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United States Influence on Agrarian Reform  
in the Philippines

1962

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PREFACE

The purpose of this paper is to examine the ways in which the United States has endeavored to stimulate and guide agrarian reforms in a developing country, the Philippines, and to suggest a future line of policy with respect to agrarian problems there.

Agrarian reform is an important question in a growing number of countries whose development is a matter of concern to the United States, adding to the significance of the relative wealth of experience which the US has accumulated in this field in the Philippines.

The term "agrarian reform" as used in this paper has the broad, inclusive meaning of any governmental or governmentally encouraged action directed toward making more equal the economic and political opportunities for the rural segment of the population, or in other words, increasing rural security.

The term "land reform" is defined in the limited sense as the deliberate government-directed re-distribution of land from large landowners to small cultivators.

The discussion rests on the assumption that it is in the interest of the United States that underdeveloped countries of the free world such as the Philippines succeed in their efforts to achieve self-sustaining economic growth under democratic institutions.

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THE PROBLEM

Every society aspiring to economic growth must solve the problem of increasing the productivity of its agriculture. This is necessary in the first place in order to expand food supplies to support rising living levels. Secondly, there must be an increase in the real income of the rural populace, so as to provide markets for the industrializing sector and tax revenues to pay for government services needed in the transition process. Agriculture has a third important role to play, as well: to furnish capital for investment in the modern sector -- capital which traditionally was derived from surplus income of the owners of land and dissipated by them in personal consumption.

The Philippines is a country aspiring to growth. The sixty years of close contact with the United States which the Philippines has had gave it a relatively early start in the transition process. Filipino aspirations are high compared with their Asian neighbors, and the elite has virtually American tastes. The actual Philippine level of living, however, is more nearly comparable with that of the rest of Southeast Asia than with America.

Agriculture is the Cinderella of the developing Philippine economy. The bulk of the population lives on the land and shows the long-familiar resistance of rural folk to change. Crop yields have been among the world's lowest, producing insufficient quantities to sustain the growing national population with an adequate diet. Fragmentation of farm lands, high rates of tenancy and absentee landlordism, chronic indebtedness and similar symptoms of rural poverty are its characteristic features.

The United States came face to face with questions of agrarian reform in the Philippines in 1950, when in response to a request from that country it undertook to help in the attack on its economic problems. In recommending a \$250 million United States aid program, an American economic survey mission reported in detail on the problems, including reforms needed in the agrarian sector.

How to influence the Philippines toward adoption of agrarian reforms essential to economic progress is a question which has confronted the United States since then. It still does so and is the subject under consideration here.

Taken in general, stimulation of reforms abroad may encounter several kinds of difficulty. One is the possibly adverse reaction to it as "intervention". Aid of any kind is a form of intervention; the palatability of reform linked to aid is a function of the nationalist temper of the country concerned and the nature of the reform sought. A second latent difficulty lies in the non-enforcement of reform measures which have been adopted against the wishes of an elite controlling the bureaucracy. A third is the possible depressant effects of some kinds of reform on economic activity, such as reduction of agricultural output consequent upon certain kinds of land reform. A fourth kind of difficulty may arise from the incompatibility of pressure for reform with the requirement to support a friendly government for political reasons.

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SUMMARY

Agriculture, the dominant sector of the Philippine economy, is characterized by low productivity, fragmentation of farm units, extreme disparity of wealth and income, high concentration of ownership and high tenancy rates amid general rural poverty.

Rural dissidence under Communist Huk leadership was at its height in 1950 when a high-level US economic survey mission proposed a "250 million aid program to the Philippines based on a comprehensive set of social and economic recommendations, including suggestions for agrarian reform.

The United States authorities successfully exacted from the landlord-dominated Philippine Congress the passage of tax increases and minimum wage legislation for urban and rural workers before releasing the first installment of aid in 1951. Compliance with other American recommendations on agrarian reform proceeded more slowly. Meanwhile Defense Secretary Magsaysay suppressed the Huks, and that had the effect of lessening land-owner's readiness to make concessions.

The American authorities shocked the Philippine political elite in 1952 with publication of a report recommending drastic land reform. Arrogant wording set off a public reaction which precluded its being constructively considered.

The Americans subsequently retreated from their exigent land reform position, and Magsaysay, by then president of the Philippine Republic, failed to get strong laws through Congress regulating tenancy and land reform. Yet he left a permanent imprint on Philippine life by making

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the peasantry conscious of the identity of its interests with the government and its power to influence it. This, together with economic expansion and the growth of entrepreneurial elites tending to attenuate the power of the landowners, has changed the basis for resolution of the agrarian problem.

While rural conditions today resemble in many ways those of 10 years ago, the potential for dynamic economic expansion is now the most important factor bearing on the agrarian situation. The United States should use its influence to further mobilization of Philippine resources under a comprehensive plan for economic development which will rapidly increase industry-based employment. The plan should include specific agrarian reforms, and the United States should continue steady encouragement of Community Development, the most promising program for guiding a constructive change at the agrarian reform may have some relevance to other countries, taking into account national differences.

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BACKGROUND

For almost two thousand years the Philippines has been a low pressure area on which more vigorous and expansive cultures have encroached. The eight major Christian ethnic groups in the Philippines, comprising 90% of the population of the country, share a common Indo-Malayan culture. Contact with outside cultural influences has tended to level local differences, and in a recent estimate about half of present day Philippine culture has been attributed to Indian, Arab, Chinese, Spanish and American influences.<sup>1</sup> The synthesis of indigenous and other Asian and European cultural strains is distinctly Filipino and is entitled to be regarded as unique rather than simply imitative and extrinsic.

