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# Land Tenure and Level of Living in Central Luzon

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JORGE PIRON

**T**HE level of living in a Filipino farmer's household is determined partially by its level of tenure. It is obvious indeed that, all other things being equal, a farm owner will fare better than a tenant who has to hand over to his landlord a substantial portion of his harvest.

From this it is usually inferred that raising the level of tenure would raise the level of living. Such an inference, however, rests on the assumption that the relationship of the two levels is a simple one. It is the purpose of this article to test this assumption.

Testing an economic assumption is a work of "disciplined imagination." In the present case, the method will be first to build a mental picture of the economy of a representative tenant's household with its resources and habits, then mentally to give that household the ownership of its farm, and finally to watch whether or not the new "owner-operator" will achieve a higher level of living.

The long and difficult step is the first one: the building of the model. The prerequisite is "raw material"; namely, information about the economy of the representative tenant's household.

To supply such raw material is the job of social surveyors. It was accomplished in 1952 for Central Luzon by two research

economists, Dr. Rivera and Dr. McMillan. From the provinces of Cavite, Rizal, Bulacan, Pampanga, Nueva Ecija and Tarlac, they selected nine representative barrios. In the barrios, they chose at random some six hundred tenants' households and interviewed them in great detail. They summarized the information gathered in the text and tables of a report published in 1954, entitled: *An Economic and Social Survey of Rural Households of Central Luzon*.<sup>1</sup> They summarized by way of averaging. Thus, it is an "average" tenant's household which represents the tenants' households. The data include the income, living expenditures, credit and rice transactions; they cover the whole household economy.

With such material, constructing a mental picture is relatively easy. It is simply a matter of gathering, analyzing, and piecing together the information supplied. This task will occupy the greater portion of this article.

At the outset, due attention should be paid to the fact that the information covers Central Luzon only, that the picture is built with that information exclusively, and that, therefore, the conclusions to be reached will be valid only for that area.

For the sake of brevity, let it be agreed to mean by "household," the average household; by "husband," "tenant," or "farmer," the income earner(s) of the household; and by "housewife" the person(s) who in the household make(s) the decisions, chiefly about expenditures. This terminology is by no means meant to describe either a proper or an actual distribution of functions and authority among the household members.

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<sup>1</sup> Generoso R. Rivera and Robert T. McMillan, *An Economic and Social Survey of Rural Households in Central Luzon*, Cooperative Research Project of the Philippine Council For United States Aid and the United States of America Operations Mission to the Philippines (Manila, June 1954).

The representative Central Luzon tenant is a share-tenant. The size of his farm is 2.44 hectares.<sup>2</sup> He grows one crop of palay a year.<sup>3</sup> He has six persons to care for.<sup>4</sup>

#### INCOME

He draws his income<sup>5</sup> from two sources: his farm and what he calls his "side-line," i.e., carpentering, *calesa* driving, or the like.

In the operation of the farm, the tenant and the landlord are partners. The tenant contributes his labor, his carabao, and his tools. The landlord contributes his land. Both partners share in the expenses for hired labor, seed, fertilizer, irrigation, land tax, etc.<sup>6</sup> In return, the farm yields not only rice, but fruits, vegetables, fuel, bamboo, construction material, livestock, livestock products, fish, etc. Patiently Dr. Rivera and Dr. McMillan listed, evaluated and computed the total value of all these items. Since it is the net income which determines the level of living, farm expenses must be deducted from the value of the total yield of the farm to give the net farm income. Its value is ₱571. The tenant hands over to his landlord a quantity of palay worth ₱228; i.e., 40 percent of the total. He brings home to his housewife the rest of the yield worth ₱343. Of this income, only some items, mainly rice, can be marketed.

Surprising as it may be, the tenant draws a larger income from his side-line than from his farm. His side-line net income amounts to ₱386.

In 1952, therefore, the tenant-housewife had at her disposal only ₱729—partly in cash, partly in kind—to provide her household with food, clothing, housing, education, transportation, medical care, etc. Since her household counts six persons, each of them must on the average be satisfied with a yearly consumption equivalent to ₱121.50.

