

The Philippines: Land Reform through Tax Reform



A fossilized economy

We American GIs, ca. 1945, thought we were badly fed — but local children were salvaging our garbage. “*C’est la guerre*,” we explained — easy answer. Seventy-five years later, the poverty and degradation remain, while the rest of Southeast Asia is dynamic. Now we see, “*Ce n’est pas la guerre: c’est la propriété foncière*” — property in land. What I saw then, in essence, is what one still sees today:

The Philippine economy is truly colonial, with plantation agriculture on the best lands. Plantations are economically sterile, generating no creative towns and cities to serve local agriculture. This was the case, for example, in the ante-bellum south, USA, in contrast to ante-bellum New England. Or compare the west side of California’s San Joaquin Valley with the east side, with its many small cities. Philippine latifundia leads to marked contrasts of intensity of land use: the fertile lowlands around Tarlac are underused; marginal hill-lands (Ilocos, Baguio) are overcrowded.

This is a class society, without concealment or apology. I drive my mess-boy to his barrio to see his sick mother, and he anxiously demands we must check in with a person whom the mess-boy

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insists on calling “The Spanish Master,” a Spanish citizen with plans to return to Spain and marry after age 40. Meantime, he has a special claim on virgins of the barrio; for, as Henry George put it, “to own the land is to own the people.” Complexions of children on the terrace suggest he does not study planned parenthood.

Appropriate courtship mores as seen by middle-class American GIs: girls who can afford not being prostitutes adopt Spanish puritanism, “no-touch.” It’s one or the other.

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

Foreign domination

There are many reasons why the Philippines were easy prey for foreign intervention. Seven thousand islands are vulnerable to marine invasion. Major world naval powers covet the harbors. The indigenous people spoke more than a hundred dialects, and had many quarrels. This made it easier for native religions to yield to Spanish missionaries or, on the southern island of Mindanao, Muslims.

Even Magellan was tempted: he was killed interceding in a native quarrel. Unfortunately for the Filipinos, later Spaniards survived better. Spanish missionaries founded Manila, and spread out. Spanish Puritanism and the chivalric conscience created a need for a persuasive hypocrisy to rationalize exploitative imperialism. To the rescue: the *Encomienda*, a colonizing institution blending three imperialisms: cultural, military and economic. It made natives pay rent to finance their own suppression — and their instruction in The Faith. Recall the sardonic chorus from *Man of La Mancha*: “We were only thinking of them.”

Lands were granted by Spanish Kings (as were the California missions). In 1898 America succeeded Spain as governor of the islands, but the Treaty of Paris of that year validated the private and ecclesiastical land titles stemming from Spanish kings of centuries past. (The same thing had happened in California after the Treaty of

Guadalupe-Hidalgo, 1848. Imperial powers everywhere had learned it is much easier to win empires by coopting the local landowners in this way.) Undisturbed, *encomiendas* ripen into fee simple titles. With social and military tax obligations reduced, the land titles rise in value. Those sly Spaniards, to let us “win”!

The Filipino leader Emilio Aguinaldo, our ally against Spain, pressed for independence. This might have led to nationalization of large estates, in which America’s rich and powerful already had major interests, but probably not, since Aguinaldo was more interested in nationalism and power than in radical reforms. The American military nonetheless invaded (1898) to suppress Aguinaldo in a bloody war, followed by indefinite occupation. The American “savior” became the new oppressor.

For the next four decades (the US relinquished *de jure* sovereignty over the Philippines in 1946), the Philippines was a field and training ground for American men on horseback, with repressive, anti-democratic attitudes which they then brought home: Frederick Funston; Leonard Wood; Henry L. Stimson; Douglas MacArthur — men for whom we name boulevards and forts. Leonard Wood, little remembered today, spent the 1910-20 decade in the US drumming up support for a military draft — an instrument of power for President Woodrow Wilson. After the war Republican Wood allied with Democratic A.G. Mitchell Palmer and his police chief, J. Edgar Hoover, to deport labor leaders whom he considered radical. Both Wood and Palmer aspired to the presidential nominations of their respective Parties, on extreme rightwing programs, and Wood almost made it.

The price of power is that Washington is besieged by foreign lobbyists, a corrupting influence. Sugar lobbyists are among the worst. The chief Filipino lobbyist in US was Manuel Quezon. Washington picked him as its chosen instrument, or *cacique*. Quezon moved the capital to an eponymous private estate outside Manila.

During the Japanese occupation, Spanish titles were undisturbed. Spain was almost, if not quite, one of the Axis Powers,

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Franco being under the wing of Hitler and Mussolini. All-out war is just for soldiers, the cannon fodder, while the unwritten transnational comity of property protects landholders. The last time the US confiscated lands from the losers was during and after the American Revolution, and that was done by local militiamen and colonial governments. Hamilton, dominating the US Government from 1789-1801, tried his best to compensate the evicted Tories, but lacked the tax revenues and the power.

