Chapter 5

Family Businesses and Corporate Enterprises

The fourth general criterion for evaluating economic development in Estancia was defined as "the growth of modern corporate enterprises as opposed to traditional family-operated businesses." The association of corporate enterprises with economic development is based on several factors. One is that while a single family may be able to supply the technology and business skills of small-scale production, it can less often furnish the specialized management and technical skills usually required by large-scale modern enterprises. Second, individual families are unlikely to have the capital resources necessary to meet the frequently high cost of modern technology. Instead, various partnerships and shareholding arrangements are anticipated which permit pooling of resources and the creation of enterprises larger than individual members might separately establish. Finally, economic development seems to call for narrow concentration on economic efficiency while in traditional family businesses, decision-making is inevitably affected by the numerous noneconomic activities and concerns of the family members.

In Estancia, however, despite the rapid growth of the fishing industry, family enterprises have not yet given way to corporate institutions. While most fishing outfits require more labor than any single family can provide, the direction and decision-making of the operation is almost always in the hands of a single owner, perhaps assisted by his or her spouse. This holds even for businesses employing over 100 men. On-the-job direction of the men's activities may be entrusted to a subordinate, but the smallest details are decided by the owner himself. Some larger enterprises have regular time-keepers, bookkeepers, and an experienced accountant to handle their taxes, but these specialists are all limited to their specific tasks and take little part in the general management of the business. Everyone in the operation is totally dependent upon the owner. Thus, partnerships or corporations involving two or more persons investing capital and jointly directing a fishing venture are rare and short-lived. Even brothers owning comparable fishing outfits prefer to work independently of one another. Despite the growing volume of production, the history of the Estancia fishing industry shows no discernible trend toward the formation of partnerships, corporations, or cooperatives; only the rise (and fall) of particular individuals and their personal enterprises.

Among those people fully involved in the commercial sector of the economy, one of the most powerful and obvious impediments to corporate economic activities is a pervasive mistrust of others, fortified by innumerable accounts of economic double-dealing in the town. Even within a nuclear family, when it comes to business matters, trust between individuals is often limited. The common assumption is that people are primarily concerned with their own personal welfare or short-term benefit and will take advantage of a situation of trust, whenever possible. Unfortunately, the viability of any corporate group depends upon trust, or the expectation that the members intend to fulfill their particular role obligations and thus work for the common good as well as their own. In Estancia, however, there is little faith that people act in this way, and much experience suggesting otherwise. The leaders of large organizations--economic or other--are always suspected of using the position, members, or resources for their own personal purposes, and they often do. This of course justifies similar action by lower-echelon members. The expectation that others work only for their own advantage is so powerful that even partnerships between kinsmen or close friends rarely last more than a few weeks or months. Often it is because one of the parties has in fact begun to take advantage of the other. In other cases it may simply have been to the advantage of some third person to destroy the partnership, something easily achieved by making semipublic hints of irregularities ("anomalies") committed by one of the partners. As the word spreads and the general expectations turn possibilities into "realities," the accused partner may find himself having a difficult task proving his innocence. Even if he succeeds the first time, doubts will linger and repeated hints that one partner is being made a fool of by the other almost invariably succeed in driving apart the most trusting of men. Groups larger than a simple partnership are obviously all the more vulnerable. Given this atmosphere of distrust, the most circumstantial and unfounded charges are likely to be accepted. If one almost expects to be taken advantage of, and is in fact willing to take advantage of others when the opportunity arises, accusations that one's partner or partners are actually doing so are likely to be taken very seriously. Partnerships are thus normally short-lived, and any larger combinations of equals theoretically directed toward a common goal are extremely fragile.

The only exceptions occur when the partners are jointly present in all business transactions and when their partnership combines clearly differing and complementary resources. Even in these situations mistrust is common but they do seem more stable than partnerships in which one man supervises the use of similar resources pooled by two or more men.

Partnerships dependent upon the partners' joint physical presence do occur in the fish market, when fishermen and dealers meet to buy and sell fresh fish. Typically, when a fisherman or dealer has fish to sell, many dealers may gather but only one will start to bid. The others--as many as eight or ten men--simply await the outcome of the exchange, without offering competitive bids. And even if the man holding the fish is dissatisfied with the dealer's offer he is unlikely to turn to others but instead simply presses for a higher price from him. The expectation is that when two men negotiate in good faith, a commonly satisfactory price can usually be found. Only if a total impasse has been reached will the seller break off, to await or search out other dealers offering better prices. Because the local dealers decline to bid against each other, fishermen may be forced to accept the original bid, or else find someone unaware of that offer, perhaps a merchant from some other community.