The key unit in the Philippine social structure is the extended family, consisting of the nuclear family of parents and children plus all the relatives of both parents. There is no unilateral clan group nor any other traditional organizational unit in society. Familial social organization has pervasive, far-reaching implications for Philippine life, strongly influencing economic as well as other activity. The nuclear family is the basic producing unit in agriculture, cottage industry and similar enterprise; urban corporations, moreover, tend to be family-held. The family, caring as a matter of course for its own aged, unfortunate and unemployed, is bound by ties of loyalty and economic solidarity so strong that they leave no place for social organization at a higher level--a fact which may help to account, for example, for the prevalence of nepotism in Philippine life and for the feebleness of local self-government.

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The father is the acknowledged head of the household, but the woman in Filipino society has a position very nearly equaling the man's. Sons and daughters share equally in inheritance, and this exaggerates fragmentation of the small parcels of real property as they are transmitted by one generation to the next.

The kinship system may be termed "shallow" inasmuch as the members are concerned more with the collateral extension of the family than with its lineal descent. The degree of extension is important; a large concentrated family may be locally powerful and influential and by its strength become particularly desirable to marry into. Individual interests are subordinated to the family's and marriages are regarded as family matters.

In personal relationships, especially among non-kinsmen, one of the most important concepts to understand is that of self-esteem (*hiya*), basic to almost all aspects of value and motivation. It is somewhat similar to Chinese "face" and sometimes is translated "honor," "sensitivity," or "shame". This may have a bearing on the addiction of the Filipinos to oratorical circumlocution and to what to foreigners appears to be notable equivocation and euphemism to soften unpleasant truths. More importantly, hiya subsumes traditional face-to-face relationships rather than the less personal contractual relationships which are usual in industrial society. It may account in part also for the pronounced Filipino predilection for "go-betweens"; and it seems to inhibit the shift to the more "businesslike" practices usually considered by us to be conducive to innovation and achievement. The legal system tends to be regarded rather as an instrument for personal mediational advantage

than a mode of impartial settlement.

The Philippines has evolved what is fundamentally a two-class system, comprising a small cosmopolitan upper class and a lower class formed by the farmers and laborers, often spoken of as the tao, the common people. There is a small but growing urban middle class of businessmen, professionals, intellectuals, teachers and government employees.

In the rural areas the social class system is closed; in the few urban centers it is open, allowing for upward mobility. The principal indices of class position are land ownership and family prestige, but factors of race, language, education and occupation are additional criteria. During the Spanish period, there was virtually no possibility of social betterment for Filipinos; the European-born Spaniards, the Creoles and the mestizos monopolized the positions of status.

The traditional relationship between landlord and tenant in the rural Philippines illustrates the nature of the two-class system. The relationship was more than economic and involved important reciprocal obligations of social character. The landlord took a paternal interest in his tenants, fended for them in the town (poblacion) when they needed his intercession, gave them credit and advice, and afforded them some sense of security. The tenant repaid with loyalty, gratitude, small gifts and household help on occasion. The traditional personal relationship resulted in a relatively stable system. Shifts toward purely economic and impersonal relationships between landlord and tenant have frequently reduced the tenants' feeling of security and promoted hostility and tension.

The only political unit in pre-Christian Philippines was the barangay, a kin group of 30 to 50 families, whose chief or headman was known as the datu. Society was completely fragmented at the level of the barangay and lacked pyramidal organization. Peaceable settlement by Spanish missionaries of the Roman Catholic faith in gradually widening areas eventually brought with it a compromise between the Spanish preference for having the population clustered in compact villages and towns and the Filipinos preference for living near his rice paddy. The traces of this compromise are reflected in the contrasting pattern of present day poblaciones, capitals of the municipalities, on the one hand, and the barrios, or outlying villages, on the other.

Spanish civil officials, with the counsel of the local native hereditary leaders, the cabezas de barangay, selected the chief administrative officials of the municipalities. The two groups with their retinues and with the Filipinos holding Church positions formed the upper class of the native population, the principales.

The system of local government which the Spaniards installed gave power to a small local oligarcy, the caciques, which accustomed itself under Spanish tutelage to petty venality to keep itself in power and has come to be known as "caciqueism" ("bossism").

"Caciqueism" became so deeply entrenched during the Spanish administration that early American efforts to change it were virtually unavailing. Its persistence has proved a major obstacle to achieving model democratic self-rule in the Philippines. It has served to keep the common man distant from his government, and to permit, if not encourage the

practice of venal politics at higher levels, including at times the Presidency, with consequent undermining of representative government.

The Spaniards used the Filipino upper classes as an instrument to exert control over the masses, whose duty was only to follow the guidance given them. By the end of the Spanish period, centralization was so complete that a new door could not be hung in a local public building a week's journey from Manila without express approval from the authorities in the capital.<sup>2</sup> The result was stultification of local participation and initiative in self-government, excessive paternalism and dependence on central authority and an inadequate base for democratic institutions.

The relatively short (1898-1935) American administration of the Philippines took basic social institutions as it found them but brought innovations which have had markedly significant effects. America's greatest contribution to the Philippines was universal free education, starting in 1900 with the aim of preparing the people of the Islands to be citizens of a democratic, self-governing state.<sup>3</sup> Filipinos avidly sought all the schooling they could get, for it quickly came to be regarded as the doorway to higher social status. Despite this distortion of its intended purpose, the great educational experiment had sufficient success to contribute much towards making the Philippines the kind of free republic it is in Asia, with a firm commitment to concepts of liberty and democracy assimilated from its western mentors.