Under Philippine “independence,” after 1946, land titles of Spanish collaborators were undisturbed. Priority went to putting down the Hukbalahaps, native rebels organized and indoctrinated by communists. The Huks made a handy bogeyman for the *rentiers* to use to justify forcible repression of all land reformers. In 1972, the Huk problem was still unresolved, so Marcos declared martial law. In 1986 the US engineered the Aquino presidency, again promising land reform.

It still hasn't happened. Corazón Aquino emerged as just another political hypocrite who promised reform but backed off from her window of opportunity, and passed the buck to an unwilling Congress. US presence manifests the “Cacique” syndrome: US pays for defense, so they needn't tax themselves. This is landlordship in its purest form, free even of military obligations. The Philippine Army focuses on suppressing Filipinos, making them pay rent.

Role of the Church

The Roman Catholic Church was totally implicated in the Spanish conquest, just as Protestant Yale missionaries were in the conquest of Hawaii. *Encomienda* financed cultural conquest, conversion and submission. Jesuits also acquired vast lands in the 19th century. We surmise that the clergy restrained the worst excesses of landholders, as today — but offered no preventive therapy. Do those who bind up wounds develop a vested interest in wounds? Dom Hélder Pessoa Câmara, the Brazilian Archbishop, learned the hard way how the establishment circumscribed his role: “I helped the

poor and they called me a saint; I ask why they are poor and they call me a communist.”

José Rizal was the foremost martyr of the struggle for independence from Spain. Unlike too many Filipino rebel leaders he was intellectual, spiritual, and incorruptible. He wrote books attacking religious orders, which he identified with the status quo of maldistribution of land; he was convicted of rebellion, sedition and conspiracy, and executed in 1896 by the Spanish army.

The upper Catholic hierarchy has generally supported the prevailing land dispensation and system. Liberal popes criticize the worst abuses and their indirect results (like poverty, unemployment and death squads) but uphold the core concept of private collection of rents and unearned increments. There is a centuries-long tradition of church as major landholder.

When Lyndon Johnson was waging his “War on Poverty,” Cardinal Spellman of New York used his power and influence to divert him into helping to suppress landless peasants fighting French landlords in Viet Nam. There was an attempt to kill Paul VI in Manila, 1970. When Latin American clerics like Boff and Gutierrez promoted “Liberation Theology,” Pope John Paul II suppressed them. His leading spokesman, Cardinal Ratzinger, succeeded him as Pope and continued to muffle the Liberationists.

Can the Church be changed? There is change in the field, among brave and dedicated priests on the firing line, but it is poorly supported at the top, and vulnerable to local bravos in the field. Philippine society needs radical, wrenching reforms. But the church, trying to be liberal, has lost its radical mission. Trying to conciliate, the church has not led. Trying to participate, the church has been coopted. Trying to make religion easy, the church has made it trivial.

Role of the United States

The Pentagon wants bases: Cavite, Subic, Clark Field, etc. The rationale of imperialism is ever circular, *petitio principii*: the function of each base is to support the others, and vice versa. None dare call

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it imperialism — by asking why have the whole regional presence in the first place. There is oil in the South China Sea; maybe someday Manila will be leasing some of it. But on the whole, there are no strategic resource benefits to justify the cost of our military spending. Sugar and rice add to our surpluses.

Why are we there? There were few prior US holdings in 1898, when Adm. Dewey said “You may fire when ready, Gridley.” A more general answer is that there were “potential absentees,” the sort who grabbed Hawaii about the same time, following the imperialist formula: get land cheap, then call the Marines to firm up precarious tenures and get preferential political treatment. Henry L. Stimson, a Skull-and-Bones Yale man with prior service in Nicaragua, was no stranger to this formula; his protégé McGeorge Bundy also tried it later in Viet Nam.

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

Land is worth more if you get police protection without paying taxes. There is direct US aid, as well as loans and grants and base rentals and Pentagon spending, and the shelter of US forces. Result? Little pressure on holders of Philippine land to pay taxes, direct or otherwise. That has long been the essential formula of would-be world hegemon: turn the local gentry into caciques’ zamindars.

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

He is fed on The Great Secular Superstition that unearned income and stolen property are sacred, and protecting them is an obligation owed to God and country. He holds it a moral and social

lapse to challenge The Superstition, which he wraps in the flag, democracy, freedom, church and country — to hide its nakedness.

An occasional American does, to be sure, preach land reform. There was Robert Hardie, 1952, fresh from the heady success of reshaping Japan under MacArthur, then with STEM of MSA. But Hardie was expelled, his report recalled and suppressed under Quirino.

Adm. Raymond Spruance, US Ambassador, 1952-55, was a believer in Henry George. As hero of Midway Island, he dealt from some strength. Demonstration effects spilled over from Japan and Taiwan. Land Reform was popular with personnel at the UN, World Bank, IMF, etc. Charismatic, popular President Ramon Magsaysay, 1953-57, was dedicated to land reform. But Spruance, appointed by Harry Truman, was quickly made a lame duck by another military hero, President Eisenhower. It was also the sick and sinister age of Joseph McCarthy and Edward Lansdale, who prevailed. Land reform was equated with Communism, and suppressed.