On the other hand, if the fisherman settles with the original bidder, the other dealers who have been watching the transaction may join in with the buyer if they think it will be profitable, contributing various sums to make up the full price. Individually or together they may put up a greater share of the total price (in either cash or credit) than the original bidder. Even if he has sufficient capital to cover the entire purchase himself, the dealer making the initial bid will agree to, even encourage this form of partnership, knowing that he will later be able to join in comparable partnerships. From the dealers' point of view, bidding against each other unduly raises the price of the fish and thus unnecessarily reduces the profit of the ultimate buyer.

Once these dealer partnerships are settled for a particular transaction, the fish are resold, preferably to merchants from other towns. Normally, there are several of these in Estancia each morning, seeking fish to wholesale or retail in their home communities. If none are present, or if none are making adequate offers, the partners may decide to sell the fish to a local retail vendor, or else one of them may attempt retailing the fish himself. If they manage to sell the fish in bulk, they immediately divide the return in proportion to the amount that each invested in the original purchase. On the other hand, if the price of fish is thought to be higher in nearby communities, and the quantity they have bought is sufficient, they may load it on a rented *jeepney* and go *in viaje* for wholesale or retail transactions in other towns. After deducting the transportation expenses, the returns on the sale are again divided according to the shares initially invested. In such situations, however, all the partners accompany the fish so that each may judge the fairness of the price received and the correctness of his personal share. No individual or subgroup of partners is trusted to carry out such a transaction in the interest of the whole group and return to each their full shares of the ultimate sale price.

These partnerships might be considered "corporate" except for the lack of duration in their membership. They are established on the spot and change personnel, depending on who happens to be present. Sometimes a group of men regularly participate in such joint investments over several weeks or months but members are excluded if they are absent. Nor will dealers trust someone else to invest capital for them; it would be too difficult to know if one was being taken advantage of or not. In this manner, both profits and risks are spread as widely as possible, but always within the limits of face-to-face relationships. Continuing partnerships in which individuals have confidence that the others will act in their interests without their direct participation are practically nonexistent in Estancia's fishing industry.

A second type of partnership which sometimes demonstrates long-term stability occurs when the partners furnish clearly different, though complementary, resources. There are two situations in which this is commonly found in Estancia. One involves an arrangement between a wealthy (often Chinese) merchant and an individual Filipino fish dealer, permitting them to operate a common business which neither could manage alone. The merchant supplies a capital of ₱500 to ₱1,000 or more, while the dealer invests his time gathering fish from the local suppliers, mostly small-scale fishermen from the islands and coastal barrios. The merchant, typically involved in one or more other businesses, cannot devote time to extended dealings with small-scale producers, but has the capital to buy their fish. The Filipino dealer may not have much capital but does have the time, energy, and skills to handle daily buy-and-sell operations. Profit-sharing arrangements are usually 50-50 but vary somewhat according to the relations of the individuals involved. While some of these partnerships disintegrate almost immediately, many have been extremely stable over a number of years. Since both partners actually require each other's services to maintain the business, they are more careful in their dealings and avoid activities which might give foundation to the always latent possibility of mistrust. While either could take advantage (the dealer could claim the fish cost more than it actually did and keep the difference for himself; the merchant could claim the fish sold for less than it really did, and keep more of the profit for himself), in fact, the recognition of their mutual and relatively balanced dependency seems to limit such deceptions.

