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Equity and Productivity Issues in Modern Agrarian Reform Legislation*

VERNON W. RUTTAN

UNDERSTANDING of the economic implications of land tenure systems rests on a dual foundation. First, there are a set of historical generalizations about the consequences of alternative tenure arrangements for economic growth. There are also a set of logical deductions about the effect of alternative tenure arrangements on resource allocation and output levels derived from the neo-classical theory of the firm. Among western economists, economic history and economic logic have combined to produce a remarkable unity in doctrine to the effect that an agricultural sector organized on an owner-operator pattern (a) achieves a more efficient allocation of resources and (b) makes a greater

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contribution to national economic growth than under alternative systems.

Until fairly recently, agricultural productivity has represented only a minor theme in the objectives of most land reform legislation. In this paper, I trace (a) the evolution of equity and productivity objectives in Western land tenure reform and (b) the emerging role of productivity as a major objective of changes in land tenure in Southeast Asia.

EQUITY AND PRODUCTIVITY TRADITIONS IN LAND REFORM

The relative emphasis placed on equity and productivity objectives in land reform policy and programs has varied widely among countries and over time. In general, political and equity objectives occupied a central role in the land reform movements of the nineteenth and first half of the twentieth century. In recent years, this "classical" objective has been increasingly complemented by a productivity objective.

The equity tradition

In the United States, equity and political considerations have traditionally represented dominant themes in agrarian reform. The confiscation of loyalist estates during and following the Revolution was primarily motivated by equity considerations.¹ Jefferson's political philosophy, which re-

¹ "In the years prior to the American Revolution, there was much agitation against large landholdings . . . Sometimes the form of struggle was an antirent controversy; sometimes a striving for more secure tenure; and, in some cases, a 'leveling' movement seeking the division of great estates for the benefit of the poor tenants," Irving Mark, *Agrarian Conflicts in Colonial New York, 1711-1775*, Columbia University Press, New York, 1940, p. 16.

"After the break with England . . . the colonial government . . . promptly confiscated estates of British subjects who remained loyal to the Crown . . . disposal constituted an early step in a sequence of developments which led gradually to the breakup of many of the larger

garded the family farm, owned and operated by the cultivator, as the only sound foundation of social equality and political stability, provided the intellectual foundation for the major U. S. agrarian reform legislation of the nineteenth century and remains an important theme in current agricultural policy discussion.²

Other land reforms which appear to have been conceived primarily in an equalitarian frame of reference include the reforms which spread across continental Western Europe beginning with the French Revolution;³ the land reforms

holdings in the East . . ." T.F. Marburg, "Land Tenure Institutions and the Development of Western Society," in Walter Froehlich (ed), *Land Tenure, Industrialization and Social Stability*, Marquette University Press, Milwaukee 3, Wisconsin, 1961, p. 50.

² The definitive treatment of the impact of Jeffersonian thought on agrarian policy in the United States is A. Whitney Griswold, *Farming and Democracy*, Harcourt, Brace and Co., New York, 1948. For a recent review of the Griswold interpretation, see J. M. Brewster, "The Relevance of the Jeffersonian Dream Today," in H. W. Ottoson, *Land Use Policy and Problems in the United States*, University of Nebraska Press, Lincoln, 1963, pp. 86-136.

Agrarian reform legislation during the nineteenth century conceived in the spirit of Jefferson's agrarian democracy includes: (a) the Pre-emption Law (1841) which legalized squatting on unsurveyed public domain with the right to purchase up to 160 acres at the minimum price after surveyal; (b) the Homestead Act (1862) which conveyed free title to 160 acres of land after residing on and cultivating the tract for five years. These laws were reinforced by other legislation designed to insure the economic success of the family farm: (a) the Morrill Act (1882) establishing the land grant agricultural colleges; (b) the Hatch Act (1877) providing federal support for the state agricultural experiment stations; and (c) the Smith-Lever Act (1914) creating a federal-state agricultural extension service, Griswold, *ibid*, pp. 139-147.

