

Dual concern



• E. Robert Scrofani

"We are in fact a nation divided against itself - divided between urban and rural, rich and poor, majorities and minorities, privileged and underprivileged - among the poor there is still the nagging fear that we have liquidated one oligarchy only to set up a new oligarchy."

THIS IS NOT a quote from the new president of the Philippines; it was said by Ferdinand Marcos when he declared martial law in 1972.

It demonstrates that Marcos and his successor, Cory Aquino, have many similar concerns. Aquino's success or failure in reforming Filipino society and economy will be based in great measure on her ability to learn from Marcos' failure to meet the needs of the poor and landless.

Both Marcos and Aquino asserted their primary concern was the poor. Marcos promised that he would create a "new society" in which the needs of the poor would come before the rest, a "bloodless revolution with a democratization of wealth." Aquino promised "priority to the poor" in her campaign.

It would be instructive for her to look at Marcos' programs. For a time there was an increase in wealth and purchasing power, although most of this went only to the middle class or was drained from the economy by his followers (as has been amply reported in the press both here and in the Philippines.)

The central fact of the Philippine economy is that the people are poor. The UN reports that 76% of the people live below the poverty threshold. The government itself reveals that three-fourths of the children between one and five suffer from malnutrition. Marcos' major failure

By E. ROBERT SCROFANI
in San Francisco

occurred in his attempt to alleviate this widespread poverty. POVERTY can be traced directly to the maldistribution of land.

Most farm labourers work on land owned or controlled by multinationals to produce export crops. In the Philippines 79% of the people work on the land but only 25% own their own land. One result is that the agricultural area which employs three-quarters of the workforce produces one-quarter of the gross national product.

Marcos chose Taiwan, whose land reform was enormously successful, as a model for his land reform project. It was a good model. Both countries had authoritarian regimes which needed to pacify the peasants to succeed; both needed to make tenant farmers independent landholders and both needed to solve the problem of low farm productivity.

Taiwan established fair rents and gave the tenants who cultivated privately owned land long term leases which provided them with a strong sense of security. Then 200,000 tenants received a chance to buy the land at a set percentage of the rice crop. Credit and new technology, health and medical services were provided by the government. A tax on land values served as an incentive to

promote tenant production and to help eliminate the absentee landlord.

In the Philippines, on the other hand, Marcos ignored the World Bank suggestion for a tax on land values to increase production. Instead a Philippine tenant who defaulted on his loan was imprisoned.

Marcos promised that all tenants who worked rice and corn land would own family size portions and would have long term leases. Yet he exempted all export crop land so that only 13% of the cultivated land was affected by the program. By 1980 only 0.1% of such tenants received land patents.

The pattern is clear. Taiwan made a definite commitment to its agricultural workers before it moved to become one of Asia's "economic tigers". Food production served the needs of the people first. In the Philippines, increased food production was aimed at increasing the nation's general income. Millions went hungry, yet increasing amounts of land were planted with export crops such as pineapples, bananas and sugar. And millions migrated to urban areas where they also lived in poverty. These conditions continue today.

In Taiwan, on the other hand, the gap between the rich and the poor has been narrowed. Land reform built the country's prosperity from the bottom up and the least affluent fifth of the population gained the most. In the Philippines the bottom 50% of the population received less than 17% of the wealth of the nation.

The success of Taiwan can be measured emphatically by comparing the infant mortality rate. It has fallen to 8.9 per thousand births in Taiwan, while in the

• E. Robert Scrofani, a Fulbright scholar, received a Stanford (SPICE) fellowship to study in Asia in 1985. He visited the Land Reform Training Institute on Taiwan, which is funded partially by the Lincoln Foundation and the Lincoln Center for Land Policy, Cambridge, Mass. He is Chairman of the History-Social Science Department at Berkeley High School.

FEUDAL CAPITALISM

THE Reagan-Gorbachev meeting reminded me that, years ago when I was a journalist in Ecuador, most young people I met called themselves Marxists. Their typical excuse was, "We've tried capitalism and it doesn't work."