The second situation in which the complementarity of resources invested provides greater stability to an economic relationship involves the wealthier fish dealers and individual fishermen. In these "partnerships" dealers provide "capital" in the form of money or credit with local merchants, and the fisherman supplies his labor, spending long hours at sea catching fish. In exchange for the capitalization, the fishermen agree to sell their catch to the dealer at a price somewhat below the current market value. This usually occurs just

Table 9
Exchange relationship between fish dealer and fisherman over 10-week and one-year periods (in pesos)

Weekly market days	*Dealer's Investment*		*Value of fish*		*Fisherman's debts*
	Stated	*Actual*	*Stated*	*Actual*	
(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(b-d)*
1st	100	90	20	30	80
2nd	35	30	15	25	100
3rd	–	–	10	20	90
4th	25	20	No catch		115
5th	–	–	40	50	75
6th	35	30	20	30	90
7th	–	–	5	10	85
8th	25	20	No catch		110
9th	–	–	20	30	90
10th	25	20	25	35	90
10-week totals	245	210	155	230	90
1-year totals	880	700	795	1,200	85

before or during the weekly market days, and the value of the catch is then subtracted from the fisherman's debt to the dealer. When the fisherman needs more "capital," the dealer furnishes it in exchange for a continued flow of discounted fish. Such partnerships may be long lasting or may quickly dissolve as one of the parties begins to suspect the other of taking unfair advantage of the situation.

Table 9 sets out an ideal-typical weekly exchange of fish and capital between two such men. It shows both the stated and the actual investments of the capital and the stated and actual value of the fish in order to demonstrate the dynamics of the relationship. The initial capital investment by the dealer is stated as ₱100 (Column b), but is in fact only ₱90 (Column c). (This sum is as likely to have gone for consumption items: school bills or medical expenses rather than purchase of fishing equipment.) The differences between the stated and actual investments throughout the chart arise from the fact that rather than provide the fisherman with cash, the dealers usually give *vales,* IOUs, to a particular store for the various items needed. The fisherman obtains what he wants, charged at the usual retail prices, but the dealer can obtain a sizeable discount from the store owner. Thus while at the end of 10 weeks the dealer's account book will indicate an investment of ₱245, in fact he will have put in only ₱210. At the end of a year, the comparable figures might be ₱880 charged as against ₱700 actually disbursed.

In the columns indicating the value of the fish supplied by the fisherman the situation is reversed; the stated values recorded in the dealer's accounts always run lower than their actual wholesale value at the time. Thus over the 10-week period the dealer received fish actually worth ₱230, but only credited ₱155 to the account of the fisherman. In theory the price offered by the dealer is supposed to be about 10 percent below the current market prices, generally considered a fair return on his investment. In fact, the value set on the fish is usually discounted much more sharply than that. The result is that at the end of 10 weeks, by comparing the stated investment and stated value of the fish (Columns b and d), the dealer can claim that the fisherman still owes him ₱90 (₱245 minus ₱155) and that the fisherman is therefore obliged to maintain the relationship. However, if we compared his actual investment with the actual value of the fish (Columns c and e) after 10 weeks, we see that the dealer has in fact made a profit of ₱20 (₱230-210), and can still claim a debt of ₱90 as well. Thus at the end of 10 weeks his investment of ₱210 has yielded him assets of ₱320, (₱230 worth of fish plus a ₱90 debt from the fisherman). By the end of the year, though his account book might have him still ₱85 short of breaking even, examination of the actual values involved shows that he has made a clear profit of ₱500, having expended ₱700 and having received ₱1,200 worth of fish. Though his books may show him in the red, the ₱500 in profits plus the ₱85 in collectibles equal an 84 percent return on the year's total investment of ₱700. And because of the apparent and more or less continuous debt of the fisherman, the dealer can insist on maintaining the profitable relationship.

Sometimes, however, at the end of the year, a dealer may magnanimously cancel all or part of the fisherman's outstanding debt. This gesture serves several purposes. As a free gift it enhances the image of the dealer as a fair man, and thus reinforces the fisherman's obligation to accept his declared values on the capital he supplies and the fish brought to him. It also reinforces the fisherman's obligation to continue the relationship, and not start selling all or part of his catch to someone else. Since these arrangements are never written, but only based on verbal agreements, a large or increasing debt may bring the fisherman to break off entirely with the dealer on the grounds of "bad luck" or poor catch. At that point the dealer has no way of collecting since the fisherman can claim poverty and there would be no point (or precedent) in going to court. The dealer can only write it off, though his paper losses, as we have seen from the accounting system, may be much larger than his real ones. Fishermen, aware that the dealers are profiting more than their books indicate, sometimes resort to this tactic to even the balance. Some even intentionally work toward increasing their debt, playing on the dealer's fear of losing a large investment if he refuses to continue supplying the fisherman with capital. If, on the other hand, the dealer voluntarily diminishes or cancels the debt, he increases the chances that the fisherman will remain loyal to him. The small loss for the dealer--really a form of--is well worth it if it helps maintain or smooth the flow of fish in his direction. And his profit is still likely to be acceptable. If, for example, the dealer in Table 9 rescinded the entire debt of ₱85, he would still have a clear profit of ₱500 at the end of the year.

