

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.<sup>20</sup>

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.

<sup>20</sup> 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

on was changed to National Cooperatives and Small Business Corporation. The war came and this government entity died a natural death.

1953 — The birth of the Agricultural Credit and Cooperative Financing Administration (ACCFA). This movement is now in full swing.

The cooperative movement is not a hit and miss proposition. It is a tried and tested system of business and it is a great success in the West. All that we need to see it succeed in the Philippines are character, training and a separate, strict cooperative law.

### Types of Cooperatives

1. *Consumers' Cooperatives.* The most common type of cooperative is the Consumers' Cooperative. It is one that is all embracing, in the sense that all are consumers and can readily qualify for membership. The main aim of the Consumers' Cooperatives is to provide its members with high quality products at the lowest possible prices and with services that are essential and gratifying.

The special feature in a Consumers' Cooperative is the "saving refund" which is returned to the members at the end of the year. The "profits" realized in the operation of the business, after deducting operating expenses and setting aside for reserves, is return to the members in proportion to their purchase as SAVINGS RETURNS.

2. *Farmers' Cooperative (Marketing).* Farmers' Cooperatives are best suited in the agricultural sections of the country. This type of cooperative is organized according to the crops produced in the community, like rice growers cooperatives, tobacco growers cooperatives, etc.

The farmers' cooperatives lay special stress on the improvement of their crops and the subsequent sale of the same at the best price obtainable in the market.

In the division of "profits," the basis is the crops turned over to the farmers' cooperatives for sale to or through the association.

The farmers' cooperatives, however, also engage in the procurement of consumer goods for the use of the members. This aspect of their activity is dominated by the goods which the farmer needs, such as clothing, agricultural implements, fertilizers, etc.

3. *Credit Cooperatives.* A credit union is an organization among a group of people with a common bond of interest or fellowship for the purpose of accomplishing the following objectives:

1. To promote the habits of thrift by requiring all members to save something each pay-day or at regular stated intervals.
2. To grant loans out of these accumulated savings to members for provident and productive purposes.
3. To train the members in the wise use of money.

The credit union is a miniature bank and experience has shown that it can be run by ordinary people. It is truly a cooperative way of operating

a savings and loan business. It is owned and managed by the members themselves.

4. *Industrial Cooperatives.* In the Philippines today, there are local industries that can be developed and improved by the cooperative way. We have for example, the cloth-weaving industry of La Union, Ilocos regions, Panal island, and Batangas; the mat and hat weaving industry of Bulacan, Pangasinan and Quezon (Tayabas); and the shoe making industry of Rizal.

5. *Service Cooperatives.* There are certain types of cooperatives that render services rather than provide commodities for their members. The mutual aid and insurance cooperatives, medical cooperatives, automobile insurance cooperatives, utility cooperatives (providing electricity, light and telephone), etc. are the service cooperatives which are usually organized to meet the peculiar needs of a community.

### The Credit Union

Of the five types of cooperatives described, the credit union is probably the most popular and easy to organize. This type of cooperative is urgently needed in the Philippines today in order to combat the usurious practices of the money lenders in every rural community.

Usury and landlordism are often considered the most outstanding social problems of our country. Landlordism and usury are inseparable. Some of the biggest landlords in the Philippines are also money lenders. The victims are the poor masses of Filipinos. Sixty per cent interest is not too uncommon—five per cent per month and here in the markets of Manila the poor vendors borrow five pesos on Monday and repay six pesos on Saturday—twenty per cent per week or an annual rate of 1040%.

Banking institutions in the Philippines are practically limited to large cities. Credit facilities are made available only to those who can offer "sound securities," and with the usual red tape. In the absence of credit facilities in our rural communities, the poor people are forced by necessity to go to the usurers—either Filipino landlords or Chinese merchants. Usually the Chinese rate is somewhat lower.

The cure for this particular social evil calls for a positive remedy. More legislation prescribing penalties for usurers cannot alone minimize usury because the common tao's cry for credit facilities has not yet been met by legal financial institutions.

There are now 125 credit unions in the Philippines which have made total loans of 1-1/2 million pesos to their members. If we consider five per cent per month the average interest rate paid by the Filipino people the credit union saves its members 4% per month. Four per cent of 1-1/2 million pesos is P60,000 which has been added to the purchasing power of the people here by credit unions. This amount is increasing daily.