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<sup>2</sup> *Ibid.*, p. 88, table 32.

<sup>3</sup> *Ibid.*, p. 100.

<sup>4</sup> *Ibid.*, p. 53, table 9.

<sup>5</sup> *Ibid.*, p. 71, table 13; pp. 149-152; p. 88, table 32; and p. 130.

<sup>6</sup> *Ibid.*, p. 88, table 32.

But every household is not as well off as the average household. As the size of the household increases, the per capita income decreases; and households with eight or more persons—which households accounted for about one-fourth of the total—had insufficient income per capita for more than bare existence.

Incidentally, if the annual crop would be divided in accordance with the provisions of R.A. 1199, the average tenant's household aggregate net income would rise from ₱729 to ₱760, or even to ₱827 if the tenant chooses to assume the whole burden of transplanting.

Besides its size and its composition, another important characteristic of the tenant's household income is its irregular distribution over time. Income does not flow evenly into the housewife's purse. The bulk of farm income—let this be called "harvest income"—flows in at harvest time. In the barrios studied there was only one harvest income annually. The absence of adequate irrigation and the seasonal distribution of rainfall render a second harvest impossible. (Incidentally, the seasonal distribution of rainfall is a consequence of past deforestations.)

#### EXPENDITURES

In 1952, the household's living expenditures amounted to ₱780. The housewife, therefore, spends ₱51 more than her husband earns.<sup>7</sup>

Besides, she spends irregularly. This irregularity is the most important feature of her spending habits. It must first be established, then measured, and finally analyzed.

It is from what Dr. Rivera and Dr. McMillan write about the housewife's borrowing habits that one can infer her irregular spending.

Here are the facts.<sup>8</sup> Out of 100 housewives, 92 borrowed in 1952 cash and/or rice to a value greater, on the average,

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<sup>7</sup> *Ibid.*, p. 126, table 51.

<sup>8</sup> *Ibid.*, pp. 100-102 and p. 168, table 34 B.

than ₱238. Their primary purpose was to meet family expenses. They started to borrow in May. The loans were repaid at the next harvest time.

May is the month during which the housewife finds her harvest income exhausted and her current income insufficient to feed her household. It is also the month during which a new rainy season and a new agricultural year begin. The husband momentarily quits his side-line to plow his field and incurs new business expenses which the housewife has to finance.

Thus income flows irregularly out of the housewife's purse. In the household economy, there are annually two spending seasons. The first starts in December with the inflow of harvest income and ends with its exhaustion; the second period starts with the exhaustion and lasts until the next harvest income flows in. The first season is a period of greater spending and a higher level of living; the second season is a period of less spending and a lower level of living. The last months of the second period are often called "the hard months," during which credit is "tight." During the first period the household lives on past harvest income and current income, while during the second period it lives on current income and future harvest income.

The housewife's failure to distribute evenly her harvest income over the whole year can be measured either by the total amount of her borrowings or by the length of the second spending season.

For what reasons and by what process the housewife fails to regulate her expenditures, remains to be explained.

The adjustment of expenditures to income can be broken down into two operations. The first is intellectual, to budget; the second is voluntary, to enforce the budget.

Budgeting consists essentially in allocating income for the satisfaction of wants. It implies a forecast of income inflow, a detailed knowledge of the household wants, and a judicious mental listing of wants in the order of their urgency. Judicious budgeting does not consist in allocating income for the satis-

faction of all listed wants but in starting at the top of the list with the most urgent and going downward as far as possible without ever sacrificing more urgent wants to less urgent ones. While satisfaction cannot be complete, it should be the maximum possible.

Budgeting difficulties are proportionate chiefly to the length of the budgeting period. The tenant-housewife's budgeting period extends from the inflow of one harvest income until the inflow of the next; it covers a whole year. Unlike the wage earner's housewife, the tenant-housewife needs to be a farsighted economic planner. Moreover, her income forecasts present a lot of additional difficulties: farm income is affected by the weather, by plant and animal diseases, and the like. Year to year differences are important; non-farm income is unsteady; the market for side-line goods and services is also affected by natural factors, since agriculture is the basis of the provincial economic pyramid. On the other side, some expenses such as health expenses, in case of sickness or accident, and ceremonial expenses in case of death are naturally very irregular. Here the absence of a second crop can be pointed out as a cause of the housewife's budgeting headaches.