That, in fact, is only a part of the dealer's likely profit from the partnership. He gains still more on the difference between the amount he invests to obtain the fish, in this case ₱700, and the price he receives when he resells them retail or wholesale to other Panay- or Manila-based fish merchants. Profit margins on such sales vary throughout the year but usually range between 10 and 40 percent. If we take 25 percent as an average gain, the ₱1,200 worth of fish obtained from his partner will bring the dealer ₱1,500 when resold, or a real net profit of ₱800. With several fishermen as partners (as most of the wealthier dealers try to maintain), profits are multiplied accordingly. Note also that although the dealer expended ₱700 to provide the fisherman with ₱880 worth of capital over the course of the year, all but the initial ₱90 could have been taken from the ongoing profits of the partnership. In essence then, his ₱800 profit at the end of the year is based on, and required only, an initial investment of ₱90.

While the fisherman's return on his labor seems low relative to the return on the capital invested by the dealer, these trading partnerships may last several years. The dealer's ready supply of cash and credit for both fishing operations and consumption items makes the relationship advantageous for the fisherman as well. When these trading partnerships do break it is usually the fisherman who withdraws, but unless it is very shortly after receiving the initial capital, the dealer is likely to be already ahead.

These two types of partnership, demanding either physical presence, or complementary resources of the members, are the only common "corporate" business forms of some duration to be found in Estancia's fishing industry. Practically all other transactions in the industry are carried out by single individuals attempting to take best advantage of constantly changing situations for their own personal interests.

The limitations on interpersonal cooperation in Estancia's fishing industry go beyond situations of potential joint investment and include a general unwillingness to share useful economic information. While it might be expected that dealers would not advice one another on potential sources of additional profits, they do not even inform one another of bad credit risks among the local fishermen. Even if a dealer had lost a considerable amount of capital on a fisherman who failed to maintain a partnership, he is likely to keep that information to himself. There are several reasons for this. First, he will probably not want to make public his losses, and thereby, the fact that someone has successfully taken advantage of him. Second, as a competitor to the other dealers he sees little value in giving them, for free, useful business information which he has learned in a costly way. Third, there is a very real fear of violence. When a fisherman stops bringing fish to a dealer, he usually explains it in terms of "bad luck," that is, in not having been able to catch anything. Often, bad luck is to blame, but even when he is simply selling the fish to someone else, by framing the situation in those terms, the fisherman maintains an upright moral pose which cannot be denied without attacking his public self-image. While the dealer may be justifiably convinced that the fisherman, is selling his catch elsewhere, a direct statement to that effect is likely to be taken as a personal affront by the fisherman, quite sufficient to justify a physical attack on the dealer. This might also occur if the fisherman learned that the dealer had been disparaging his honesty or character among the other dealers. As a result of this combination of concerns to maintain one's image, not to give freely things paid for dearly, and fear of possible retaliation, dealers keep their losses to themselves. And the potential advantages of even an informal credit-rating system are thereby lost.

Nonetheless, the potential advantages of economic cooperation are recognized, for if questioned about the disproportionate success of the Chinese merchants in the town, the fish dealers almost always refer to their willingness to cooperate with each other in economic matters. Small in number and closely tied to one another because of their minority status, the Chinese merchants do pool information and lend capital among themselves, giving them certain distinct and well-understood advantages over their Filipino competitors. By limiting their risks and supporting each other in difficult moments, they ultimately reduce their losses. In the long run this means greater profits and thus more capital for still larger investments, or it enables them to lower their prices and offer relatively easy credit and thus develop a large and steady clientele. The Filipino dealers and merchants understand--even envy--these cooperative economic strategies, yet they cannot match them because of the high level of mistrust and fear among themselves.