Filipinos of the new middle class became administrators, teachers and minor officeholders under the "Filipinization" policies of American

Governors General; the landholding elite took leadership in Territorial and Commonwealth political life and at the same time monopolized the nationalist movement for independence. Benefitted by the American administration, the Filipinos conveniently ignored the brief war their early nationalists had carried on against the United States in 1898 and 1899 and accepted American influence readily and at many levels. When it came time to write the Philippine Constitution in 1935, for example, "there was no political pressure, or even unsolicited advice, from American officials that was designed to affect the drafting. More important as a channel of American influence was political experience. Approximately half the delegates to the convention had been elected officials in the (Territorial) government established by the Jones Act and were familiar with its principles and its language, much of which was borrowed from the American Constitution. A few had sat in the United States House of Representatives as resident commissioners."<sup>4</sup>

American businessmen in the Philippines introduced ideas of free business enterprise and competition. Economic independence was another question, free trade relations between the Philippines and the United States had concentrated Philippine trade with the American metropole and made it an agricultural dependency of the American economy, manifestly a factor in Filipino sensitivity to economic "colonialism".

Agrarian inequities had troubled men in authority in the Philippines since the beginning of the American administration, but until the 1950's reform was almost imperceptible. For example, soon after the American officials arrived in the Philippines, they confronted the problem of the

"Friars' lands" the large estates which Roman Catholic missionary orders had acquired under Spanish rule. The lands had been the cause of strife for some two hundred years, and there were still many cases of conflict over title between the friars and farmers cultivating the land.

Governor General William Howard Taft tried perseveringly to settle the question and after long negotiations was able to purchase the greater part of the estates in 1905 for re-sale to small owners. However, the total purchase was only 155,000 hectares and its redistribution, which went slowly and with difficulty, had a limited effect on the land ownership structure of Philippine agriculture. By the mid-1930's and the beginning of the Commonwealth, various political writings and actions reflected an awareness that future Philippine peace and stability are related to achieving political and social reform, particularly of the agrarian base. President Manuel Quezon gave explicit expression to this, but because of his own paternalistic concept of social justice and with political power firmly in the grasp of the landowning elite the reform measures actually realized were superficial.

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THE NATURE OF THE AGRARIAN SYSTEM

The chief characteristics of Philippine agriculture are (1) low productivity of both land and labor, (b) fragmentation of production land into small, primitively operated units, (c) concentration of land ownership, widespread absentee landlordism, and high rates of tenancy, and (d) relatively high land prices.

The measure of rural poverty emerges in the fact that although about two-thirds of the Philippine population depends on agriculture for a livelihood, only about one-third of the national income originates in agriculture. This means that per capita income in agriculture is only about half the national average and is just a third as high as per capita income elsewhere in the economy. Moreover, it is commonly estimated that at least 20 percent of agricultural income accrues to non-cultivating landlords. As a result, the per capita income of most of the agricultural population -- the principal part of the population -- is perhaps no more than one fourth of the average income outside agriculture.<sup>5</sup>

Nearly three-quarters of all tilled land is in the two main subsistence crops of rice and corn; yet the Philippines still is not self-sufficient in these commodities, and crop yields per hectare even in the Central Luzon rice bowl compare unfavorably with those of other rice producing countries.

Tenancy rates vary widely by region, up to as high as 88% in the Central Luzon province of Pampanga, and average nearly 50% for the country as a whole. Most tenants are share-croppers and receive around only 50% of their crops. The average farm unit amounts to only about two-and-a-quarter hectares under cultivation, but at least a fifth of all the

farms in the country have less than one hectare, half are less than two, and under a third have three or more hectares.

It has been usual to blame today's agrarian problems on institutions handed down from pre-colonial society and from the feudal Spanish system. It is true that share-cropping existed in the pre-Spanish Malayan society of the Philippines and that there was tenancy-caused unrest under the Spanish regime. But there are facts to show that the problem has acquired its present proportions in the twentieth century. Tenancy rates, for example, have doubled since 1903 and in some parts of Central Luzon have tripled since 1918, and per capita land holdings have decreased sharply as a result of the population growth. Credit has become scarcer for the farmer with the growth of the industrial sector and its demands for money, keeping him chronically in debt and at the mercy of the landlord and moneylender even for much of the rice consumed by his household. His burden of debt forces him to sell his crop at harvest time at lowest prices. Governmental neglect of rural areas, the almost total lack of social services, poor schools and roads and communications, and the denial of local autonomy intensified the economic causes of insecurity and deepened the feeling of exploitation.



RURAL DISSIDENCE

Development of these conditions led, not surprisingly, to discontent and to sporadic uprisings in the 1920's and 1930's. The peasantry had virtually no national political representation, though a few local organizations engaged from time to time in strikes and similar economic measures supplementary to their political activity. One of these was the Socialist Party, founded in 1933 in Pampanga, and merged in 1938 with the urban Communist party. It formed a local Popular Front, and after the outbreak of World War II and the Japanese occupation engaged in bitter guerrilla warfare in Central Luzon against the Japanese and their collaborators. In the areas of their organization, the Hukbalahap<sup>6</sup> took over the functions of local government, seized the estates of the absent landlords, and organized a system of political administration putting a de facto end to the abuses of the cacique. After the war they continued their wart regime, refusing collaboration with rival guerrilla groups and preventing the landlords from reclaiming their properties in Central Luzon. The Communist orientation of the Huk leadership became obvious between 1946 and 1950 as it extended its hold over the peasantry, exploiting their discontent over restitution of unsatisfactory landlord-tenant relationships and the excesses and ineffectiveness of the Philippine military sent to oppose the Huks.

By early 1950 the Huks had spread terror beyond their stronghold in Central Luzon, were operating in the Visayas and Mindanao, and boldly raided towns near Manila.

AMERICAN PRESSURE FOR LAND REFORM

In July 1950, at the height of Huk depredations and just as the outbreak of the Korean War deepened American preoccupations about the Far East, a high-level United States economic mission under former Assistant Secretary of the Treasury Daniel W. Bell arrived in Manila at the invitation of President Quirino to "advise the Philippines on the establishment of a sound and well-balanced economy."

