

PARENTAL ATTITUDES TOWARDS THE COMMUNITY SCHOOL MOVEMENT

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BACKGROUND

The Philippine educational system today is being revolutionized to meet the needs of the rural communities and the demands of the modern trends in education. Our educators are beginning to realize the importance of bringing the school closer to the community rather than setting it apart like an island sufficient unto itself and totally oblivious of the needs and problems of those around it. With the full awareness of the important role the school has to play in the improvement of community living, the present community-school movement was launched on a national scale as a feature of the public school system in 1949. Five years have passed. The proponents of this movement have been quite enthusiastic over the physical changes wrought and the interest displayed by the people of the rural communities where the community-school program has been implemented. Much has been said and written about the amazing changes the movement has brought about in the lives of the people. However, there are some skeptics who doubt the permanency of such results. A study and evaluation of the people's attitudes can give the educators an idea of how much the movement has affected the members of the community, especially the so-called "grass-roots" of society.

This study proposes to find out whether the actual effects or results of this movement are different from what has been anticipated by its initiators, and whether the attitudes of the people towards the community school movement are favorable or unfavorable.

A system of sampling at regular intervals was used in the selection of parents to be interviewed. The two towns studied for this project are located in the province of Iloilo. (This province is the original home of this movement.) These towns, Passi and Leon, were selected on the basis of their ecological locations rather than on their records of achievement in carrying out the objectives of the community school program. Leon represents a poblacion off the main transportation route, and Passi, the third largest town in the province of Iloilo was selected to represent a poblacion which is the center of the main transportation routes. Despite some unique features, both towns maybe taken as somewhat typical of agricultural towns in the western Visayas.

ATTITUDES TOWARDS COMMUNITY ORGANIZATION PRIOR TO THE ESTABLISHMENT OF THE COMMUNITY SCHOOL

In analyzing the attitudes in rural areas the characteristics of the rural people must be taken into consideration. Generally rural life is relatively static brought about by the strict adherence to the mores, customs and

* From part of a master of arts thesis, *Attitudes Towards The Community School Movement*, submitted to the University of the Philippines in April, 1955.

traditions of the place. Changing conditions of the outside world do not have very much effect on the life of the people. Any social change introduced is viewed with cautious consideration by public opinion and personal sentiments rather than by rational deliberations. The leading citizens of the community influence greatly the opinion of the "common tao" in the rural communities because of the lack of communication facilities. Things are judged according to how they affect their own personal lives.

The people's attitudes towards community organization must be considered in a social setting in the light of community-school relationships. Directly or indirectly the school has always been instrumental in the establishment of organizations in the community. Parent-Teachers Associations, Red Cross Clubs, Puericulture Center Clubs, Women's Clubs, Rural Credit Associations, Catholic Women's League and many others are direct or indirect offshoots of school endeavor. The teachers, in conjunction with other professionals, are expected to be leaders in social affairs because they are supposed to have greater educational backgrounds than the rest of the members of the community. For many years the school has been trying to invite the adults especially parents of school children, to participate in meetings or organization. Yet the reactions were negative—indifferent, disinterested, non-cooperative and unconcerned.

Civic-educational lectures, community assemblies and pre-war adult education progress organized in the communities brought about fruitless results. The programs or plans included in such activities were formulated by educators who never had an intimate acquaintance with the actual conditions of places where they were introduced. Lectures dealing with agronomy were presented to fishing communities. Urban type solutions were introduced to solve rural problems. Reforms were not indigenously related to the place where they were introduced. The agents of such reforms were likewise products of city life rather than that of rural training. Since improvements introduced were planned by "outsiders" the people thought of them as interference rather than beneficial suggestions.

Demonstration classes sponsored by Women's Clubs touched subjects such as fruit preservation or handicraft. Lessons of this sort could not be applied by people who could hardly afford to purchase food much less a preserving bottle, sugar or materials for such handicraft as needlework or weaving. Furthermore such projects require advance cash. In due time people would forget all about the lessons.

Everytime a Parent-Teacher's Association had a meeting, the main discussions almost always revolved around the need for contributions. So the parents began to think of the association as a collecting agency for monetary contributions. At times parents were forced to give "voluntary" contributions so that the association could construct another school building, a toilet or a fountain and add another laurel to its name. Sometimes children were sent home to procure the contributions. The ends were praiseworthy but the means erroneous and questionable. Because of such experiences parents began to be suspicious of the actuations of leaders. They were not sincerely overjoyed by the results after being harassed by contributions. They did not feel being members of the organizations because the plans for projects did not evolve from group thinking, group planning and group discussion. The planning was frequently done by

only the leaders and officers. The pattern was for membership to dwindle to a few members.

Usually an inspiring message or idea sparked the founding of an organization. After its inauguration with all the speeches and merriment the attendance of its meetings became less and less. This was due to the fact that an announced two o'clock meeting would really become a five o'clock assembly meeting. Promptness was not required of the members. They usually trickled into the conference room while the meeting was going on. Such an organization usually went the *niñas kogon*¹ way.

The ignorance of school activities on the part of parents breeds disinterestedness and indifference which result in nonattendance of meetings of organizations. Nonattendance causes ignorance. It is a vicious circle indeed!

ATTITUDES AFTER ESTABLISHMENT OF THE COMMUNITY-SCHOOL MOVEMENT

With the introduction of the community-school program, the communities were organized so as to meet the objectives and activities of the new program. A new program as well as a new organization is supposed to bring about varying reactions from different groups of the community. A 25% sample of the households in each of the two poblacions was drawn, and interviews were sought from either of the parents present in the house at the time of the interview. Not all those selected in the sample were interviewed.

Of the 127 interviewees who admitted that the teachers dictate or tell them what to do, 54% belong to the lower educational level (0-6). They confirmed the practice that whenever there are visitors coming to the town they are immediately told to clean their homes and surroundings. Because of the many tasks in their homes and farms usually without the aid of helpers, people could not always attend to the cleaning of their homes as well as public places. As will be described in the following chapter the rural community follows the pattern of the "community of fate". When they are informed that visitors are coming, the teachers have to see to it that the people are doing their tasks in the cleaning of their homes to avoid embarrassment; so the towns in the midst of its peaceful quietude wake up to overtime activity and rush accompanied with mixed feelings of excitement, anxiety and expectancy. Those who are in the higher educational and financial level are not told anymore because their homes are already wellkept and cared by servants or dependents other than the immediate members of the family.

