for the benefit of cultivators can be achieved only when proper interactions between the administration and the actual cultivators are staged in formulation and implementation of the programs, and that claims of peasant organizations should be given appropriate attention as integral part of the reform even though their posture is hostile to the administration.

Agrarian reform, in the sense of transformation of land relations to emancipate tillers of soil from premodern exploitation of the landed class, is indispensable for economic development of countries where the agricultural sector has been dominating.

First of all, it brings forth active vitality to the society as a whole. Not only the elites but respective components of the society become more enterprising and start

to share in national development. This is highly important in countries like Southeast Asia including the Philippines where traditional society tends to have basic feature of two-class structure. Eradication of obsolete land relations liberates innovativeness of the populace and accelerates national development.

Secondly agrarian reform is the basis of agricultural innovation. Technology itself is neutral to scale of farm, but adoption of the technology depends on socio-economic conditions of farmers. Small farmers are positively willing to accept new technology only when they are confident that the fruits of technological change would remain certainly in their hands, and when they are assured of preventive measures for new risks which are accompanied with the new systems. Otherwise they do not show enthusiasm to new techniques. It is perfectly rational response from view points of farmers, because they have to surrender additional resources to the farm in the form of labor and other agricultural inputs, as required by the new technology. In the Philippines, we observe that the Malgate/Masagana system declined after few years of trial in the mid-60's, and that diffusion of the HYVs was stagnant in the late 60's. In Central Luzon where the author has been observing rural changes at village level for nearly three decades, the HYVs spread extensively after implementation of agrarian reform programs under the Land Reform Code of 1963 and P.D.27.

Thirdly it prepares paths for strengthened foundation of development of economic tenaciousness. Resources have to be liberated from bondage of land and to be mobilized as capital for investment into industrial sector. It provides opportunities for rural labor force to qualify themselves through education and other means. Above all redistribution of income brings forth enlarged domestic market which is the most crucial condition for the growth of the industry. Export-oriented industrialization is not sustainable enough unless the economy is firmly based on domestic consumption. In case of Japan the automotive industry acquired technological strength to compete in the world market only

depending on domestic market in the 50's and 60's as the outcome of the land reform in the 40's.

Fourth, agrarian reform is essential to restore peace and order of the society which pave way to spontaneous endeavour for growth, and to acceleration of inflow of investment from external resources. Especially in local regions where rapid expansion of employment is vitally needed, introduction of social justice in land relations must be regarded as initial step to prepare desirable environment for investment. Current deterioration of security in many of provinces of the Philippines in contrast to relative serenity in the regions where agrarian reform measures were implemented effectively demonstrates the significance in that sense.

We, however, have to remember that agrarian reform is not perpetual remedy nor panacea for development. Constant checking with appropriate steps have to be accompanied to land reform in order to maintain achievement of the programs, otherwise short term effects of the reform will wither easily.

For example, in a country where the landless are numerous, strengthening of tenant's right often brings about sub-tenancy which results in further deterioration of working conditions for the actual tillers of land as observed in Central Luzon.

2. RURAL INDUSTRIALIZATION

In order to industrialize rural regions of the Philippines, it seems to be essential to carry out land reform programs because of several reasons.

First, cumulation of wealth among enterprising independent farmers is the most significant process of capital formation in rural areas. The landed groups try to justify large-sized farms based on the assumption of economy of scale.

But we have to keep in mind that the assumption is affirmative only when the operator has strong will to raise productivity. while the most of landlords in the Philippines

in the past demonstrated their incompetence in investing on the farm land and raising productivity in agricultural sector. It is clearly observed in paddy culture and in sugar estates. With very few exceptions, absentee landlords of paddy land and hacenderos in sugar land failed to prove their positive role in investing on both farm land and local industry. Hitherto wealth of the landed class formed on exploitation of toiling peasantry was consumed in unproductive luxury or transferred to metropolis resulting in enlarged regional disparity between provinces and Manila.

Creation of independent farmers and egalitarian distribution of income in rural areas are basis of positive investment on farm land such as small scale irrigation, machinery, increased agricultural inputs, land improvement for multiple crops, and diversified land use. Such a trend resulted in enhancement of farm income for a certain segment of rural population, and gradually strengthened investment in non-agricultural sector by farmers. The author observes in Central Luzon that some of former kasama tenants started small rice mills, small machine shops, and production of earthen cooking stoves, hollow-blocks or local sweets, and contributed in absorbing labor force though small in quantity.