As I travelled around snow-capped peaks and lush jungles of that beautiful country, I heard an oft-repeated phrase: "We're a rich land, a poor people." True, industrious people were living in abject poverty. But the phrase was not entirely true.

One exception: a handful of far-from-poor families with huge haciendas. President Galo Plaza, one of the better Latin American leaders of that era, proudly told me about his thousands of acres of prime pastureland.

Another less well-known exception: many whole villages and cities belonged to one or two owners. At that time a single super-rich family owned most of central Quito, the capital city.

For struggling shopkeepers, rents to these landlords absorbed the biggest part of their earnings.

What Ecuador had, of course, was only a thin veneer of enterprise on an essentially feudal system. Focusing on this veneer rather than on what underlay it, the younger generation, the professors and the social reformers thus insisted that "capitalism" had not worked.

When slight concessions to private enterprise are permitted in

By WALTER RYBECK
in Washington

China or Hungary, we do not mistake their collectivized economies as anything but state socialism. Why, then, allow Ecuador-type feudalism to be called capitalism, tarnishing capitalism's reputation?

This happens because many who consider themselves champions of free enterprise fail to grasp a critical distinction stressed by Jefferson, Henry George and others. Feudalism condones special privileges for the landed few, overlooking the injustice this engenders. Capitalism at its best promises economic rewards in proportion to one's efforts, offering "opportunity for all, special privileges to none."

During America's dynamic early years, it met this standard by offering easy access to cheap land, by imposing taxes mainly on land, and by shying away from taxes on earnings, goods and production. Sadly, America is drifting rapidly away from this kind of capitalism towards the landlordism that is at the root of so much of the world's social friction.

This is illustrated by the growing gap between America's rich and poor, documented in a recent comparison of family wealth in 1963 and 1983.

sources and rivers and lakes.

Taiwan is still the model for the Philippines. Cory Aquino's revolution, led by the cheering middle class of Manila must still deal with the major problem of land reform. Marcos lacked the will, and perhaps the power to overcome the landed interests. It remains for Cory Aquino to return to the task, for the issue of land reform will decidedly not go away.

The Joint Economic Committee finds that the richest 0.5% of the population amassed 35% of the total net worth of U.S. families. Two decades ago, this same minute fraction held 25% of the total. The richest 10%, which held 65% of total net worth in 1963, held 72% by 1983.

What is the biggest item of net wealth held by American families? Real estate — \$5.4 trillion worth, or 44% of their \$12 trillion in gross assets. Since 1963, gross assets increased 164%, real estate holdings, increased 651%.

Since land inflation far exceeds inflation in capital and consumer goods, land holdings represent a growing portion of these real estate figures. Anybody who has witnessed the extreme forms of landlordism that plague the Third World must be alarmed at the accelerating concentration of landownership among America's superwealthy.

Communism, despite being packaged so seductively for the downtrodden, has lost much of its bloom. Communist practice diverges sharply from promise. Economic and technical advances are won at terrible human cost, as revealed in the walls built to keep Soviet subjects from fleeing in droves.

In contrast, personal freedoms remain the strong suit of democracies which continue to serve as sanctuaries to the world's persecuted peoples.

The capitalist underpinning of the democracies is losing its bloom too. It is perceived increasingly as an exploitive instrument of the rich as its virtues are corroded by creeping landlordism. Will the democracies cleanse capitalism of this defect?

Peace may hinge more on correcting capitalism's bad image — and this reality that stands in the way of a just social order — than on big power Star War games or disarmament debates at Reykjavik and Geneva.

Philippines infant deaths are 51 per thousand births.

As *Current History* (April 1986) points out, Taiwan was able to produce this booming equitable economy "on land that has virtually no natural resources, little arable land and with a population density three times that of Japan and nine times that of China". The Philippines, on the other hand, are rich in resources, good soil, suitable climate, mineral re-