When asked about their opinions concerning the community organizations, the women either professed ignorance of the complexities of such organizations or they just refused to care about them. Most of them are in their early thirties or late fifties. They are usually chained to their homes by household work and babies in the absence of helpers. They are so busy with the care and problems of their families that they do not have time to attend *purok* or *barangay* meetings. They leave this responsibility

¹ *Niñas Kogon* is a term given to a Filipino trait of having an enthusiasm and interest which are short-lived. This enthusiasm is compared to the burning of cogon which is bright at the beginning and gradually dies out after a short time.

to their husbands. Much younger or older women have greater freedom to leave their homes. The younger women may be single and therefore free of the burdens and responsibilities of home life while the older women may have grown-up children who can manage themselves without the aid of their parents. The wives seemed to hesitate in answering questions dealing with community affairs, but were always responsive when questions concerned family affairs. On the other hand, the husbands were vocal about their opinions on community programs. They enjoy meetings where they are free to voice their feelings about the problems presented. But when asked about their families, some did not even know how many children they have. The difference lies in the way they responded and their points of interests nevertheless both the husbands and the wives favored the present community organizations as seen in the summarized report of Table XII. The wives, especially those among the lower educational groups, usually follow the opinions of their husband who are in turn influenced by the opinions of their leaders.

What struck the attention of the interviewer as strange was that most of those interviewed were not sure as to what *purok* or *barangay* they belong. Usually their children supplied the answers for them. The people seemed uncertain of their *purok* or *barangay* affiliations. The history of the community-school movement in both towns enumerated the changes in community organizations which confuses an ordinary person. Perhaps the people meet in an informal way during their meetings in the *purok* or *barangay* so they forget they have formal organizations.

Except for a few persons, all interviewees approved the home visitations of teachers. The wives who are prisoners in their homes like to have someone with whom to converse concerning their problems, and feel encouraged when the teachers inspect their homes and praise their home improvements. Perhaps the interviewees just want to show that they are being hospitable, although some appeared to be suspicious and indifferent when the interviewer first approached them. A few confessed that they thought the interviewer was an agent of a certain commercial company. The agents have already been troubling the residents for quite a time.

When asked whether they are always informed of the school activities they readily answered in the affirmative. Most of them mentioned their children to be the messengers of such information. They want to attend school activities to see only their children perform in the school program or play in scholastic athletic competitions; otherwise they are not interested. If ever they leave their homes to attend such activities they are sacrificing the safety of their homes and the things within since nobody is left behind. Nothing can be more important than to see one's children show off their abilities.

Most of the interviewees believed that the change in the attitudes of the school towards the community is beneficial to the members of the community. The benefits derived are in the form of the improvement of the health and sanitation of the town, correction of the ways of living and the knowledge gained in the interchange or ideas in *purok* or *barangay* meetings. The people can see now as well as experience all these changes. They always believe in the adage, "to see is to believe."

They conceded to the idea that both the school and the community need each other in the improvement and the furtherance of their goals. Each must help the other to be able to succeed in each objectives. The children would not be educated to become active members of the community if the school does not do its part. The school would not succeed without the aid of the people who contribute money, building materials or labor so that the school will be fully equipped to perform its tasks.

A majority of the parents approved the way the children are taught in school. Lessons in household activities such as gardening, poultry and hog raising, child care, needlework, house cleaning and table-serving are practical enough to be used in the homes. Some parents decried the fact that although practical lessons may be taught in school they are not practiced at home. Their children were found to be very lazy. In this case the fault does not lie in the teacher's methods of teaching, but in the parental discipline and training of the children. However, some parents believe that the discipline of the children ought to be shouldered by the teachers and not by them. Families having small children in grades one and two cannot expect very much from their children.

When the interviewees were asked whether they feel that there is a possibility of the permanency of the *purok* or *barangay* organization, many expressed the hope that it would be, however many were also noncommittal regarding this point. This shows that the people are so dependent upon their leaders that they cannot make outright decisions regarding their own welfare. In Passi where the leaders of the *barangay* are quite active in holding meetings the people answered more enthusiastically than the people of Leon where community cooperation is not so close due to non-cooperation of the teachers of the different schools, the religious conflicts and the conservative nature of a farming community. A farming town is slow to change and not easily amenable to new ideas. On the other hand, Passi, being a commercial center is more urbanized, businesslike and efficient in the maintenance of its organizations. Another thing to consider is the income of the town. It is easier for a town with a larger income to put up projects than for a town with a smaller income. Yet Leon with a smaller income was able to put up reading centers in almost all the *puroks* while Passi does not have any. This may be due to the differences in interests. While Leon was interested in having reading centers to improve literacy and encourage reading among the people, Passi was thinking of projects that could be established on a commercial scale.

The parents presented certain conditions which ought to be considered when analyzing the possibility of the permanency of community organizations. The *barangay* or *purok* organizations will continue to exist as long as there is a need for it. The continuance of its existence depends upon the continued cooperation of the people and the initiative of the leaders. Some people are expecting the organizations to be changed depending upon the whims of its leaders. Contrary to that belief others expressed another viewpoint that group agreement not the decisions of a few minds is needed in deciding whether the community organizations will continue or not.

The *purok* or *barangay* leaders were selected on the basis of their admirable traits such as honesty, trustworthiness, industry, helpfulness and leniency. Wealth was also included in the list. In Passi most of the *purok*

leaders are well-off as compared to the other members. Some interviewees said that they chose a man who had money to be their leader so that in case the *barangay* needs money the *barangay* leader could advance the money. Only a few stated intelligence or higher educational background as criterion for their selection. Some of the groups made unique choices with the aim of reforming the men they have elected. Here are two examples. A *barangay* voted for a lazy and ill-behaved man with the belief that his badness would be curtailed by his responsibilities as a leader. The man was reformed because he did not want to be an bad example to his followers. Another group predominantly of the Catholic religion elected a Protestant member as their leader because they believed that they could convert him to Catholicism by forcing him to attend the *barangay* novena. The writer does not know about the results of such an attempt. Selection of leaders was done on the basis of emotional rather than rational and personalized rather than impersonalized criteria. "In rural government as in most interaction in rural areas, the personal ties and emotions are of great importance."²

Another striking thing is that the farther away the *purok* or *barangay* is from the school or the town's center, the less enthusiastic the people are. This may be due to the fact that places which are off the main streets are seldom inspected. The residents of such places informed the interviewer that they were visited only twice or thrice a year only. Their leaders seemed not to care to attend council meetings. Because of the lack of contact with the teachers, the leaders as well as the members do not find interest in doing their jobs. The people staying along the railway tracks at the outskirts of the town of Passi and those staying near the river in Leon ought to be visited more often than those near the school.

Interest among the members rises when the competitive spirit is aroused, especially when prizes are promised for the winners. However, such competition becomes destructive when the sportive spirit is lost in the desire to get the prizes. Feelings are hurt and the idea of developing sportsmanship is defeated. That is what happened to the *purok* athletic competition in Leon. There is a need for greater efficiency in putting up recreational activities.