³ Commenting on the agrarian legislation of the French Revolution, Griswold points out that "in one sense these laws were the practical application of the natural rights philosophy inherited from Locke by the French philosophers and passed on by them with the added prestige of the American example to the leaders of the Revolution. In a more concrete sense they were a rationalization of the existing system of agriculture, stripped of its feudal privileges, (p. 95). To them (the peasants) the Revolution was the means of preserving the existing agricultural system with themselves in posses-

of Eastern Europe following World War I;⁴ the Latin American land reform movements beginning with the Mexican Revolution of 1910;⁵ and the Japanese, Korean and Taiwan land reforms following the end of World War II.⁶

The agrarian reform movements which have looked to the liberal—Jeffersonian political philosophy for their intellectual orientation have typically shown little concern for the potential contribution which land reform might make to the growth of agricultural output or to national economic growth. Indeed, leaders of reforms base on this tradition have at times argued that the political and equalitarian objectives were sufficiently important that any disruption of output which might occur as a result of the reforms should be ignored.⁷

In the United States, Western Europe and Japan, this lack of concern with the productivity objective reflected the relatively favorable man-land ratios and/or the relatively advanced technology which prevailed at the time of the reform. In Mexico, Bolivia, Korea and Taiwan, where the reforms took place under less favorable technical and economic

sion of it" (p. 98). Griswold, *ibid.* For further discussion, see pp. 88-127. See also Gordon Wright, *Rural Revolution in France*, Stanford University Press, Palo Alto, 1964 and C. G. von Dietze, "Land Tenure Issues in Western Europe Since the French Revolution," in K. H. Parsons, *et. al.* (ed), *Land Tenure*, University of Wisconsin Press, Madison, 1956, pp. 374-383.

⁴ David Mitrany, *Marx against the Peasant*, University of North Carolina Press, Chapel Hill, 1951, pp. 87-98, 118-145.

⁵ Edmundo Flores, "Agrarian Reform and Economic Development," in K. H. Parsons, *op. cit.*, pp. 243-246.

⁶ M. Kaihara, "On the Effects of Postwar Land Reform in Japan," in Walter Froehlich, *op. cit.*, pp. 143-156; L. I. Hewes, *Japan, Land and Men: An Account of the Japanese Land Reform Program*, Iowa State College Press, Ames, 1955; Chen Cheng, *Land Reform In Taiwan*, China Publishing Co., Taiwan, 1961, pp. 90-91; Sidney Kein, *The Pattern of Land Tenure Reform in East Asia after World War II*, Bookman Associates, New York, 1958.

⁷ Edmundo Flores, *Land Reform and the Alliance for Progress*, Policy Memorandum No. 27, Center for International Studies, Woodrow Wilson School of Public and International Affairs, Princeton University, May 20, 1963.

conditions, the equalitarian orientation of the reforms was used to obtain farmer or peasant loyalty for the national government while development goals in other sectors of the economy were being achieved.⁸

The productivity objective

British experience has contributed to the development of a second tradition of land reform which places major emphasis on the achievement of productivity and efficiency in the agricultural sector. Despite the seminal role which Locke's political philosophy played in the thinking of Jefferson and of continental reformers, the owner-cultivator was never regarded, in Britain, as the primary foundation on which to build democratic institutions. The British did not share Jefferson's fears of commerce and industry, and they did not identify democracy with the agrarian way of life. Equity considerations centered around the evolution of more precise definitions of landlord and tenant rights and duties rather than on transfer of ownership to the cultivator.⁹

The two most striking illustrations of the drive for agricultural productivity as a basis for English agrarian policy are the enclosure movement of the late eighteenth and early nineteenth centuries and the repeal of the Corn Laws in 1846. The enclosure movement completed the process, begun several centuries earlier, of consolidating the open fields and commons in compact holdings under individual ownership and management and stimulated the first real advances in agricultural practices in Britain since the thirteenth century. The repeal of the corn laws represented the triumph of urban interests, both industry and labor, over the same

⁸ P. M. Raup, *The Political Economy of Land Reform*, Paper prepared for meeting of the Social Science Research Council—American Farm Economic Association Committee on New Orientation on Research, New York, November 30, 1962.