The Bell Mission made an intensive study of Philippine economic problems and development problems, and in October issued a factual, objective report which outlined the institutional and policy reforms most urgently needed in the Philippines in the coming period. The Report recommended \$250 million in grants and loans over a five year period but under continued American supervision and control and "strictly conditioned on steps being taken by the Philippine Government to carry out the recommendations of the report."

The United States thus for the first time explicitly attached strings of social reform to its economic assistance to a developing country. It showed its firmness by delaying release of the first installment of aid until the Philippine Congress had complied with an agreement made between President Quirino and ECA Chief William C. Foster calling for an expression of general policy to enact the social reform and economic development measures recommended by the Bell Mission, and for enactment of the two measures considered by the Americans to be most exigent of all -- tax increases to enable the government to overcome its chronic fiscal crisis, and a minimum wage law for urban and rural workers, pursuant to the Bell Mission's sharp criticism of economic inequalities in Philippine society

and to the Mission's expectation that this would elicit mass Filipino support of aid objectives.

Important recommendations left for subsequent implementation included those for improvement and enforcement of laws regulating tenancy and crop-sharing; the opening of new lands for homestead settlement, and the prompt clearance of titles; the establishing of Rural Banks to provide credit to small landowners and responsible tenants with a management service to give advice; and a broad program for acquiring large estates at fair value for resale in small holdings to tillers of the soil.

The United States Aid Mission<sup>7</sup> which was set up to implement the aid program initiated under the Bell Report and the Quirino-Foster Agreement released in 1952, with bombshell effect, a report strongly urging a drastic solution of the most difficult agrarian problem of all, land reform. The author of the report was Robert S. Hardie, who came to the Aid Mission in the Philippines from Japan, where he had played part in the imposition of the Japanese land reform under Allied occupation. His report, "Philippine Land Tenure Reform", included a comprehensive description of tenure conditions in the country and made bluntly worded recommendations.

The Hardie Report urged abolition of tenancy, "insofar as practicable" through government purchase, and re-sale of all land owned by absentee landlords and all land owned in excess of four hectares by non-cultivating resident landlords to cultivators. The program was to be carried out by a powerful Authority to be established under the President. Prices were to be determined under a formula based on land productivity and worked out substantially below then current market land values. This uncompromising reform

proposal was known in Manila to have the support of the respected American Ambassador, Raymond Spruance, once described by a Manila journalist as a man who thought land reform the answer to communism.

The American shock treatment administered to the Philippine political elite through publication of the Hardie Report failed. Written with lack of perception of the political realities in the Philippines as distinguished from conditions in occupied Japan which had the imposition of the drastic land reforms there, the Hardie Report triggered a barrage of criticism from Philippine officials and other politicians which demolished any chance of its serious consideration. The most offensive passage was in a paragraph discussing the international implications of the Philippine agrarian situation which said that it was easy to conceive of its "worsening to a point where the United States would be forced to take direct, expensive, and arbitrary steps to insure against the loss of the Philippines to the Communist bloc in Asia."

Speaker of the House Perez called the Report "Communist-inspired", and President Quirino complained to American officials about the affront to Philippine sovereignty in the Report's allusions to "intervention", although he later reportedly admitted that he was less disturbed about the substance than about the opportunity it gave the opposition Nacionalistas to use material and language from it for political attacks on his Government.

At about the same time, the US Aid Mission issued another report assertive officially its interest in agrarian reform. This was The Rural Philippines, by Generoso F. Rivera and Robert T. McMillan, a descriptive survey of rural communities which included findings that half the rural people surveyed considered themselves worse or no better off economically than they had been ten years before, and that lack of local autonomy and gov-

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ernmental neglect were to be blamed for much of the rural misery observed to exist. This Report recommended several lines of social action, beginning with the transfer of land ownership from large owners to tenants and laborers and the establishment of more equitable crop-sharing practices between landlords and tenants.

These observations helped involve the Rivera-McMillan report in the storm of controversy over the Hardie Report. These two Reports were the first, and last, direct American effort to stimulate basic land reform in the Philippines.

By the time the two Reports appeared at the end of 1952, the Huk rebellion was drawing to an end. As Defense Secretary under Quirino, Ramon Magsaysay had re-organized and re-invigorated the Philippine armed forces, which received training and equipment under a US Military Assistance Program. With most of the Communist leadership captured and in jail, the Army wiped out remaining Huk resistance in the field, at the same time winning the confidence of the peasantry with a new attitude of concern for their welfare. Magsaysay organized an Economic Development Corps in the Army which eventually re-settled about a thousand families, including ex-Huks; this made a strong psychological impact.

Subsidence of the Huk emergency lessened the fears of landlords and pari passu their readiness to accept reforms.

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US RETREAT FROM LAND REFORM

In 1953 the United States Aid Mission abandoned its position in favor of a strong land reform law. The Mission chief, Roland R. Renne, a man with a strong interest in Philippine social as well as economic progress, had departed, and Hardie had been replaced. The Mission published a new Report declaring that "land reform is not a necessary part of an agrarian reform program".

This reversal of American policy left President Ramon Magsaysay, inaugurated at the end of 1953, without the strong overt support from the United States which might have helped save his agrarian reform bills from mutilation at the hands of his Congress. Magsaysay had made agrarian problems the central element of his presidential campaign against Quirino; he described himself as a man obsessed with the concerns of the peasantry and said he expected to spend 90% of his time upon their problems. He left a permanent imprint on Philippine politics with his vivid demonstration that government could be concerned with the peoples' needs. It is too much to say, however, that he succeeded in getting effective agrarian reform bills through the cacique-influenced Congress. The Agricultural Tenancy Act of 1954 came out stripped of the key provisions which would have reformed the share-cropping system of tenancy into cash leaseholds (an important subsidiary recommendation of the Hardie Report), and a member of the Philippine Senate in the course of debate noted the reversal by the United States Aid Mission of many of the views of the Hardie Report, and implied it was the reason the official Philippine coordinating agency for US aid failed to support a strong tenancy bill. Other sources assert that United States Aid Mission members missed several opportunities to encourage proponents or discourage opponents of Magsaysay's Land Reform bill, which Congress passed in 1955 with changes which defeated its intended purpose of pushing government acquisition of estates by purchase or expropriation for re-distribution to cultivators.