Purok or *barangay* activities vary with the seasons of the year. During planting and harvesting seasons these activities are neglected when the people spend most of their time on the farms. Such activities are only revived after the accomplishment of their farm tasks. So it is imperative that whatever projects are proposed to be done, they should be introduced to the people during the periods between the planting and harvesting seasons. Nothing less important can dissuade them from their occupational activities.

Although the people are convinced of the benefits as direct results of the present community organizations, they still feel that the future of such organizations rests on the decisions of their leaders rather than on mere followers like themselves.

² Loomis, Charles and Beegle, J. Allan: *Rural Social Systems*. Prentice-Hall Inc., New York, 1951, p. 579.

CONCLUSION AND RECOMMENDATIONS

The Community-School Movement does not affect deeply the very poor and the very rich people. It primarily touches the lives of those belonging to the middle class. The rich do not need the projects to improve themselves; they have already reached the "ceiling of achievement" in their towns. They could not ask for more. The very poor urgently need such projects, but they are too slow to keep up with the fast-moving pace of the middle-class group. If one is to examine closely the community school program, one notices that the program advocated by the educators who belong to the middle-class group do not include activities that can be participated in and that can improve the life of the middle-class group down to the lower-middle class.

The success of the Community-School program is not only dependent upon the close relationship of the school and *purok* organizations but also upon the close cooperation of the other social institutions. Good human relations must not only be developed between the school and *purok* organizations, but also between *purok* organizations and other social institutions such as the church, the municipal council, health service, etc. The school personnel can not successfully accomplish the projects without the aid of the municipal officials and government agencies.

A superficial urbanization does not affect the value orientations of a rural community. Both towns still have the value orientations of a rural community, thus community organizations are established and handled in accordance with familistic *Gemeinschaft* principles and relationships.

After five years of the community-school activities the goals dreamed by the educators have not been reached. The people are convinced of the benefits derived from the Community-School program, however, they believed that the permanency of the community organizations is dependent upon their leaders, not upon themselves. They expressed their willingness to follow the dictates of their leaders. With this submissive attitude towards the financially and intellectually superior group, it will take a long time before they can be fully convinced of their ability to direct themselves. The women do not participate actively in the community-school program because of the lack of opportunities to attend the meetings of the community organizations, thereby playing a minor role in this important educational movement which concerns not only the teachers and school children but also the other members of the community.

The nature of the families affect the community's interests in the school activities. Large families having many children of school are more interested and acutely sensitive to the problems involved in school programs and projects than those with no children at all.

The physical changes are there but they do not represent the effects of a community education. They are still evidences of the intensive campaigns of teachers at the start of the movement.

Recommendations—

(1) Since the people have not reached the point of independent local leadership, more home visitations are still needed to boost the morale of the people. This is true to people of the lower classes. The people still

need the teachers as "crutches" to lean upon. The school-community relationship based on "benevolent paternalism" should be changed so as to encourage local leadership.

(2) The Division Superintendent or his representative ought to visit the towns without a moment's notice. Then and only then can the actual conditions be observed without previous preparation by the school and community organizations.

(3) Rural Philippines today is in dire need of greater food production and increased commercial activities. The common masses can not afford to develop the cultural and social refinements on empty stomachs. Associations within the *purok* or *barangay* organizations would be more helpful if they center their activities on projects that are economically beneficial to the group rather than on social affairs. The women ought to be given the chance to organize themselves and to voice their own opinions. Filipino women are usually silent when in a group with men, but if they are given a chance to organize themselves, women will be more active rather than being merely silent followers.

(4) Activities stressing literacy activities and reading habits should be inaugurated. This phase of the program has not been fully developed. The establishment of the reading centers should be coupled with the cultivation of reading habits. In Leon there are reading centers, but there is nothing to read inside such buildings; in Passi reading centers are only in the school reports. There is still room for more community education of which one is the cultivation of the reading habits and the appreciation of reading materials.

(5) With regard to economic projects, the poor families can be encouraged to put up projects if the school takes the initiative in providing something to start with. For example the school can raise funds to provide a mother pig to start a piggery project in a poor family.

(6) If enough funds would be available, a nation-wide study of the attitudes and effects of the movement should be accomplished. This should be administered by one who may know something about education but who is not directly connected with the educational institutions, so as to present a more objective, unbiased evaluation of the full scope of the Community-School Movement. School records are apt to be "colored", and therefore are not completely reliable for such purposes. Such an investigation would serve as a guide for educators to change or revise the methods employed in accomplishing the objectives of the Community-School program for the good of the rural communities and ultimately of the nation.

ECONOMIC ASPECTS OF PHILIPPINE AGRARIAN REFORM

by DR. FRANK GOLAY*

The Filipinos are confronted by a complex, persistent agrarian problem characterized by (a) low productivity of both land and labor engaged in agriculture, (b) concentration of land ownership and widespread absentee landlordism, (c) organization of agriculture into small size farms which, when combined with concentration of land ownership has produced excessive rates of tenancy in the densely populated provinces, and (d) relatively high land values. The urgency of the agrarian problem is reflected in the concern expressed by Philippine statesmen for rural problems and the proliferation of laws and institutions created to deal with various aspects of agrarian reform.¹

The aim of this paper is to define more precisely the problems and concepts relevant to analysis of Philippine agrarian reform and to make a preliminary appraisal of Philippine agrarian policy within a framework of economically relevant concepts. An attempt to sort out the economic ramifications of Philippine agrarian reform will be useful if it does no more than contribute to mutual agreement on definitions and problems.

I

Crop yields in the Philippines are among the lowest in the world. This experience contrasts sharply with the productivity of cultivated land in such densely populated and climatically divergent countries as Japan, Egypt, Java, and northern Europe. The productivity of land engaged in agriculture will, other things being equal, depend upon the amounts of other productive factors—i.e., labor, capital, which are applied to land to produce the agricultural output.² The low yields of Philippine agricultural land are paradoxical when related to the density of agricultural population. Three comments will have to be made to dispose of this paradox for purposes of this paper. First, it is obvious that comparisons of yields per unit of land are economically relevant only if the areas compared are "equivalent" in potential productivity. This would require that the combination of soil fertility and climatic factors—including rainfall, sunshine, etc.—not neces-

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¹ As used in this paper, "agrarian reform" refers to the structure of laws and institutions dealing with the basic problem of agricultural poverty. "Land reform" is used in its conventional sense to describe the process whereby ownership of land presently under cultivation is transferred directly from landlord to cultivators.