⁹ With the passage of the Landholdings Act of 1923, farm tenants in Great Britain had achieved perhaps the highest degree of security of occupancy possible, short of ownership. For further details, see Griswold, *op. cit.*, pp. 47-85. Also J. J. MacGregor, "Principles of Tenure in England and Wales," in K. H. Parsons, *et. al.*, (eds), *op. cit.*, pp. 360-374.

landed classes that had benefited from the enclosure movement, and committed Britain to a tradition of free trade in food supplies.¹⁰ The continuing strength of this tradition, which has emphasized efficiency in food production rather than protection for the farm, has been a major obstacle to the entry of the United Kingdom into the European Common Market.¹¹

Marxian agrarian policy represents an important heresy (perhaps mutation would be a more appropriate term) of the English tradition.¹² Despite its equalitarian thrust, the welfare of the peasantry has, until recently, remained outside the direct concern of both Marxian theorists and policy makers. The breaking up of large estates is primarily regarded as an initial step in the Marxian stages of agricultural development. Its primary function is to reduce the political power of the land-owning class preparatory to the "rationalization" of agricultural production in large scale units.¹³

¹⁰ D. G. Barnes, *A History of the English Corn Laws from 1660-1896*, Reprints of Economic Classics, Augustus M. Kelley, New York, 1961 (original edition 1930). "Only in a brief period in Great Britain were the interests of the manufacturers and consumers identical. Both wanted cheap food although for different reasons, and hence they were united against their temporary common enemy, the agriculturists, and brought in free trade," p. 293. See also Marburg, *op. cit.*

¹¹ Michael Butterwick, "British Agricultural Policy and the EEC" *International Journal of Agrarian Affairs*, Vol. 4, No. 2, April 1964, pp. 99-113.

¹² See N. Georgescu-Roegen, "Economic Theory and Agrarian Economics," Oxford Economic Papers, New Series, Vol. 12, Nos. 1-3, February-October, 1960, pp. 1-40. Also D. G. Dalrymple, *Marx and Agriculture: The Soviet Experience*, Mimeo No. 846, Department of Agricultural Economics, Michigan State University, East Lansing, Michigan.

¹³ David Mitrany, *Marx against the Peasant*, *op. cit.* Mitrany identifies four development stages in Marxist-Leninist agricultural development policy, as it has evolved in the USSR and Eastern Europe. "The first phase is the class conflict between peasants and landless laborers on the one hand, and landowners and capitalist farmers on the other, that leads to a common front between rural and urban workers in a revolutionary surge. The second phase coincides with the victorious political revolution and ends with the distribution of land to the small peasants and landless laborers . . . The third phase is a

Three interrelated factors appear to be involved in the failure of the productivity oriented Marxian economics to achieve their agricultural productivity objectives: (a) Over-commitment to large scale units in agriculture resulting from reliance on ideological rather than pragmatic considerations in the organization of economic activity; (b) lack of confidence in the peasant proprietor's capacity to react rationally when provided with adequate information and market incentives, and (c) an effort to achieve increases in surplus production from the agricultural sector by the use of administrative arrangements rather than market incentives.¹⁴

SYNTHESIS OF EQUITY AND PRODUCTIVITY OBJECTIVES IN ASIAN LAND REFORM

Although the increased emphasis given the productivity objective in recent land reform policy has strong roots in English experience and Marxian development theory, it also has an even stronger foundation in the economic environment of most underdeveloped countries in the 1960's. A striking feature of the land reform movements in the developing countries of South and Southeast Asia during the last decade has been the extent to which a dual emphasis on equity and productivity objectives has replaced the almost exclusive concern with equity considerations until at least the mid-1950's.¹⁵

period of transition, with rapid urban and industrial development and the small peasant property organized on a cooperative basis. Finally, when industry can provide the necessary technical equipment . . . the independent peasant class is liquidated and agriculture is concentrated into large collective farms." p. 62. For discussion of Marxian agrarian reform under Asian conditions, see J. Price Gittinger, "Communist Land Policy in North Vietnam," in *Studies on Land Tenure in Vietnam*, Division of Agriculture and Natural Resources, USOM, Vietnam, December 1959, pp. 30-47. (Reprinted from *Far Eastern Survey*.)

¹⁴ Lazar Volin, "Collectivization of Agriculture in Soviet Russia" in K. C. Parsons, *op. cit.*, pp. 407-416. Alec Nove, "Incentives for Peasants and Administrators" in R. D. Laird, *Soviet Agricultural and Peasant Affairs*, University of Kansas Press, 1963, pp. 51-68.