An almost classic example of the inability of local entrepreneurs to join for corporate action beneficial to the entire group occurred in the early 1950s. As part of his development plans for the nation, then President Ramon Magsaysay gave to the town two Japanese war reparations fish-canning boats, and a number of smaller fishing vessels. These boats represented a capital investment and technological improvement far beyond anything the local outfit owners could have managed on their own, and they were provided at practically no cost. An outfit owners' cooperative, or Fish-Coma (a variation on the more common term, Facoma, the government-sponsored Farmers' Cooperative Marketing Association), was established to manage the operations. The idea was to anchor the canning boats in the fishing grounds so that the local outfits could easily deliver their catch for immediate canning. The fish could then be held until the prices reached their peak. Local fishermen could thus have escaped the obvious disadvantages of the existing system which required marketing the catch at whatever the current price happened to be. Such a canning operation might have transformed Estancia's fishing industry and greatly increased local earnings. However, the cooperative was never able to accumulate enough starting capital to go into operation. The needed funds existed in the town, but the outfit owners were sufficiently distrustful of one another that none would put any substantial sums into such a joint venture under the administration of any one of them. Complicating the picture, a powerful, national-level politician was known to be interested in the boats for other purposes. After more than a year of futile discussion and nonoperation the boats were turned to the Reparations Commission and ultimately came into the hands of the politician and his companions. The original members of the cooperative, and apparently many other townspeople as well, were given sums to compensate their losses and diminish complaints, and the whole plan was quietly dropped.

Given the equipment for expanded and more profitable fishing operations, the local outfit owners could not cooperate and put it to use. Their failure was symptomatic of the difficulty of establishing a corporate enterprise in Estancia and had the effect of still further increasing local cynicism concerning cooperatives and cooperation. Today, those terms are thoroughly discredited among the outfit owners and only draw smiles or laughter.

In a search for corporate enterprises in Estancia, the fishing outfits themselves might seem a likely possibility, but they, too, fall short. Despite the role specialization on board, owners and crewmen are frequently loyal only to their narrow personal interests, and not necessarily to the financial success of the outfit itself. The master fisherman or captain will be loyal to the owner if he is compensated well enough, to the crew if he considers himself underpaid. Owners sometimes try to build the crew into a personal following and develop within it a sense of solidarity by giving and joining in beer parties for the men during moonlit nights. These are, however, special expedients, not the common practice, and they do not appear particularly effective. Fish still get sold without the knowledge of the owner. Every operational detail requires the owner's close and continuous supervision. With no inherent sense of solidarity except that which the owner provides by his personal direction and discipline, the crewmen, who are often changing, are always ready to follow their own short-term interest, even if it means driving the outfit into bankruptcy and themselves out of work.

Aside from general mistrust, economic insecurity also mitigates against corporate activities. For example, the heads of 193 families, representing 35 percent of the families supported by the fishing industry, are independent buy-and-sell dealers in the town. Many other people also engage in buy-and-sell operations as a secondary occupation. The vast web of commercial transactions this implies--and fish may change hands five to six times between being caught at night and retailed in the market in the morning--adds little value to the final product. With such large numbers of people involved profits inevitably remain small, and most of the dealers earn from ₱1 to ₱5 a day when fish are available, and often nothing at all when fish are scarce. At this level of income most of them are too close to the margin of survival to risk even a portion of their resources in the hope of long-run gains from joint or cooperative enterprises.

Yet another obstacle to cooperative or corporate action among the small dealers and fishermen is that joint ventures usually require the continuous concern and participation of all the members. The much preferred work pattern is to aim at a large gain which will allow one to withdraw from business activity for as long as possible. Work is not valued as such but only as an expedient to the maintenance of oneself and one's family. Characteristically, Estancia's small-scale buy-and-sell dealers look toward working a few hours in the morning to make enough to purchase their families' food and other necessities, and if possible, for a little leftover with which to play mahjong in the afternoons. If, by chance, a dealer makes a particularly good gain or *golpe* (literally, a "blow"), he is likely to buy a larger supply of rice and other provisions, and live a life of relative ease until the funds run out. Only at that point will he return to his business activities, normally starting out again with a few borrowed pesos and working for daily subsistence returns until another large gain is made and he can rest once again. A sudden burst of income thus is not likely to set off a steady and planned program of economic investment, but a period of relaxation and enjoyment in the company of his friends. This pattern of activity and attitude toward work is of course a weak foundation for joint cooperative ventures requiring long-term planning and continuity of operation.