² Many economic problems become intelligible when analyzed in terms of productive factors combined to produce output of goods and services. For many problems, it is convenient to think in terms of a trinity of factors: land, labor, and capital. For other problems, it is convenient to think of land—not as a free gift of nature—but as being produced by investment of capital in the form of land clearing, paddy building, improvements, transportation, etc. Subsequent references to land/capital as a factor of production refers to capital in the form of developed land as well as other capital—mechanical equipment, agricultural experimentation and research, etc.—with which the labor factor cooperates to produce agricultural output.

sarily be identical but capable of producing an equivalent output with the same inputs of labor and capital.

Second, the quantity of labor with which land cooperates to produce crops is not measured by heads of population engaged in agriculture, but is highly dependent upon qualitative factors which affect labor productivity. For example, if agricultural practices are tradition-bound, because of political-social institutions such as education, tenancy arrangements, etc., it could easily explain radical differences in yields from equivalent amounts of land.

Third, given equivalent "land" and "labor" inputs, radical differences in productivity of land can also be explained by differences in the amount of "capital" with which the given amounts of land and labor cooperate to produce crops. For example, in Japan, the yields of agricultural land shown a remarkable secular increase during the past fifty years, during which time agricultural population has tended to remain relatively constant. It is generally recognized that the steady expansion of land productivity in Japan reflects the expansion in capital inputs in the form of fertilizer, irrigation, transportation facilities and—what may have been the most productive of all capital outlays—agricultural experimentation and research.

Similarly, the economist would explain the existing differences in the productivity of labor employed in agriculture in the Philippines as compared to agricultural labor in countries of similar population density, primarily in terms of the amounts of land and capital with which labor works (cooperates) in the Philippines. The productivity of Philippine agricultural labor is handicapped by cultural factors which limit capital supplies in agriculture. The increasing pressure of population on the land under cultivation has tended to produce a shift in the distribution of the given product in favor of the owners of land/capital—i.e., the hacienda owners, which has supported a steady appreciation of land values in densely populated, high tenancy areas. This in turn has led to the diversion of savings (i.e., potential capital resources) to the bidding up of land values rather than investment which would produce increments of output. Moreover, the cultural values attached to land ownership and the conservatism of the family as the trustee of communal wealth has resulted in an "irrational" attachment to wealth in the form of land, and the rationing of limited supplies of capital to the acquisition of land rather than investments more productive of agricultural output.

The basic agrarian problem of low productivity of Philippine agricultural resources is aggravated by the relative weakness of the agricultural laborer/tenant in the distribution of the agricultural product. As in other densely populated, predominantly agricultural economies, the social marginal product of labor (i.e., the product attributable to an additional unit of labor applied to the present cultivated land) tends to be relatively low—approaching zero.³

³ This is merely a logical extension of the so-called "law of diminishing returns" which states that when additional uniform amounts of a variable factor (labor) are applied to a given amount of another factor (land/capital) that at some point in the process, the increment of product attributable to an additional unit of the variable factor (labor) must diminish in size. With respect to agricultural production, it is apparent that there is some density of agricultural population (labor factor) beyond which further increases in population will not result in increasing output.

On the other hand, in densely populated, predominantly agricultural economies, the product attributable to an additional unit of capital/land which is relatively scarce, tends to be large relative to the increment of product attributable to an additional unit of the abundant factor—labor.

It is a well-known principle of economic theory that when additional (marginal) units of cooperating factors are introduced into the productive process, the combined increments of product attributable to the additional (marginal) units of cooperating factors will be equal to the additional product which results from the expansion in the productive process. Moreover, and what is more important, the increment (marginal) product attributable to each factor tends to determine the distribution of the total output among the contributing factors.

This means that in a situation where labor is the relatively abundant factor, that returns to all labor tends to the level of the product attributable to the marginal increment of labor—that is, to be low. At the same time, the returns to capital/land applied to agriculture tend to be established by the product attributable to the marginal increment of capital/land—i. e., to be relatively high. While these are significant imperfections in the operation of this principle, it is still the basic explanation of the tendency for the laborer/tenant in densely populated agrarian countries to receive an inadequate share of the agricultural product.⁴

Not only is there the problem of the laborer/tenant whose claim to the product of agriculture is virtually limited to the increment of output attributable to the marginal unit of the abundant labor factor,⁵ but the rapid growth of Philippine population in the agricultural provinces has tended to diminish the size of owner/cultivator farms to the point where indebtedness is the rule rather than the exception. Usurious interest costs have in many cases so impaired the claim of the nominal owner/cultivator to the total product of agricultural resources that the share accruing to the owner/cultivator may be more comparable to the share accruing to a laborer/tenant. In any case, it is apparent that the distribution of agricul-

⁴ The principal imperfection in the application of the marginal principle arises out of the divergence between the social marginal product and the private marginal product. The social marginal product of agricultural labor is the increment of agricultural product attributable to additional agricultural population on the land presently under cultivation and assuming that technology remains unchanged. It is obvious that for the Philippines, as in other densely populated agricultural countries of Asia, further increases in the agricultural population on the land presently under cultivation may not result in increased output and therefore, the social marginal product must be considered as approaching zero.

On the other hand, the private marginal product is the increment of output measured from the point of view of the entrepreneur who is combining resources to produce agricultural products. If we attribute economic rationality to the entrepreneur, we assume that he will not use labor in his enterprise beyond the point where the payment to labor exceeds the contribution of labor, i. e., the private marginal product of farm labor. It is apparent that the competition of the unemployed and underemployed agricultural labor tends to depress the share of the agricultural product going to labor to a minimum level—i. e., the subsistence level of income. While the private marginal product of agricultural labor may be substantially higher than the social marginal product of additional agricultural population, this does not dispose of the need for agrarian reform.

⁵ The claim of the laborer/tenant to the share of the labor factor in output will be augmented by the extent to which the laborer/tenant is the owner of capital in the form of hand tools, carabaos, and implements.

tural product to cultivators will range from the owner cultivator, free of indebtedness (who is entitled to the entire product of the cooperating factors) through various stages of indebtedness, to the tenant/laborer who is virtually limited to the share of the product attributable to the product of the marginal increment of labor.