¹⁵ The same process is also occurring elsewhere. See P. M. Raup, "The Contribution of Land Reforms to Agricultural Development: An Analytical Framework," *Economic Development and Cultural Change*,

Four factors of particular importance in accounting for this new synthesis of land reform objectives have been: (a) The clash of liberal and Marxist political ideology that has accompanied the withdrawal of colonial authority or the overthrow of domestic authoritarian regimes. (b) The pressure of rising rates of population growth on food supplies which is approaching a level entirely outside the experience of presently developed countries as population growth rates rise to levels between 3 and 4 per cent per year. (c) The demonstration effect of the rapid productivity growth, under conditions of small scale peasant agriculture, which followed implementation of the Japanese and Taiwan land reform programs. (d) The apparent power of the modern theory of the firm to identify the productive superiority of an owner-operated agricultural system relative to a share tenure or even a fixed rent leasehold system of agriculture.

The first two factors have contributed to the political motivation for productivity oriented agrarian reform. Countries such as Malaysia and the Philippines have employed agrarian reform legislation as one element in programs to satisfy the equalitarian drive of the peasantry. But rural unrest is not the only source of political instability. Political leaders in most Southeast Asian countries are sensitive to the demands of a rapidly growing articulate urban population for stable rice prices.¹⁶ Possibility that a land reform program might make a positive contribution to the problems of both rural and urban unrest makes land reform attractive to many political leaders despite the fact that much of this leadership comes from the land-owning classes.

Vol. 12, No. 1, October 1963, pp. 1-21. For a review of land reform in Southeast Asia prior to the mid-1950's, see Jacoby, *op. cit.*

¹⁶ Urban pressures appear to be a major obstacle to rationalization of rice price and marketing programs in both the rice exporting and rice importing countries of Southeast Asia. In the rice exporting countries, rice is typically undervalued in relation to export prices. And in the rice importing countries, prices paid to farmers frequently exceed import prices while rice is made available to at least part of the urban population at subsidized prices. Urban pressure for lower food prices has also been important during the early stages of development in many presently developed economies. See Barnes, *op. cit.*

The other two factors have combined to give a broader "legitimacy" to the land reform objectives. An intellectual rationale which identifies a positive contribution of land reform to productivity growth has helped gain the support of the national bureaucracy and the commercial and industrial classes committed to rapid economic growth. The net effect has been to provide the liberal intellectual and political elite with a more powerful dialectic with which to reinforce the equalitarian drive of the peasantry.

Philippine land reform

This shift from a primary emphasis on equity to a new focus on both equity and productivity objectives and program instruments is clearly illustrated in Philippine land reform legislation. The Magsaysay land reform legislation of the mid 1950's was directed primarily toward restoring peace and order in the areas of agrarian unrest and to obtaining farmer and peasant loyalty to the newly established national government.¹⁷

The new Philippine Agricultural Land Reform Code of 1963 departs sharply from earlier legislative intent and places

¹⁷ The Magsaysay land reform legislation includes (a) the Landlord-Tenant Relationships Law of 1954 (RA #1199); (b) the National Resettlement and Rehabilitation Administration (NARRA) Act of 1954 (RA #1160); (c) the Land Reform (Ownership Transfer) Act of 1955 (RA #1400); (d) the act establishing the Court of Agrarian Relations (RA #1409). This legislation was designed to reduce the power of the landowners relative to tenants, acquire and redistribute large landed estates, and resettle dissident elements on the public domain. For discussions of the Magsaysay and earlier Philippine land tenure legislations, see F. L. Starner, *Magsaysay and the Philippine Peasantry*, University of California Press, Berkeley, 1961; H. L. Cooke, "Land Reform and Development in the Philippines," in Walter Froehlich, *op. cit.*, pp. 168-180; J. R. Motheral, "Land Tenure in the Philippines," *Journal of Farm Economics*, Vol. 38, No. 2, May 1956, pp. 465-474; R. T. McMillan, "Land Tenure in the Philippines," *Rural Sociology*, Vol. 20, No. 1, March 1955, pp. 25-33; R. S. Hardie, *Land Tenure Reform: Analysis and Recommendations*, Special Technical and Economic Mission, U. S. Mutual Security Agency, Manila, 1952. The Hardie report is particularly valuable for its reproductions of documents of historical significance in the evolution of Philippine land tenure.