The tendency among the small-scale buy-and-sell dealers to use profits for immediate consumption purposes, rather than investment in further commercial or productive enterprises is enhanced by a powerful socially sanctioned obligation to share with one's friends and relatives any unexpected or unusual good fortune. This is always operative with regard to larger winnings in the local "Daily Double" (the "Numbers") or in the national lottery, and may also include sudden large gains made in business activities. While it is acceptable to use such windfalls to repay outstanding debts or redeem pawned properties, the man who has gained sudden wealth is greatly pressured to spend the remainder for the immediate benefit of his relatives and companions (who in their turn, would do likewise). In fact, these persons often feel *entitled* to a share in such unanticipated gains, and if they are not directly distributed to them as gifts, they will press for a drinking party, or "blow out," which may consume the total sum. Failure to respond to these pressures, to show that despite sudden wealth he is still "one of the boys," will bring bitter accusations of being *maimut* (stingy) and "aristocratic," or an *esnab* (snobbish). Very few of the small-scale dealers are able to withstand these socioeconomic leveling mechanisms.[9] As a result, small-scale dealers, and the fishermen who behave quite similarly, do not tend to organize corporate economic ventures which require savings and long-term planning and investment.

It should not be inferred that Estanciahanons are indifferent to wealth. Nearly all would be happy to amass riches if they could. Rather it is a question of perceived means. In their interpretation of human experience, wealth is primarily the product of *suwerte* (luck), and only rarely linked to continuous labor and the slow accumulation of capital. Good luck will yield riches, bad luck will deny them, and there is little one can do about it. With good luck one may enjoy a particularly large golpe, or an extended series of smaller ones, while without it, the hardest work will get one nowhere. This attitude is regularly expressed in the common accounts of Estanciahanons who have risen and then fallen owing to circumstances beyond their control. Similarly, many Visayan proverbs point toward reversals in one's personal fortunes as the natural order of things. *"Walâ sing mataás nga dilî magnubô, kay walâ sing mataliwis nga dilî masumpò,"* (literally, "Nothing tall will not be shortened, and nothing sharp will not be blunted"). *"Waay adlaw nga indi makabalos,"* (literally, "There is no day that will not take revenge"). *"Hinugay ka patalúm kay sa pilá ka adlaw, magahabol ka, kag sa lamawán ka mahabóy,"* (literally "Don't become sharp, because someday you will become dull and be thrown into a swamp"). And *"Ang pangabuhì pareho sang payâ, nagakulòb kag nagakayâ,"* (literally, "Life is like a half of a coconut shell, it faces down and it faces up"). These proverbs all express the generalized view that nature flows in internally regulated cycles, and for most of the townspeople, this applies to human (and economic) affairs as well. Wealth will come, if at all, when it is in the nature of things to appear. Long-term planning, careful investment, and continuous labor may be necessary for daily survival, and if so will be practiced. Many people work hard and continuously for their small incomes. But these activities are not considered particularly necessary, or even relevant, to the creation and maintenance of wealth, that is, riches beyond the normal possessions of most ordinary (poor) people. Uncontrollable, unpredictable luck holds the key to these matters, and thus limits the perceived value of personal effort as a means to personal wealth.

In conclusion, despite increasing production, the individual or family business remains dominant in Estancia. The expectation that joint or cooperative ventures are only for the benefit of those proclaiming and controlling them is so pervasive that proposals for such activities are met with intense skepticism or ridicule. When such enterprises are formed, its members are likely to take advantage of the situation whenever possible, on the assumption that the others will do likewise. Corporate enterprises are thus notoriously short-lived and follow the typical *ningas kogon* pattern.[10] While successful cooperatives are rare throughout the world, in Estancia the obstacles to their development extend to private corporate enterprises as well and thus limit businesses to a size that can be closely supervised by one person or family. The notion of the neutral corporation or firm, or of working for an organization which will distribute its benefits to its participants in an open, if not necessarily equal, fashion is not locally credible. If anything, experience points in the opposite direction. And among the small-scale dealers and fishermen this situation is compounded by strong social pressures for the immediate consumption of any resources which might allow the development of large enterprises. As a result, despite increasing productivity in Estancia there is little evidence of a shift away from the traditional family business pattern.