It should be pointed out also that the basic problems of (a) the low productivity of Philippine agricultural resources and (b) the socially disturbing distribution of the product of Philippine agriculture are separate and distinct problems and that the solution to one may not necessarily contribute to the solution of the other problem. For example, policies may be implemented which significantly increase the productivity of Philippine agriculture without significantly alleviating the socially disturbing distribution of the agricultural product. There is no assurance that the labor factor will automatically share in increments of output.⁶

Moreover, it should be apparent that measures that produce greater equality between cultivators and other participants in agricultural production will not necessarily contribute to the productivity of Philippine agriculture. Indeed, in the short run, there are strong grounds for believing that greater equality in income distribution will adversely affect output.⁷

With the basic marginal principle of product distribution in mind, the economic elements of agrarian reform tend to become intelligible. First, one can have agrarian reform measures designed to strengthen the cultivator's claim to the product of agriculture. Agrarian reform of this type reduces poverty in agriculture, not by increasing agricultural output, but by introducing greater equality in the distribution of the existing output. For example, if the laborer/tenant should be vested with the ownership of the land/capital factor, he would thereby acquire a claim to an additional share of the product. Similarly, if the impaired claim of the nominal/owner cultivator can be cleared of existing infringements, the claim of the cultivator will be strengthened.

Second, agrarian reform measures may be designed to increase the productivity of agriculture without concern for the question of product distribution. The obvious way to affect agricultural productivity is to increase supplies of land/capital with which agricultural labor cooperates. Additional capital can be diverted to agriculture by creating and adequately financing credit institutions which will serve agriculture. Other measures would include social investment in land colonization, transportation, irrigation, education, rural health and agricultural experimentation and research.

II

One broad area of agrarian reform includes policy measures designed to expand the tenure/ownership rights of the cultivator in the land/capital

⁶ It is conceivable that the social marginal product of agricultural labor through a significant range of population density may be zero or possibly negative. In this case, the competition of low productivity labor widely distributed through the labor factor from significantly increasing its share in increases in output of specific agricultural industries. For example, the rapid expansion in the Philippine sugar industry did not materially improve the welfare of the laborer/tenants in this industry either absolutely or relative to other agricultural industries.

⁷ See: Dalisay, Amando M. "The Effects of Land Reform on Income Distribution," *Economic Research Journal*, vol. II, no. 2, Sept. 1955, pp. 61-67.

factor in order that he can make a stronger claim to the present agricultural product as well as to any improvements in agricultural productivity.

An obvious way to attack this problem is through "land reform" vesting ownership of land/capital in the cultivators. The transfer of title to land/capital to the laborer/tenant entitles him to a nominal claim to the marginal product of the land/capital factor as well as to the marginal product of the labor factor, i.e., he acquires a nominal claim to the entire agricultural product.

If this diffusion of ownership is accomplished by expropriation of the land/capital of the *rentier* class (land owning, but not cultivators) without compensation, the laborer/tenant is clearly the gainer at the expense of the *rentier* group. The net redistribution of income will depend upon the extent to which the government uses land reform as an opportunity to increase government revenues by replacing the dispossessed *rentier* class as a claimant to a share in the agricultural product.⁸ For example, there is considerable evidence that the "land reform" in Communist China has resulted in the replacement of the *rentier* by the government as a primary claimant to the agricultural product.

A more democratic implementation of "land reform" usually provides for compensation of the *rentier* class for the land/capital transferred to the cultivators and the creation of an obligation on the part of the new owner/cultivators to pay for the land/capital received. In land reform of this type, there is considerable likelihood that the new owner/cultivators will receive a substantial windfall resulting in an arbitrary redistribution of income in favor of this class.

Such an income redistribution will tend to arise where the *rentier* is compensated by government bonds if the interest rate on such bonds as well as the interest rates on the obligation assumed by the new owner/cultivators is arbitrarily low and unrelated to the productivity of the land/capital transferred in the "land reform." Moreover, the existence of a large increase in government debt (bonds compensating the *rentier*) will weaken resistance to inflation since bond holders will be anxious to convert bonds to more productive physical capital asset. This tendency will be reinforced by the stake of the new owner/cultivators in inflation as a means of reducing the real burden of the obligation they assume in the "land reform." To the extent that this process materialize the *rentier* class will be expropriated. Finally, the laborer/tenant class may benefit from the use of general government receipts to compensate the previous owners. If such transfers are made out of tax receipts, the new owner/cultivators benefit at the expense of the average taxpayer. Alternatively, if such transfers should be provided from the proceeds of government borrowing, there is considerable likelihood that the new owner/cultivators would realize the windfall which traditionally accrues to agricultural producers in the redistribution of income which accompanies inflation.

Current Philippine "land reform" legislation (Republic Act No. 1400 of Sept. 9, 1955) provides for the acquisition and redistribution to cultivators of private agricultural lands on which "agrarian conflict exists." Owners

⁸ Exhaustive analysis of the impact of "land reform" would also require investigation of the effects of government expenditures on income distribution among the various functional groups.

are to be compensated by cash payments and the new owner/cultivator assumes a long-term obligation to repay the government. The interest rate to be charged is to be four per cent.

Observers are aware that the requirement of cash payment represents a severe practical obstacle to wholesale implementation of Philippine land reform inasmuch as government revenues both from taxes and the sale of bonds are currently at levels which would not accommodate wholesale land acquisition. Relatively high land values also militate against extensive land acquisition.

"Land reform" also includes land colonization policies designed to more widely distribute the Philippine population over areas suitable for cultivation. The vast area of fertile, unoccupied frontier land in the Philippines presents an obvious opportunity for alleviating the basic problem of poverty in Philippine agriculture. Labor productivity can be increased directly by providing additional land/capital in the form of fertile land for the labor factor to work. Moreover, the cultivator under present public lands policy is vested with the ownership of land/capital and thereby acquires a claim to the entire agricultural product rather than to the share of the labor factor.

Positive public lands policies have been implemented in the Philippines since early in the Spanish occupation,⁹ and large-scale migration to the frontier area has always taken place. During the American occupation, there was a basic "homesteading" policy modelled on that implemented in the United States which permitted the colonist to acquire title to limited amounts of land by building a home and bringing the land under cultivation.¹⁰

In addition to a basic "homesteading" policy, the Philippine Government, beginning in the late 1930's and continuing in the postwar period, has organized a succession of large-scale, government-subsidized colonization efforts, e.g., National Land Settlement Administration (NLSA), Land Settlement and Development Corporation (LASEDECO), the Economic Development Corps (EDCOR) and the current National Agricultural Rehabilitation and Resettlement Administration (NARRA).

The results of these deliberate colonization efforts have been relatively disappointing, not only in terms of the number of permanent settlers, but

⁹ The "Encomiendas" included an obligation on the part of the grantee to economically develop the land included in the grant.