A cooperative credit society is an association of persons on an equal footing in order to obtain funds which will be lent to the members for useful purposes. Emphasis is thus laid on the facts that: (1) The society is a union of persons rather than of wealth; consequently all the persons stand on equal footing, whether rich or poor; (2) the object of their unions is to obtain as a body, funds which they could not obtain singly; (3) loans will be made only to members; and (4) the money is to be

spent in a prudent manner for purposes which are either productive or necessary.

#### FACTORS OF SUCCESS AND FAILURE IN COOPERATIVES

When the Reverend Allen R. Huber, an outstanding authority in the Philippines on credit unions, made a study of the ten most successful Philippine credit unions in 1948, he found—not too surprisingly—that they had followed sound business practices. For example, their leaders were found to be well versed in credit union history, bookkeeping and services. Standardized forms were used, there were regular reports of all officers, and close follow ups of delinquent loans were made. Significantly, he noted that the chances of success were maximized due to close bonds of relationships and a limited area of coverage.

In a similar study of the failure of 10 credit unions, the Reverend Huber found the failures to be characterized by too loose bonds of association and too wide an area of coverage. The defunct credit union had failed to maintain contact with other credit unions in their area. The *niñgas kogon* spirit had claimed its usual share. Naturally the war and just plain bad business practices had also taken their toll.

Finally, it may be observed that the perennial failure of credit unions and other types of cooperatives results from an inability or a reluctance on the part of interested groups to avail themselves of indigenous institutions linked to the Philippine family system—the *bayani* and *pasinaya sa pamukutan* systems. All too often there is a tendency, almost an enthusiasm, to graft on to Philippine society inappropriate foreign institutional patterns. Philippine society is family oriented. Rather than ignoring that obvious truth or indeed attempting a radical change, those interested in rural reconstruction should link their efforts to the basic pillars of Philippine society. It would appear that cooperatives would have more of a dynamic appeal if they were oriented around the traditional rural family system.

#### BOOK REVIEW

ALVIN H. SCAFF—*The Philippine Answer to Communism*.  
Stanford University Press, 1955, pp. 1-165, \$4.00

This book is concerned with the post-war revolutionary movement in the Philippines, the Hukbalahap, and especially with the government's program to combat it. The author was a teacher at Silliman University from 1940 to the Japanese occupation in early 1942. After some time in hiding he was captured and imprisoned with other American nationals until the liberation in 1945. He spent the school year of 1953-54 in the Philippines on a Fulbright research grant. His findings are reported in this book.

The book opens with a history of the Communist movement in the Philippines. The author, while recognizing widespread and long-standing discontent on the part of the peasants and workers based on genuine economic distress, adopts the official view that virtually every movement among the oppressed people since the middle 1920's was communist inspired or dominated. Communists are also said to have organized and controlled the Hukbalahap, the largest of a number of resistance movements during the Japanese occupation.

After liberation, the American authorities refused to recognize the Hukbalahap as a resistance movement. The organization was to be disbanded and its members were asked to surrender their arms, but were denied back pay and other benefits enjoyed by other guerrilla forces. One of its leaders elected to Congress in 1946 was denied a seat. In the face of these rebuffs, the movement became openly revolutionary. It reached its height in about 1950 when it came dangerously near to success.

The greater part of the book is devoted to a description of the vigorous campaign of the Philippine government under the able leadership of Ramon Magsaysay, Secretary of National Defense, and later President, to defeat the movement. This campaign took the dual form of an all-out military campaign by a reformed and enlarged army, and a coordinate program of agrarian reform which included small, but significant projects for resettlement of needy peasants and rehabilitation of captured and surrendered Huks. There is an interesting description of the propaganda campaign to undermine the morale of the dissidents and restore confidence in the government.

The author leaves no doubt as to where his sympathies lie. He has nothing but unstinting praise for the army, the government, and Magsaysay, and holds their program and performance up as an ideal example for other Asian countries confronted with similar problems. In this reviewer's judgment the greatest defect of the book stems from the author's enthusiasm which appears to have blunted his objectivity as a social scientist. Promises are at times confused with performance, and token reforms for solutions to underlying problems.

Mr. Scaff's research methods appear to have been rather casual. Examples are often cited to illustrate his points, but quantitative data is extremely limited. There are no tables showing numbers of families resettled, num-