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US Role in Other Agrarian Reforms

During the ten years between 1951 and 1961 the United States engaged in some 41 projects to improve Philippine agriculture;

A number of them had a substantial agrarian reform content built into them; that is, they tended implicitly and inevitably to foster the growth of new social forces and weaken the existing elite, whereas the ostensible purpose of such projects was simply economic development or the improvement of administrative efficiency.

Thus, for example, a project to improve rural credit and marketing contributed to some reduction in the economic power of landlords and local money-lenders. The United States Aid Mission soon after its establishment drew up proposals to extend farm credit through a central agency and a system of cooperatives. The suggestions were incorporated in a 1952 law setting up the Agricultural Credit and Cooperative Finance Administration (ACFFA), which by 1961 had organized 526 Farmers Cooperative Marketing Associations (FACOMAS) with a membership of over 300,000 farmers. With substantial American help, ACFFA loaned some 190 million between 1953 and 1961, of which about 78 remains outstanding. A second law created a system of Rural Banks, which by 1961 numbered 172, to provide credit to small borrowers with funds put up by shareholders, the Central Bank and the United States.

In 1959 two-thirds of the ACFFA's outstanding loans were delinquent and four-fifths of the FACOMA's were operating at a loss, but notwithstanding shortcomings the addition of these institutions to existing credit and marketing facilities did contribute to an encouraging increase in the use of rural credit. An estimated one-fifth of small rural borrowers now use modern credit facilities rather than the oldtime advance from the landlord or local merchant.

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Projects to improve public land administration and thus speed up land colonization are of course a kind of substitute for land reform. With American help and urging, the Philippines has accelerated land classification and the hitherto hopelessly slow issuance of land title patents, facilitating the resettlement of some 22,000 families in public resettlement projects in the last five years. An unreported number of settlers came on their own to the new lands.

American technicians gave close cooperation and support to Philippine government agencies which were set up to administer the Agricultural Tenancy Act and the Land Reform Act. These laws, though weak, contributed toward some alleviation of tenant insecurity and unfair crop sharing and helped promote the shift from share-cropping to leasehold tenancy.

In other parts of the American aid program, American funds and technicians supported crop research, agricultural education and extension, soil conservation, forestry improvement, and similar projects, all of which are expected to tend eventually towards raising productivity.

Outside the agriculture field, American supported road-construction and maintenance projects have had the effect in some areas of promoting a change from subsistence agriculture to market-oriented farming. The Aid Mission's Industrial Development Center and other stimulants to industrialization indirectly subserve agrarian reform in that they aid growth of the entrepreneurial and managerial class which is rapidly attenuating traditional dominance of the rural landowning class in the political system.

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COMMUNITY DEVELOPMENT

The Rivera-McMillan study on The Rural Philippines published by the US Aid Mission in 1952 stimulated Filipino concern over the plight of the barrio people. The growing Filipino middle class for various reasons harbored feelings of sympathy for them and began to look for outlets of expression. The passing Communist success in exploiting rural unrest further heightened interest, and suggestions for programs of rural improvement, based in part on experiences in other Asian countries, began to take form in private movements while separate government departments began experiments in barrio projects.

Ramon Magsaysay was the agent fusing these elements into a forceful Philippine Community Development program. As a guerrilla leader and then as a Congressman after the war he had had contact with rural problems; as Secretary of Defense under Quirino his brilliant success against the Huk movement resulted from his re-invigorating the Philippine armed services and at the same time showing awareness of the problems of the impoverished farmers and evincing the determination to attack them. He sensed the gathering momentum of the rural development movement, gave it additional impulse and harnessed its political potential in his campaign for the presidency. He made its objectives the central theme of his administration after his election.

The United States Aid Mission played an important part in the Community Development program from its early stages; American financial support helped insulate the program from partisan exploitation, and American advisors had an effective hand in drafting the national program and getting it well started under a strong Filipino leader placed at a supra-departmental coordinating level, the Presidential Assistant for Community Development (PLACED). The small Community Development division in the US Aid Mission (currently two American advisors) continues to help the Philippine organization resolve new problems which arise and keeps it cognizant of the strong American support of its objectives.

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Community Development is officially defined in the Philippines as "a process designed to create conditions of economic and social progress for the whole community with the active participation and largely upon the initiative of the community." It aims to bring about a changed outlook among barrio people which will encourage self-reliance, civic consciousness and democratic participation. It tries to stimulate them to identify their community problems, and to devise and carry out solutions to them on the basis of self-help, to become aware of the possibility of self-improvement, and to stimulate a desire for it.

PACD has trained some 2000 well-motivated field workers, who have reached about one third of the nation's 24,000 barrios. It brought about the passage in 1959 of the "Barrio Charter", a law giving the first beginnings of local autonomy to the barrios, hitherto run entirely by the municipalities and their, typically, cacique politicians. The PACD has made a major effort to help implementation of the law by instructing the barrio people in its provisions and helping the newly-created Barrio Councils get started in the unaccustomed practice of self-government.

Along with introducing local autonomy, the PACD's other main field of effort is in trying to raise productivity in rural occupations, increase real incomes and help rudimentary capital accumulation begin. With the field staffs of such line departments as the Bureau of Agricultural Extension spread excessively thinly, PACD workers face the challenge of qualifying themselves to sponsor successful local demonstrations of innovation in the various rural pursuits.