¹⁰ The various public land acts (Act No. 926 of Oct. 7, 1903, Act No. 2874 of Nov. 29, 1919 and Act No. 3219 of Feb. 25, 1925) provide for the private acquisition of public lands through homestead, purchase, or lease of limited areas. Other elements in current public land policy would include: (a) the "Land Registration Act No. 496 of November 6, 1902 and the Cadastral Act (No. 2258 of Feb. 11, 1919) which sets up procedures to facilitate the vesting in colonists of titles to homestead land; (b) Republic Act No. 1096 of June 15, 1954, which facilitates Government sale and disposal of land pending approval of subdivision surveys; (c) Republic Act No. 1151 of June 17, 1954, creating a Land Registration Commission to expedite the granting of land titles; (d) Republic Act No. 1085 of June 15, 1954, authorizes the Rehabilitation Finance Corporation and the Philippine National Bank to grant loans without collateral and at a low, subsidized interest rate to homesteaders for agricultural development and (e) the allocation of substantial amounts of International Cooperation Administration funds to finance cadastral surveys of public lands, to meet administrative costs of land registration and to build roads in the frontier areas at Mindanao.

also in terms of the cost to the government of transporting and maintaining the colonists as well as the high overhead of administrative costs. Certainly, organized colonization as well as the public land policy of homesteading has not prevented the growth of the depressed laborer/tenant population and the increase in agricultural poverty.

Land colonization has also resulted in heavy export of capital from the areas of low labor productivity. The natural selection which takes agricultural colonization drains large amounts of capital which is embodied in individuals and possessions. In other words, the densely populated provinces are required to support the individual through unproductive childhood years and to equip him with capital in the form of education, skills, etc., as well as limited amounts of physical equipment. Those individuals who migrate take this capital investment with them to the frontier areas, thereby contributing to the impoverishment of the densely populated areas.¹¹

The policy maker therefore is confronted by a dilemma. Organized colonization, in which members of the most depressed agricultural population are recruited for colonization, represents an inverse process of natural selection and tends to be costly because (a) the government has to provide much of the capital required for migration and (b) the failure rate is high. Agriculturists least equipped to resist adversity in the high population density areas are also the least likely to overcome the privations of land colonization.

On the other hand, policies which encourage natural migration result in large exports of capital from the densely populated areas and probably contribute to intensified poverty in the short run not only because of the export of capital—which lowers labor productivity—but also because the remaining population is less receptive to technological change and more patient with deterioration in economic well being.¹²

A second type of agrarian reform policy designed to improve the claim of the cultivator to the agricultural product involves the creation of subsidized credit and marketing institutions which may not provide additional capital, but which replace existing sources of agricultural capital. Usurious practices have been widespread in the Philippines and excessive interest charges assessed against cultivators (both small owners and laborer/tenants) have seriously impaired the cultivators claim to the agricultural product. Similarly, there have been cases in which exploitative profits have been extracted by marketing middlemen.

The following types of credit institutions have been developed to implement this type of agrarian reform:

Capital for the storage of crops. To enable the cultivator to store produce until marketing can be accomplished under favorable conditions.

¹¹ Such capital export has been characteristic of colonization wherever it has taken place and represents the major contribution of capital embodied in the additional land brought under cultivation. It is recognized by economists that foreign investment embodied in the immigrants who came to the United States in the 19th century represented the bulk of the foreign investment which was available to contribute to the economic development of the United States.

¹² For the same reasons, migration of the agricultural population to urban areas may not contribute to alleviation of the basic problem of poverty in agriculture in the short run.

Includes outlays for the construction of warehouses and capital funds for loans secured by crop under storage.

Capital for the development of marketing services. Marketing processes and institutions tend to be organized and dominated by middlemen rather than agricultural producers. Capital can be made available for the purpose of developing marketing institutions, primarily of a cooperative nature in order to strengthen the farmers' position in the disposition of products.

Capital to finance subsistence needs. Because of the length of the period of production, many tenants and small owner/cultivators are forced to borrow to meet subsistence needs. Traditional credit sources have been merchant/middlemen, landlords, and professional money lenders and interest rates have tended to be high.

Government investment in the capital of Rural Banks and in the Agricultural Credit and Cooperative Financing Administration represents the major current effort in this direction. The possibilities of agrarian reform in the direction are measured by the extent to which cultivators are subject to excessive interest and marketing costs. There is considerable evidence of competition in the assembly and marketing of Philippine crops. Moreover, even in countries such as the United States, with highly developed agricultural marketing systems, there are heavy marketing costs accompanied by protests of cultivators over the portion of the gross proceeds of agriculture absorbed in the marketing process.

Closely related to this type of subsidy to agriculture are the price support policies and institutions which have cluttered postwar Philippine agriculture and which at present include NARIC, the domestic sugar quota scheme, etc. The objectives of such schemes range from subsidization of producers to subsidization of consumers to raising of government revenues by dual pricing mechanisms. The divergent policies and practices of the many institutions with pricing functions in agriculture limit the validity of generalizations. Suffice it to say that there is an opportunity to use this type of institution to implement agrarian reform policies designed to subsidize the agricultural cultivator and thereby to increase his share in the gross proceeds of agriculture.

Still another policy alternatives designed to expand the claim of the cultivator to the agricultural product involves the expansion of tenure rights by legislative fiat. This has been a traditional Philippine agrarian reform policy which was initiated in the 1930's by the first crop distribution law (Rice Share Tenancy Act No. 4054 of 1933).¹³

The current Agrarian Relations Act (Republic Act No. 1199 of Aug. 30, 1954) provides for crop sharing between tenant and landlord on a basic "70-30" principle with the share attributable to land arbitrarily fixed at 30 per cent. The Act also provides that feudalistic obligations to provide services to the landlord must be specified in the tenancy contract, otherwise all work performed by the tenant for the landlord must be compensated. The landlord is obligated to furnish the tenant with a house lot not less than 1000 sq. meters; the maximum legal rate of interest that

¹³ For a survey of this Philippine policy, see: Wurfel, David, "The Philippine Rice Share Tenancy Act," *Pacific Affairs*, Vol. XXVII, No. 1, March, 1954, pp. 41-50.

may be charge by the landlord on loans to tenants is 8 per cent; and the tenant's share of production that is free from attachment by creditors is fixed at fifteen per cent. To implement the basic tenancy relationship envisaged in the Agrarian Relations Act, there have been established an Agricultural Tenancy Commission and a Court of Agrarian Relations. (Republic Act No. 1267 of June 14, 1955).

Still another element in this phase of Philippine agrarian reform is the extension of minimum wage legislation (Republic Act No. 602 of April 6, 1951) to agricultural labor. At present, the law covers only a small part of the agricultural working force working for wages.

While there has been considerable reliance on this type of agrarian reform policy, the results have not been encouraging. The socially disturbing distribution of agricultural income has deteriorated at the same time that the "70-30" principle of crop distribution was the law of the land. History is replete with attempts to redress basic economic facts by legislative fiat, e.g., price control legislation without rationing. The Philippine Agrarian Relations Act, if not written by legislators representing the politically dominant landed aristocracy, as a minimum represents a compromise acceptable to this group. It will require vigorous enforcement to significantly disturb the *status quo*.