important emphasis on both equity and productivity objectives and program instruments.¹⁸ It bears the unmistakable imprint of a group of young economists and intellectuals who were primarily concerned with the failure of existing agricultural development programs to generate sufficiently rapid gains in agricultural productivity to match the rapid population growth rate that is now approaching 3.5 per cent per year and may approximate 4.0 per cent in two decades.¹⁹ The productivity orientation of the legislation was particularly useful in gaining the support of the growing industrial classes that would not have been swayed by political appeals for equalitarian justice for the peasantry during a period when organized rural unrest was apparently dormant.

Malayan land reform

The evolution of land reform in Malaya parallels, in many respects, the Philippine experience. The 1955 legislation was passed during a period of internal unrest when it was important to obtain the loyalty of the rural Malays. Its primary objective was to increase the security of tenure and to control rents.²⁰ In contrast, current discussion focuses

¹⁸ Agricultural Land Reform Code (Republic Act No. 3844), Manila, Bureau of Printing, 1963. For a more thorough discussion of the content of RA #3844 in terms of its equity and productivity emphasis, see O. J. Sacay, "The Philippine Land Reform Program," *The Philippine Economic Journal*, Vol. II, No. 2, Second Semester, pp. 69-183 and V. W. Ruttan, *op. cit.*

¹⁹ K. V. Ramachandran, R. A. Almendrala, and M. Sivamurthy, "Population Projections for the Philippines, 1960-1980," *The Philippine Statistician*, Vol. 12, No. 4, December 1963, pp. 145-169.

²⁰ Federation of Malaya, *The Padi Cultivators (Control of Rent and Security of Tenure) Ordinance*, 1955, Supplement to the Federation of Malaya Government Gazette of April 1955, No. 7, Vol. III. Notification Federal No. 766. The definitive study of land tenure in the rice growing areas of Malaya is T. B. Wilson, *The Economics of Padi Production in North Malaya (Land Tenure, Rents, Land Use and Fragmentation)*, Ministry of Agriculture, Federation of Malaya, June 1958. For discussion of tenure on rubber estates, see Ungku Aziz (ed.) *Subdivision of Estates in Malaya, 1951-1960*, (3 volumes) Kuala Lumpur: Department of Economics, University of Malaya, 1962. See also G. D. Ness, "Subdivision of Estates in Malaya, 1951-

almost entirely on the modifications in the tenure structure and in related agrarian policy needed to increase incentives to achieve higher levels of productivity in the production of rough rice (padi). Furthermore, this discussion is occurring in a period when there is no evidence of major internal unrest in the rural areas.

Indian land reform

The evolution of policy objectives and program instruments in Indian land reform legislation has been much more complex than in either the Philippines or Malaya. This stems in part from the divergent and, at times, conflicting policies and perspectives of the state and center governments.

Land reform legislation had been instituted under Congress Party pressure prior to independence (1947). The Bombay Tenancy Act of 1939, for example, restricted eviction and set ceilings on rent in some districts.²¹ By the beginning of the First Five-Year Plan (1957), a substantial body of tenancy legislation had been passed by the states and by the end of the Second Five-Year Plan (1960) some form of tenancy legislation existed in every state. It covered abolition of intermediaries, security of tenure for the tenant farmer, regulations of rent, facilities for acquiring ownership rights by the tenant farmer and a ceiling on future acquisitions of landholding.²²

The concern of the state governments with equity considerations has been in sharp contrast to the productivity

1960: A Methodological Critique," *The Malayan Economic Review*, Vol. 9, #1, April 1964, pp. 55-62 and G. D. Quirin, "Estate Subdivision and Economic Development: A Review Article" *Ibid.*, pp. 63-79.

²¹ See G. Wunderlich, *Land Reform in Western India: Analysis of Economic Impacts of Tenancy Legislation, 1948-63*. U. S. Department of Agriculture, ERS-Foreign-82, June 1964, for a discussion of the evolution of tenancy legislation in the three states of Gujarat, Maharashtra, and Mysore.