Secondly betterment of income level of farming households caused by combination of agrarian reform and technological innovation brings about the rise of educational attainment of rural youth, and thus results in abundant supply of comparatively qualified labor force for industry of the locality to grow. In Central Luzon after implementation of the land reform programs in the early 70's, quite good number of young members of the former tenant families obtained high school level education, and collegiate students also increased. Now it is common to find village youths working in local financial institutions as well as big business firms in Manila.

But at present throughout the country, rural industrialization is stagnant, and overpopulation is obvious elsewhere. Development of transportation network rather

accelerated rural-urban migration toward metropolitan region. Inflow of migrants into the metropolis results in huge accumulation of underemployed labor force in urban informal sector, while unemployment is also mounting in the rural areas.

Situation is serious even in core region of the central plains of Luzon which was the target area of extension of new technology and the agrarian reform programs. In the early 70's when double cropping prevailed and yields were raised, demands for labor force were expanded. But due to high proportion of landless farm workers in rural population, and partly due to inflow of labor force from remote regions of the country, labor surplus became very apparent.

Besides the newly created owner farmers and leaseholders gradually changed their posture in farm management. Under share tenancy they tried to minimize labor input of the family members and to maximize their dependence on hired workers, because it was the way to retain certain portion of output of their farms for themselves and villagers against arbitrary exploitation of landlords through high rental and high rate of interest on credit. Farmers also allowed villager's practice to take home certain portion of actual output of the farm in the form of pulot, pumpong, pagpag and so on. But, as the share tenancy was removed, they changed their stance on farm, and started to economize management by lowering the percentage of contract wages and strengthening control over the output. (The author calls this behavioral changes of former kasama tenants as 'peasantization'.) At any rate, working conditions of farm laborers are deteriorating, and at the same time presence of surplus labor in great extent forms serious menace which might erode the achievement of agrarian reform.

It is imperative for Philippine economy to foster growth poles with considerable size of industry in numerous strategic location of the country. Hitherto the Philippine urban system has been characterized by primate city type setting where the metropolis is the only center with urban functions, and other cities are in far lesser position. Davao and Cebu have

certain varieties of manufacturing, but other cities like Iligan and Bacolod have a few plants of specified pattern of industry. In order to expand rural employment, regional development approach is highly needed, but without peace and order such an approach cannot be accomplished. In the sense agrarian reform is necessary and integral part of regional development to diffuse industry all over the country.

Thirdly, agrarian reform is foundation for genuine cooperation of the rural mass for local development. Land improvement and agricultural cooperatives can be developed firmly only when the rural community has egalitarian structure. Well-founded agricultural cooperatives provide valuable opportunity for rural industrialization utilizing local products as materials.

In Japan processing of agricultural products by local cooperatives grew especially in the early period of her postwar economic development in the fields of cereal processing, bakery, noodle production, winery, flour mill, bottled food production, meat and milk processing, vegetable oil mill, silk reeling and so on. In the mid-60's food processing was operated by nearly half of the agricultural cooperatives of Japan, and their share was about 0.4% of the total food manufacturing of the country. Later the big private firms dominated in food industry of Japan, still cooperative-run processing factories contributed a deal to raise employment and income in rural regions.

Fourth, agrarian reform is also expected to contribute to promotion of technology in rural industry as higher educational level of rural youth contributes to raise technical standards of workers. Probably because of colonial heritage, traditional local manufacturing of the Philippines are not competitive to metropolitan manufacturing and imported commodities in national market. We know that bamboo craft of Bohol, weaving of Ilocos and Iloilo, hardware of Batangas, pottery of Negros Occidental, and others have still good customers, but quality is not necessarily fine enough. Even souvenir for tourists including postcard has much room for

improvement. This is not common in Southeast Asia, because Indonesia and Thailand have traditional local industries of considerable standard which provide unique and refined products not only for local market but for external consumption. It seems that promotion of skill and technique as well as R & D in this regard are necessary to strengthen capacity of local craft, and that Filipino workers and local entrepreneurs will certainly be successful in raising employment and income in this field of economy.

Japan is usually regarded as nation of huge corporations in respective fields of economy. But it is necessary to pay attention to the 'jiba sangyo' or local manufacturing which produces a specific commodity such as tableware, ceramics, cutlery, spectacle frame, doll, suitcase, dry goods and others for national and international market, because 48% of manufacturing establishments, 32% of employees in manufacturing and 19% of value of production in manufacturing fell in the category in 1980. At the time there were some 400 localities producing over one billion yen of 'jiba sangyo' manufactured goods. Many enterprises have been operating since pre-Meiji period.