THE AGRARIAN SITUATION TODAY

The main contours of Philippine agrarian problems retain the shape given them by traditional social, economic and political institutions. Under legislation to protect the rights of tenants, the Government has made a start in alleviating landlord-tenant tensions, and voluntary resettlement in less crowded areas has helped agricultural production to follow the growth in population. There has been a beginning toward improvement of credit and marketing facilities, and there has been some development of research and extension services to the benefit of small farmers. Production of food in the Philippines was expanded at about the same rate as population growth, through increases in the areas cultivated and small improvements in productivity.

The cacique class has successfully thwarted the effective re-distribution of land to cultivators so far, however. There are inadequate funds to implement the land reform law, and since expropriation is virtually ruled out and existing purchase procedures frequently result in exorbitant cost prices which the cultivator is obliged to repay, the legislation even if applied would not lessen the unequal distribution of wealth between the rentier class and the property-less tenants but would tend to increase it.

In any event, disparity in wealth and income has not merely remained a leading feature of the Philippine rural economy but has been worsening in recent year, in the opinion of most observers, including the writer.

Rural dissidence receded in the Philippines with the suppression of the Huk rebellion in the early 1950's by Ramon Magsaysay, however, and today is latent.

Hope of the rural people for improvement persisted beyond Magsaysay's death in 1957 and the reversion of political control to professional politicians belonging to the traditional elite. Awakening consciousness of the agricultural

masses of their stake in national progress has inhibited the coalescence of peasant elements around any new dissident leadership and has given additional time for peaceful settlement of their problems through the working of the Philippine political system.

Growing involvement of the rural people in affairs beyond the orbit set by face-to-face relations in traditional village life has linked agrarian problems to other basic concerns of a society in rapid transition. The agrarian situation is therefore one in which familiar inequities and deficiencies still lack remedies, yet it is intimately involved with all the currents of change which together are going to determine the future of the whole economy.

The central economic change is industrialization. The Philippines has valuable mineral, forest and agricultural resources suitable for industrial use, an emerging class of vigorous entrepreneurs and the nucleus of a skilled labor force. Rapid expansion of domestic manufacturing—mainly consumer goods readily processed from imported raw materials—was the principal new feature in the economy following World War II, growing an average 10% per year in the 1950's. By 1960 it accounted for 12.7% of the net domestic product. Manufacturing growth has slowed in recent years, and having skimmed the cream off low-input, high yield investments it confronts the need to shift to more complicated kinds of manufacturing, costlier in capital, time and talent. Difficult problems of capital accumulation await solution; the key has yet to be turned which will start the dynamic acceleration of industrial growth essential to Philippine economic development.

Philippine industrial growth and agricultural improvement have direct bearings on each other. The main areas for expansion of industry are in products using domestic raw materials, including agricultural, and in producing for the domestic market. The productivity and the purchasing power of the predominantly

rural population therefore must be raised.

The population of the Philippines is growing at the rate of 3.2% per year, according to the best recent estimates, and some authorities expect that the rate may reach 3.4% in the second half of this decade. Now around 29 million, the population is rising by about one million persons a year: this is one of the highest population growth rates in the world, and has serious implications for the economic development of the country. Population increase has held annual per capita income growth to 2.5% while national production has grown at double that rate. Some authorities believe that the national economic growth rate dropped to near zero in the last year or two, which would mean that population growth has brought about an absolute reduction in average levels of living. Food production must increase faster than in the past in order to maintain present levels of consumption. Population growth expands the labor force by about 360,000 per year, with unemployment already estimated at between 10% and 20% in a labor force of 10.6 million (1960). The annual increase of 150,000 in the elementary school population severely strains the educational system. The addition of 130,000 new households a year similarly places housing under stress, especially in the fast growing urban centers.

With the supply of tillable land relatively constant, population growth steadily raises the man-land ration. If the productivity of the land and/or if migration from the rural areas should not increase, the present low levels of living of the rural population will decline further.

Metropolitan Manila, the dominant urban center of the Philippines, grew to over two million inhabitants in 1960, a 55.9% increase over 1948. During the same period the national population increased by 42.7%; over a 40 year period ending in 1958 the population of Manila expanded at a rate about double that of the

national population, and the same was the case in smaller urban centers. The people flocking to the city are the rural unemployed and underemployed. They inflate the mass of urban unemployed, add to the burdens of relatives, friends and public charity and intensify the social problems of poverty. Only the rapid creation of many new industrial jobs could ameliorate these conditions.

The Philippine fiscal system limits the ability of the government to find resources for capital formation. The ratio of tax revenue to gross national income is around 10%, lower than in other Asian countries even though Philippine per capita income is significantly higher than the Asian average. Personal income tax is a relatively unimportant source of revenue because of high exemptions and deductions, low rates in the middle brackets, and widespread evasion. Revenue from agricultural land taxes has been lagging at a very low level. Without a substantial rise in tax revenues there can be no realization of reformist economic policies.

It has become commonplace to note the diversion of public resources in the Philippines, as elsewhere, to narrow political ends through the instrumentality of the "pork-barrel"—the allocation of public works funds to members of Congress for expenditure in their respective constituencies on projects of vote-winning character. Alike subordination of the common interest is often discernible in the uses made of public lands and other resources, and of the Civil Service. This has not only deprived the economy of assets badly needed to exert forward leverage at important points but also helped to confirm the attitude that government exists for private rather than public gain. The "pork-barrel" approach to public works and other government functions tends to undermine the development of self-help among the citizenry.