²² V. N. Dandekar, "From Agrarian Reorganization to Land Reform," *Antha Vijnana*, Vol. 6, No. 1, March 1964, pp. 51-70; M. L. Dantwala "Financial Implications of Land Reforms: Zamindari Abolition," *Indian Journal of Agricultural Economics*, Vol. 17, No. 4, October-December 1962, pp. 1-11.

orientation of the center government. The productivity orientation of the center government and of Congress Party leaders was complicated, however, by ideological commitments and an intellectual tradition which assumed that small scale peasant proprietorship is incapable of achieving the productivity levels required to meet the development objectives of the Indian economy. The result was insistence on a radical reorganization of the structure of the Indian rural economy to eliminate subsistence farming.²³

The gap between center policy and state programs has remained in recent years. The position that complete reorganization of the agrarian structure is a prerequisite for agricultural productivity growth under Indian conditions has been consistently evaded. A more careful assessment of how to supplement existing tenure legislation in order to realize the potential incentive it offers farmers for productivity growth now seems to be in process.²⁴

THE POLICY DILEMMA

I am not able to characterize land reform policies and programs in other countries of South and Southeast Asia as

²³ "...the felt requirements of the food situation, of economic growth, and social justice, ideological commitments to Gandhism and socialism and the reports of Chinese achievements have all combined to strengthen the belief of intellectuals in the necessity of joint farming," Raj Krishna, "Some Aspects of Land Reform and Economic Development," in Walter Froehlich, *op. cit.*, p. 234, also pp. 214-254. See also the series of papers on "Land Reform Legislation and Its Implementation in Different States," *Indian Journal of Agricultural Economics*, Vol. 17, No. 1, January-March 1962, pp. 114-195. A. M. Khusro reports in "Summary of Group Discussion," *ibid.*, pp. 189-195, on an interesting argument among Indian economists as to whether Indian land reform has been primarily productivity or equity oriented.

²⁴ This shift is particularly apparent in the thought of M. L. Dantwala, one of the intellectual leaders in Indian agrarian policy. In "The Basic Approach to Land Reforms," *Indian Journal of Agricultural Economics*, Vol. 8, No. 1, March 1953, pp. 95-99, and in other articles written in the early 1950's, he emphasized the primary importance of equity objectives. In his 1960 presidential address, "Agrarian Structure and Economic Development," *Indian Journal of Agricultural Economics*, Vol. 16, No. 1, January-March 1961, pp. 1-25, Dantwala placed major emphasis on the productivity objectives.

definitely as in the Philippines, Malaysia, and India. My impression is that in most other countries, the evolution from an equity orientation to a dual equity and productivity orientation is less complete than in these three.²⁵

It is clear, however, that the problem which political leaders throughout most of South and Southeast Asia face can no longer be cast in terms of choosing between equity and productivity objectives in the formulation of agrarian policy. The social and political unrest among urban consumers which accompanies rising food prices represents at least as important a source of political instability as inequities in the distribution of land ownership and income in rural areas. In areas characterized by low agricultural productivity and rapid population growth, achievement of productivity objectives appears to represent a prerequisite for both socio-political stability and equalitarian justice. At the same time, attempts to achieve agricultural productivity objectives by means which fail to satisfy the equalitarian drive of the peasantry do not appear able to provide sufficient motivation for the peasantry to cooperate fully in achieving the productivity and growth objectives.

²⁵ For a discussion of the land tenure situation in a number of Asian countries in the 1950's, see E. H. Jacoby, *Agrarian Unrest in Southeast Asia*, Asia Publishing House, Bombay, 1961, and J. R. Motheral, *Comparative Notes on East Asian Land Tenure Systems*, USOM, ICA, Manila, Philippines, July 1955. In Vietnam, the rent reduction, tenure security and land transfer programs of the mid 1950's became a casualty of the decline of civil authority even before the demise of the Diem government. See J. P. Gittinger, *op. cit.* For a summary of the Indonesian legislation, see Commercial Advisory Foundation (CAFI), Basic Agrarian Act No. 5, Year 1960, Circular No. 306, (October 29, 1960) and 306a (October 31, 1960).