In recent years, especially from the end of the 70's, many of rural municipalities in Japan started unique movement called 'isson ippin' literally meaning one village must have one specific local product. This is to vitalize village economy which has been suppressed by the rural exodus from the time of rapid economic growth of Japan in the 50's and 60's. Villagers are trying their best to find appropriate but very local commodity such as food, wine, dried fruit, doll and so on for the national market. This is a way of Japanese to develop rural industry in order to expand local employment and to raise income of the local community.

Here the writer likes to touch on the current issue of the Langkaan Estates in Cavite Province where Japan-supported construction of an industrial estates is opposed by the local tenant farmers. The landowners as well as the Department of Industry claim that the agrarian reform hinders

industrialization. But we have to realize that agrarian reform is not contradictory but complementary with industrialization. Claim of the landlords seems to be not for industrial development but for monopolizing development gains.

3. SOME REMARKS ON JAPAN'S LAND REFORM

When Filipinos discuss Japanese land reform programs in the 1940's, they often tend to attribute successful implementation of the programs within a few years to the political situation of Japan under occupation by the Allied Forces and to the role of the General Headquarters headed by General MacArthur. They assume that political pressure exerted by the occupation forces was the major cause of effective and drastic reforms of land relations in Japan, and consequently try to justify their pessimistic view that it is hopeless to convert land relations in the Philippines as such an extreme pressure of foreign military power is not present. This sort of view must be formulated on the fact that most of literature on Japanese land reform in western languages were written by American authors who served to or associated with the GHQ.

But the historical truth is that, though the external pressure accelerated the whole procedures and promoted to more effective degree, the internal forces were more decisive in accomplishing land reform programs in the later half of the 1940's. Because of mounting rural unrest since the end of the World War I caused by prevailed landlordism in rural area, and because of necessity to stimulate cultivators' willingness to maintain productivity under conditions of scarcity of agricultural inputs and extreme shortage of labor force on the farm, Japan had been carrying out substantial portion of land reform practically during the WW II. The rights of tenant farmers were strengthened essentially, while those of landlords were curtailed.

Above all most important factor was the changing socio-economic formation of Japan in the earlier half of the

century. At the start of industrialization Japanese industrialists found benefits from the ally with the rural landlords. Poverty in the rural villages was the basis of cheap labor force of emerging industries. But as Japanese industry grew and the proportion of modern and advanced sectors of industry increased, the industrialists started to require qualified labor force and larger purchasing power of the domestic market. Thus they shook off the hands of landlords to convert the society into industrialism. In this sense land reform was the inevitable path for Japan to become industrial state like the cases of other nations of the world.

Another point to be mentioned is the conventional view of the landed group of Filipinos on current land problems of Japan, which seems to be very misleading. They claim that Japanese farmers are suffering from small size of the farm which was resulted by division of large holding at the time of land reform, and that the present estate holding is not to be fragmented. Such an argument totally ignore the facts that distribution of the holding of landlords was the core of the land reform of Japan which generated vital expansion of national economy, and that current issue of enlargement of farm size has been staged as the result of steep rise of productivity in agriculture. On the other hand, large estates in the Philippines especially in commercial crop land have seldom demonstrated higher productivity based on advantage of largeness of the management. If proper support is given, small farmer might accomplish reasonable yield and contribute more to the national economy.

Furthermore it seems to me that majority of the landed group in the Philippines gives much emphasis on individual property rights, although economic, social and political development of the nation as a whole requires serious attention. At the time of land reform several decades ago many Japanese landed families suffered from and grieved for loss of farm land which they inherited for generations. But in long run they now enjoy the fruits of economic development of the nation which was achieved through endeavors for

transformation of the society including land reform.

After all, effects of agrarian reform is not limited to agricultural sector, but spread to all sectors of the society.

Such an interrelation should be given proper attention. Now Japanese farmers enjoy lots of privileges over urban dwellers and agriculture is sustained by the industrial sector. At any rate rural poverty was eradicated in last four decades. But the prosperity of industrial sector was brought forth by achievement of land reform.

Finally the writer would like to introduce goodwill of a group of Japanese farmers in Kagoshima Prefecture located in southern part of Kyushu who are extending helping hands to landless peasants in Laguna. They call themselves 'Nouentai' meaning a group of farmers who wish to help Asian farmers, and are trying to develop mutual solidarity with Filipino, Thai and other farmers in Asia. They invite five young Filipino farmers to their homes for a year to let them master farming and animal husbandry, and, since they are deeply concerned with agrarian reform programs of the Philippines, they are raising fund to provide farm land for landless but aspiring youths in Laguna. Though current CARP is not prepared to meet such voluntary action plan of NGO farmers of foreign land, the writer hopes to find solution to make their goodwill substantiated.

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