III

A second broad area of agrarian reform includes policy measures designed to increase capital investment, directly and indirectly, in agricultural production. Such measures include (a) credit institutions which divert capital supplies to agriculture; (b) measures which establish economic incentives for expanded private investment in agricultural production; (c) social investment designed to directly or indirectly expand agricultural production.

Except for the Rehabilitation Finance Corporation, the present banking system in the Philippines is primarily designed to provide credit assistance for the financing of exports and imports, as well as domestic commercial activities. This state of affairs resulted from the concentration of commercial banking in the hands of branches of foreign banks and their activities as an extension of the domestic banking system in the metropolitan areas (the United States and Western Europe). However, with the assumption of Philippine sovereignty, the banking system has been increasingly concerned with the long term financing of agricultural and industrial development as well as with credit facilities for crop production and commodity marketing.

The establishment of the Central Bank and the shift to a managed currency system in 1949 was motivated by Philippine aspirations for economic development and recognition of the possibility of using monetary policy to increase capital formation. It was planned that the capital creating facilities of the Central Bank would be diverted to agricultural production by permitting commercial and rural banks to discount (borrow) from the Central Bank and thereby acquire reserves required to finance further lending.

Some of the short-term credit needs of agriculture particularly in export industries such as sugar, abaca and coconuts, have been met by

loans from commercial banks. However, this credit has been concentrated in marketing loans and has made little contribution to agricultural development through land improvements and the bringing of new land areas under cultivation. To meet the need for long-term credit assistance, the Rehabilitation Finance Corporation was created. Since its establishment the RFC has been able to extend long-term loans for agricultural production and land improvements and there has been continued emphasis by the RFC on agricultural development and real estate transactions at the expense of industrial development.

The difficulties of financing farm operations and land improvements in the towns and provinces quite distant from the commercial and banking centers are aggravated by the lack of organized marketing facilities and the standardization of agricultural products. Another difficulty is that many of the farmers are laborers/tenants who do not possess the necessary collateral to secure the loans needed for farm operations. To meet this problem, the government in 1952 (a) established the Agricultural Credit and Cooperative Financing Administration¹⁴ to organize farmers into cooperative marketing associations and to furnish farmer-members credit through their associations, and (b) authorized the establishment of rural banks with substantial amounts of capital contributed by the Central Bank, to provide credit facilities in rural communities.¹⁵

ANALYSIS OF AGRICULTURAL CREDIT OF COMMERCIAL BANKS AS OF END OF 1954¹⁶

Commercial Bank Loans (including PNB)	Amount (000,000)	Ratio	Loans Approved During 1954 (000,000 P)
Sugar	163	60.6	
Other export crops	21	7.8	
Consumption crops	85	31.6	
	269.0	100.0	180.0
RFC loans outstanding	86.0		13.8
ACCFA	16.5		15.7
Rural Banks	2.6		3.0
	374.1		217.5

Several pertinent observations are in order. First, of the available agricultural credit, approximately one half is diverted to the sugar industry. This industry exists solely for the domestic Philippine market and the Philippine quota in the United States sugar market. At least there is no recent historical evidence that Philippine sugar (at the present rate of exchange of the peso) is competitive in other markets since in recent years Philippine sugar exports have tended to be stabilized at the level of the United States quota and to be exported solely to the United States. Therefore, approximately one half of the available agricultural credit is being utilized to

¹⁴ Republic Act No. 990 of August 14, 1952.

¹⁵ Republic Act No. 720 of June 6, 1952.

¹⁶ Central Bank of the Philippines, *Sixth Annual Report*, Manila, (1955).

maintain the Philippine sugar industry at its present size and can be expected to have little expansionary effect on agricultural output.

Examination of the agricultural loans of the Philippine National Bank and the Rehabilitation Finance Corporation indicates that small loans of these institutions comprise but a minor portion of the value of total loans. For example, during the year ending June 30, 1953, agricultural loans of the RFC of less than P5000 were made to 92.3 per cent of recipients of agricultural loans, but accounted for 16.7 per cent of the total value of such loans. Similarly, during 1952 agricultural loans of the Philippine National Bank of less than P5000 were made to 89.3 per cent of loan recipients but accounted for 20.3 per cent of the total value of such loans. If we assume that only one fifth of the value of agricultural loans made by the RFC and PNB in 1954 went to small (under P5000) borrowers and assuming that all loans made by ACCFA and Rural Banks were in this category, it would mean that agricultural credit extended to agricultural cultivators in 1954 amounted to around P60 million.¹⁷ Inasmuch as the 1948 agricultural census listed 1,638,624 farms, the statistics cited above indicate the small amount of credit available from these sources for the average Philippine cultivator for purposes of agricultural development.

It becomes apparent that government subsidized credit extended by these institutions is inadequate to affect significantly the capital supplies with which the cultivator works. The impact of government-subsidized lending will have to "trickle down" to the small owner/cultivator and the laborer/tenant through a reduction in interest charges of credit institutions which have traditionally supplied credit to Philippine cultivators.

With the exception of the use of subsidized and low cost capital supplies for agriculture, Philippine agrarian reform policy makers have concerned themselves little with the possibilities of establishing economic incentives which will produce high levels of private investment in agricultural production.

Availability of low-cost capital supplies should provide an incentive for the landowner to make capital improvements and the enhanced productivity therefrom should be shared by the cultivator as well as the owner. However, the basic traditionalism and conservatism of Philippine landowners leave them unresponsive to the interest rate as an economic incentive and there results an economically irrational willingness to forego productive investment, particularly if technological change is involved. Cultural values attached to land ownership together with social conditions which tend to maintain a steady appreciation in land values result in the diversion of capital supplies to the bidding up of land values rather than capital improvements.

There is considerable opportunity to influence levels of, and the type of capital investment in agriculture through tax policy. For example, a high land tax not only would introduce a desirable progression in the Philippine tax system,¹⁸ but would minimize the extent to which land is

¹⁷ For a relatively comprehensive survey of Philippine agricultural credit, see: Dalisay, Amando M., "The Present State of Agricultural Financing in the Philippines", *Economic Research Journal*, Vol. I, No. 4, March 1955, pp. 165-176.