Government services in the Philippines traditionally have been tightly controlled from Manila and continue so. Local authorities must refer every significant action to the central office for approval, and the national capital dispenses almost all government services which reach the people. This practice curtails local initiative and retards the emergence of an active sense of civic responsibility in the community. The consequence is an unwholesome dependence on higher authority for solution of local problems and neglect of the considerable economic potential which local incentive might otherwise develop. The lack of a well-developed sense of self-reliance has helped strengthen the widely-held conviction that the United States should and will provide whatever help necessary to get the Philippines over grave difficulties when they arise. This further tends to allay any sense of urgency which would be needed if local and national problems are to be effectively confronted.

The Philippines is committed to the free enterprise system, a fact which should give it important advantages in maximizing forces for economic development. There can be such a thing as too little direction of economic policy, however, where resources are relatively scarce and the need is great to avoid their diversion away from priority needs. This is the case in the Philippines. The economically conservative legislature is reluctant to permit concentration of economic power outside its control. The consequence in the economic planning field has frequently been a policy stalemate in an atmosphere of suspicion and scheming competition among special interest groups. Prior to the present Administration, at least, there were many national economic plans drawn up, but none had concerted support of the government, and there was no serious effort at implementation.

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The introduction sixty years ago of mass education on the American model has had a great impact on Philippine society, eroding the foundations of traditional authority and values and forming the main conceptual stream in the modernizing of the elite and middle classes.

Viewed in relation to its potentialities, the Philippine education system has serious shortcomings which directly and indirectly affect the agrarian situation. The system is not adjusting itself to the needs of a growing economy because of a distortion in the basic purpose assigned to it by society. Instead of teaching a man how to control his environment, the system functions primarily as a means of his striving to achieve a higher social status.

In the barrio, much of the limited educational effort goes to waste in the unsuccessful attempt to prepare the primary student to use English, the language of instruction in Philippine schools in the later grades. About 60% of the children starting grade I drop out by Grade IV, having acquired little learning which they can relate to life in the barrio and which will contribute to its improvement.

In the larger frame work, secondary and higher education in the Philippines is highly uneven in quality and turns out graduates with varieties of training not closely related to the country's actual manpower needs.

Literacy in the Philippines is over 50%, and growing circulation of printed media adds to the tempo of agrarian change. Probably the most significant effect of communications on rural life comes from the radio. CARE distribution of transistor radios to isolated barrios in the Philippines has brought the spoken word, and a new message with it, to a widening audience of people whose communications were hitherto limited to the circle of their kin and village neighbors.

SECRET



The writer observed a surprising number of privately-bought transistor sets in the barrios he visited but could discover no project to take advantage of them through local programs designed to introduce constructive innovations, such as improved farm practices and the use of favorable commodity market conditions.

The standing of the United States--its prestige and acceptance among Filipinos--bears a strong relation to American ability to influence reforms in the Philippine Republic. By the time the Philippines became independent the United States had built up there a remarkable fund of goodwill, compounded of the relative improvement of the American administration of the Islands over the Spanish administration, the introduction of free universal education, the mutual solidarity of the Americans and Filipinos against the Japanese in World War II, the glamor of the American style of living, the popularity of many Americans in the Islands, and other factors. American representatives and technicians concerned with furthering reforms in the Philippines have been able to work in an atmosphere of freedom from language barriers and nationalist hostility, and this is in agreeable contrast to the position in most other underdeveloped countries.

However, the loosening of the ties of psychological dependence on the United States is a source of frustration and resentment, a condition unlikely to disappear entirely in the foreseeable future.

The Philippine political situation is at present orderly and stable. Though the peasantry has no significant organized base, it is not without power to influence national affairs through democratic political processes. It showed an awakening consciousness of this in the 1961 presidential elections in its trend toward independent choice, which weakened "caciqueism" and improved the working of the two-party system. Thus, rural voters responded to the grass-roots appeal

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of the Liberal Party candidate, Diosdado Macapagal, giving him a mandate in a peaceful transfer of political power to push national social, economic and administrative reforms.

Soon after inauguration, President Macapagal announced the outlines of a comprehensive five-year socio-economic development program, which accurately focussed attention on the most pressing economic problems facing the country. It set as its central objective the attainment of a 6% compound rate of growth of the economy over the coming five years. It recognized that the achievement of this objective would depend upon improved rates of domestic saving and investment, improved export earnings, and on a net inflow, over the five year period, of new foreign capital amounting to roughly \$860 million. This would include private foreign investment, international loans and grants and other resources. The Philippine outline program bore a close resemblance to the preliminary findings and recommendations of a Mission of the International Bank for Reconstruction and Development, whose report of January 8, 1962, was appended to the State of the Nation Address in which President Macapagal presented his outline program to the Congress in the same month. It is assumed that the IBRD will have an important role in the further development of the Philippine program.

The outline plan justifiably evoked praise from the public and from qualified observers. But obvious political obstacles lie ahead of some of the reforms prerequisite for mobilization of the resource needed for a rational development program. These include reduction of wasteful diversion of public works funds to political "pork barrel" projects and other such misuses of public resources for personal rather than the common benefit, and the raising of the low (10%) ratio of tax revenue to gross national income.

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CONCLUSIONS AND RECOMMENDATIONS

I  
(a)The outlook in the Philippines is hopeful: the modernization process is taking place under conditions of internal peace; democratic political institutions are maturing; new entrepreneurial elites are diluting the power of the traditional caçique class; the economy has had over a decade of encouraging growth; the human and material resources needed for continuing economic expansion exist; and there are signs of the will to mobilize them.

(b)American technical and material assistance to all sectors of the Philippines economy since 1951 has had an indispensable effect on the country's economic advance and its preparation for further development. The influence which the United States had on agrarian reforms under the Aid Program made a significant contribution by (1) encouraging the creation of institutions which held out to the peasantry some promise of betterment under the existing democratic system; and (2) helping food production keep pace with population growth.