Role of Philippine Nationalism

Dr. Sun Yat-sen's classic testament, the San Min Chu I, enunciated three principles to guide governance in the new China: nationalism, democracy and "right livelihood," which meant a Georgist tax system. Sun had been exposed to Henry George's ideas while living in Hawaii, and of course then found ample precedents in Chinese history.

Nationalism has a bad odor for its abuses, and yet every egalitarian polity we know is national. Philippine nationalism is underdeveloped. The sentiment and rhetoric are there, but in practice, the US defends their shores, rents their bases, suppresses their rebels, buys their exports, obviates their taxes — who needs nationalism? A shell of nationalism has developed, nonetheless. Natural resources "belong to the state." Exploitation is limited to citizens, or corporations 60% citizen-owned. Florid, pompous language abounds in official documents. It is the language of hypocrisy. *De facto* and *de*

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jure are far apart. The same is true in British Columbia, 95% owned by the Crown Provincial but leased on easy terms to MacMillan Bloedel et al. Likewise, California's state constitution alleges that water rights in California are owned by "the people."

Role of Filipino-Americans

Although they have the most direct human interest, Filipino-Americans are rarely consulted in making US policy. They might lead, finance and give reasonable direction to reform, as Irish-Americans once did. Filipino-Americans could do an even better job. Unfortunately, however, although Filipinos are the second fastest-growing stream of immigrants, after Koreans, they are nearly invisible. In Los Angeles, there are 2.5 times as many Philippine natives as Japanese natives, but who knows where to find Little Manila? In the Bay Area, Filipino-Americans cluster along Stockton Street, below Grant Avenue, and in the cities of Stockton and Daly City. But Stockton just went bankrupt, while Daly City, at the Southwest end of the BART system, has a dead look.

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

Should reformers help organize and motivate this group? Earlier Irish experience gives pause. Ethnic groups are just that, and later fall away from reform as such. The cases of Parnell, Corrigan, Ford, Powderly, Croker, and other Irish-Americans illustrate the tendency. Are Jewish-Americans going the same route? Israel was founded and led by idealistic Jews who set up *kibbutzim* to divide land equally, but on Israel's 50-year Jubilee the new leaders never mentioned the true meaning of Jubilee.

What can Americans do?

We can start by reducing American support, in reasonable stages but with firm direction and sustained resolution. Filipinos can defend their own nation, if they:

- a) Tax their own lands, especially the absentees;
- b) Placate dissident populations (let *their* fear of Marxism drive them, not ours);
- c) Foster development at home, following Japan, Taiwan, Singapore, Korea, Hong Kong.

We must give up our illusions of cultural superiority, and of control. It may, sometimes, under great pressure, be possible to impose a better system on an occupied nation than it would produce itself: Hong Kong and Singapore may be examples. But the greatest examples of “economic development” have been home-grown. The Philippines have their own Congress, firmly controlled by Philippine landholders, whose power derives from their long history of collaboration with occupying foreigners like ourselves.

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

Tax reform of this kind obviates other land reform, because the market reforms itself under this stimulus. This is a bold, bare, enormous fact that is almost universally obscured and misunderstood. The landholder is the successor-in-interest to those who stole the land from the majority. He compensates them in three ways: by supporting government; by hiring workers to put the land to its highest use; and by producing goods for the workers to buy with their new wages. The economically sterile plantation system can no longer support itself. Supply-side and demand-side economics work together to raise real output and income.

Land reform of this kind is free of the defects that have made

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most other land reforms exercises in mere tokenism, stalling, graft and CIA militarism. Land value taxation raises money, without burdening any useful activity. Liberal “land reform” buyouts cost money — raised, if at all, by taxing commerce, industry and labor in the cities and aborting urban development, the very thing this country needs most.

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

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

Finally, if we advocate real, meaningful land reform as described here, we must reject hypocrisy and stalling, expressed in vague words without specific procedures for implementation. Don't believe that “all natural resources belong to the people” just because “that's what it says here.”

Also, we should avoid touting free trade in colonial settings. It has become a code-word of Spanish-Master types for a land-using, unbalanced, labor-evicting, foreign-enclave sterile economy (cf. the ante-bellum cotton South). Rather, settle the land (including urban land), by collecting its rent for public revenue, and free trade will flourish — as in Taiwan.

Is it too late?

A century ago, Henry George wielded great influence. How did he do it? First he allied with radical rebels, 1879-86. Only thus did he develop power to frighten landholders and become worth coopting. Was cooptation death? No, it was a golden age of constructive reform in America, 1886-1917, the Progressive Era. First you rebel, then ally, to have real impact. It is a dynamic process, however, and must be repeated regularly because each cycle ends in decadence. It's time to begin again. What can honest people do now? They can combat The Great Secular Superstition in schools and churches, move into influential positions in the screening processes that generate ideas and select leaders. They can keep their faith by continuing association and good will.

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