¹⁸ Particularly if the land tax should be made progressive—i.e., if the rate of taxation is directly related to the amount of land owned.

withheld from production. The absence of out-of-pocket costs when land is idle and the secular tendency for lands to increase in value, has retarded the development of large holdings of potentially productive land. Moreover, direct taxation of land would tend to reduce land values which would contribute to a diffusion of land ownership. Not only would a reduction in land prices expand the opportunities for the present cultivators to purchase land, but would drastically reduce the costs of "land reform" and thereby increase the chances of implementation of this agrarian reform measure. Finally, direct taxation of land could produce large amounts of government revenues which could be expended for highly productive social investment in agricultural production—e.g., roads in the frontier areas, agricultural experimentation and research, etc.

The current controversial "No-dollar Import Law" (Republic Act No. 1410 of Sept. 10, 1955) is another example of the use of tax incentives to affect the level of private investment in agricultural production. Taxation of exports, taxation of imports processed from agricultural commodities as well as a wide range of subsidy devices can establish price incentives which will tend to affect private investment in agriculture.¹⁹ Similarly, there exists an opportunity to use exchange rate policy—i.e., change in the peso exchange rate—to create incentives to produce high levels of private capital formation in agriculture. Incentives of this type would tend to be relatively productive because they would influence relatively progressive export production rather than the more tradition-bound food production.

Policies designed to create incentive should be appraised not only in terms of their effect on agricultural productivity but also their effect on agricultural poverty, i.e., the extent to which the enhanced output is diffused.

There is a need in the Philippines for large amounts of investment to provide complimentary social services which are essential to high productivity of labor and private capital engaged in agricultural production. Transportation facilities, irrigation, agricultural extension and research as well as outlays for education and health are basic areas for social investment which will enhance the productivity of resources engaged in agriculture.

A number of policy problems arise in planning social investment. First, the policy maker will be confronted by a significant divergence between the productivity of social investment in the densely populated agricultural areas and in the frontier areas. Observers have frequently commented that the type of investment most productive of volunteer colonization and therefore of expanded agricultural output is in road building in the frontier areas. On the other hand, social investment in the densely populated areas tends to be less productive because earlier development has utilized the lost cost, highly productive investment opportunities. Moreover, there may exist social conditions which inhibit productivity of social investment—e.g., the political and economic concentration of power in the hands of a conservative agricultural aristocracy and the unresponsiveness of the sub-

¹⁹ The recent traveler in the provinces of northwestern Luzon is impressed by the extent to which capital investment in tobacco cultivation and proceeding has resulted from the limitation of imports of Virginia-type tobacco.

merged agricultural population to cultural change. An agricultural population which for years past has been exporting its most talented and aggressive members to the cities and frontier areas of land colonization would tend to embody a strong strain of traditionalism in agricultural practices.

The policy maker also must face the fact that political representation in the Philippine reflects population quite closely and legislators are notoriously unwilling to divert funds for social investment to areas where investment tends to be most productive of output and most productive of diffusion of land ownership are the weakest claimant to such investment funds.

It should be borne in mind that the increment of product which results from social investment in agriculture will not go entirely to the labor factor, but will be distributed among the cooperating factors in accordance with the marginal principle. To the extent that the agrarian problem is one of excessive tenancy and poverty in agriculture, social investment will alleviate this problem only slowly and frustratingly. On the other hand, if the society is one in which land ownership is widely distributed, the gain from additional supplies of social capital will be widely shared and the problem of poverty in agriculture will tend to be directly reduced.

Finally, it should be pointed out that government economic activity and social investment in the Philippines is taking place at a relatively low level. During the four-year period of 1951-54, national government expenditures totalled P2.8 billion or 9.9 per cent of national income during this period. During three of the four years of this period for which statistics are available, local government expenditures other than those accounted for by allocations or grants from the national government averaged P120 million annually or between 1/6 and 1/5 of all national government expenditures.²⁰

Not only are the Philippines operating at a relatively low level of government activity, but the overwhelming bulk of government expenditures represent current consumption of goods and services and not capital formation. During 1951-54, government investment (including foreign economic aid outlays) averaged P162 million annually or approximately 2.3 per cent of national income. Please note that this is gross investment. It becomes quite obvious that when recent investment outlays of the Philippine governments are related to the stock of social capital including roads, irrigation, buildings, etc., one cannot conclude with certainty that the economic activities of the government in recent years have resulted in any net social investment over and above the replacement of depreciation and obsolescence of existing social capital.

²⁰ Filipinos are among the lowest taxed people in the world; even among the ECAFE nations, the Philippines chooses to raise and spend through the budgets of government a relatively small part of the national income. There are democratic societies, both developed and relatively underdeveloped, that are using the political mechanism to allocate 20-30 per cent of the gross national product.

THE COOPERATIVE MOVEMENT IN THE PHILIPPINES

BY CORNELIO M. FERRER

The idea of cooperation is a way of life. It implies the spirit of togetherness, partnership, mutual protection, helpfulness, and democracy in action. Cooperation is as ancient as mankind itself. In the Bible we read:

"Two are better than one; because they have a good reward for their labour.

For if they fall, the one will lift up his fellow; but woe to him that is alone when he falleth; for he hath not another to help him up."

— Ecclesiastes 4:9-10.

The Philippine cooperative movement is comparatively much younger than the cooperative movement in the West. However, the idea of cooperation is deeply embedded in the social customs of our people. This is particularly true among the rural people. The importance of the *bayani* system (rendering service free) in land cultivation, harvesting, and construction of houses is quite marked. Fishing by *pukat* (seine net)—the *pasinaya sa pamukutan*—is traditionally a community effort in fishing villages all over the Philippines. Both customs are strongly and intimately linked to the Philippine family system.

The following are the brief chronological steps taken by the Philippine government on cooperatives:

1907 — the first attempt to pass a bill on Rural Credit Cooperatives but was disapproved by the Philippine Commission.

1915 — Act 2508 was passed as the Rural Credit Law. Agricultural Credit Cooperative Associations were organized under this Act. Only a few of these cooperatives succeeded. The failure is attributed to the following factors: (1) mismanagement, (2) lack of proper leadership training, (3) money borrowed was misused. Instead of using the money borrowed for production purposes, the borrowers spent it for fiestas, vices and luxuries, (4) defective securities, (5) politics, (6) lack of trained personnel, (7) inadequate compensation for officers, (7) inadequate compensation for officers, (7) inadequate supervision.

1927 — The Cooperative Marketing Law enacted (Act 3425). By 1939 some 160 cooperative marketing associations were organized with a total membership of approximately 5,000 farmers. This movement again failed. Causes were attributed to the following: (1) lack of sufficient working capital, (2) defective management, (3) inadequate marketing facilities, (4) lack of understanding of the aims and true purpose of the movement.

1939 — Formation of the Consumers' Cooperative League of the Philippine (a private entity). No report was made about it.

1940 — Cooperative Law (Act No. 565) was passed. The National Cooperatives Administration (NCA) was created which later