(c)The promise of betterment for the rural people, however, is still largely without fruit. Few concrete benefits of progress have reached the increasingly crowded bottom agrarian stratum. The small farmer still confronts the familiar stark features of poverty: an undersized plot of land, poor seed and low yield, shortage of credit and marketing facilities, high rent, and the drag of ignorance and apathy. Land reform has <sup>not</sup> yet come in the Philippines; fragmentation of farms continues and share-tenancy persists.

(d)The brightest prospect for converting the promise of betterment into the reality of improved living lies in dynamic economic growth, i.e., rapid and continuing expansion in the number of industry-based jobs. This is most likely to come about through concerted mobilization of capital at crucial points throughout the economy.

An attempt at wholesale land reform would on the other hand put an excessive strain on the country's political fabric and would disrupt such mobilization.

(e) The Philippines has arrived at a stage of development where self-help is the most important ingredient. Its crucial problem is mobilizing the resources it possesses for the push to continuing economic expansion, and it must do it without delay before the hopes of the rural masses fade. It cannot be done without changing institutions and underlying attitudes which stifle self-reliance.

Recommendation: The US should concentrate its influence in the Philippines on inducing that country to mobilize its resources under a comprehensive plan for development which would maximize that country's own contributions from all sectors and dispose of them, together with necessary amounts of foreign aid, for most productive effect. The plan should not omit provision for credit and marketing facilities for small farmers, accelerated settlement of new lands, improvement of tenure conditions and measures for increased agricultural productivity.

The American contribution to the development program should be contingent on strict observance by the Philippines on the principle of self-help. This condition preferably should be stated and enforced through the intermediary of the IBRD or other international agency.

The American contribution to the development program should be contingent on strict observance by the Philippines of the principle of self-help. This contingency limitation preferably should be stated and applied through the intermediary of the International Bank for Reconstruction and Development, for two reasons. First, pressure for adoption of disagreeable economic measures is less acceptable politically from a foreign government than from an international agency such as the IBRD, which has earned a reputation for objectivity by operating on strict commercial banking principles and clothing its advice to

borrowers exclusively in the neutral language of economics. Secondly, the evident desire of the Philippine nation to enjoy the benefits of economic development, its acknowledged dependence on substantial new increments of foreign capital as an essential stimulant to development, and the important advisory role already given the IBRD in a position to exert effective influence to channel higher and socially more equitable proportions of Philippine capital into productive investment.

II

Community development may become the most promising channel yet developed for bringing modernizing influence to the agrarian base of society. With American encouragement and support, the Philippines has built an active corps of community workers, a hierarchy of development councils, and a well-understood body of doctrine. It has helped a substantial portion of the barrio population take the first steps toward participation in local self-government, has begun to instill the concept of self-help in village communities and has introduced innovations to raise productivity and start the capital accumulation process.

Recommendation: The United States should continue giving its moral support and the limited technical and financial support now needed to keep the program moving, and might avail itself of the presence of Peace Corps volunteers in the barrios to contribute toward community improvement under AID coordination.

The United States might well encourage third country use of Filipino Community Development experts in order to disseminate the benefits of the Philippine experience to countries with similar problems and to lend further prestige to the Philippine organization.

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The Philippines is frequently dismissed as a unique country with little in its experience to serve as a guide to development policy elsewhere. To a degree this may be the case: certainly it would be hard to duplicate elsewhere the background of common understanding and rapport against which the Americans and Filipinos have usually conducted their relations.

Nevertheless, a review of Philippine developments might be instructive in some general respects in considering tactics for linking reform with other foreign aid programs. First, the intensity of need for aid is shown to be a prime determinant of the kind and degree of leverage which can be brought to bear in recipient countries. Rapid economic and political deterioration were in prospect for the Philippines in 1950 without American aid. Secondly, the Philippine experience shows the importance of weighing the strength of the political and social forces to be aided by reform measures and of those to be hurt. Thirdly, it shows the efficacy of encouraging reform impulses to sprout in the recipient country and following up with aid to reinforce desirable trends. Finally, it illustrates the importance of a comprehensive plan for mobilizing resources for economic and social advance.

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ment. (Ithaca: Cornell Press. 1961.) 266.
6. Abbreviation for the Tagalog words "Hukbong Bayan Laban sa Hapon", or  
"Peoples' Army against the Japanese."
7. Called for sake of convenience throughout this paper the "United States Aid  
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14. The unexpected and unfortunate vote against the \$73 million Philippine War Damage Claims bill in the United States House of Representatives on May, 10 1962 produced an intense emotion of pique against the United States even among the friendliest Filipinos. This may have resulted partly from a sense of indignity in being a victim of thoughtlessness, but partly also in reaction to the indication it gave the the United States will pay nothing towards the additional war claims on which Filipino hopes still cling.

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BIOGRAPHY - JOHN W. FISHER

Born in Montana in 1920. I attended schools in Montana and received the B. S. degree from Montana State College in 1941.

I entered on active military duty in the U. S. Army in 1941 and was discharged in 1946. I attended Yale Law School one year, and then joined the Foreign Service in 1947.

I served three years at the American Embassy in Guatemala, followed by two years at the American Consulate in Barranquilla, Colombia. I served three years as Guatemala desk officer in the Department of State, followed by four years at the American Embassy in Vienna, whence I was assigned to the Fourth Senior Seminar in Foreign Policy.

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CONTENTS

Preface

The Problem

Summary

Discussion

    Background

    Nature of the Agrarian System

    Rural Dissidence

    United States Pressure for Land Reform

    United States Retreat from Land Reform

    Community Development

    The Agrarian Situation Today

Conclusions and Recommendations

Footnotes

Bibliography

Biography

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