Once made, the budget has still to be enforced on the household. This is a matter of authority. Her only difficulty is a difficulty to refuse satisfaction to wants listed as less urgent. Concretely, it means, for instance, to refuse high school education to a child who is bright and longs for it; to refuse a new dress to a teen-age daughter who needs it; to impose on the household days, or even weeks, of abstinence from all but rice and salt; to receive a guest poorly or to bury a dead member with minimum ceremonies—and one knows what this means to a Filipino housewife. The housewife is too merciful to say heartbreaking no's as long as she has in her purse the means to say yes.

Let us turn to the consumers and analyze their insistence on overspending. In any group one finds a standard of living, i.e., a socially accepted classification of wants either as proper and necessary, or as extravagant and luxurious. It is

to satisfy the wants defined as proper and necessary that people work and spend. They implicitly refer to those wants when they declare themselves satisfied or not. The counterpart of the standard of living is the level of living, i.e., the wants that find actual satisfaction. Satisfaction in any group may be defined as the coincidence of its level of living with its standard of living.

Its dissatisfaction is measured by the distance between its level of living and its standard. In a village economy the standard of living is expressed in local terms; in other words, people classify as proper and necessary those wants which they can afford to satisfy, given their local resources both natural and human. Except in the case of war, crop failure, or the like, the level and the standard of living coincide. A general satisfaction is the normal situation. But, for years already, this has no longer been the case in Central Luzon barrios. Foreign terms have been introduced into the definition of the standard of living. The example of the upper-classes, the schools, the movies, the magazines, the G.I.'s, etc. awakened in the villages new wants, and thus modified the standards of living without adjusting local output. This caused dissatisfaction leading to chronic and generalized overspending. In the meantime, the pressure of an increasing population upon available resources delayed the necessary adjustments.

Overspending is but a desperate and irrational effort to meet the new standard of living. As it results in indebtedness, it introduces into the household a new cause of dissatisfaction. Anybody who has mixed with the Central Luzon farmers knows how unhappy they feel as long as they are indebted. The housewife consents to overspend until her growing dissatisfaction with indebtedness equals her dissatisfaction with privation. She does not look for the greater good, but for the lesser evil.

#### CREDIT

Farm credit, even with its usurious rate of interest, is an institution which in some way fulfills some functions. To be really explicative, an analysis of the institution must discover

its functions or purposes together with the process by which these purposes are fulfilled. The function fulfilled defines the institution. At present the word "credit" labels institutions which are entirely different. In an industrialized country, the primary function of credit is to give to entrepreneurs command over resources in order to build up new enterprises. The interest paid is a share in the anticipated profits. Today, in the Philippines, farm credit is an entirely different institution.

Here are the facts.<sup>9</sup> Usually sometime in May the housewife finds her rice basket and her purse empty. Her harvest income is exhausted. Her current income is insufficient to keep her household at a tolerable level of living. She starts borrowing: "anticipated production, rather than existing capital, forms the basis for most loans."<sup>10</sup> The average housewife borrows ₱238. Of this amount she gives ₱50 or 21 per cent to her husband for his farm expenses. But this is a restitution rather than an investment, since living expenditures annually cut into the working capital.

The housewife borrows from three sources.

She borrows first from her landlord. He has a stake in the survival and productivity of his partner especially since recent legislation (R.A. 1199) has restricted the landowner's right to eject his tenants. There is no wonder, therefore, that the average landowner advances one-third of the credit, that he charges lower rates of interest than the merchant-money-lenders, and that "a few of them [landowners] charged only for loans in excess of the five or 10 cavans of palay advanced at planting time."<sup>11</sup> The landlord's loans are not only cheaper but irreplaceable. This explains the strong bargaining position of the landlord-moneylender:

Several observers have pointed out that when the Rice Share Tenancy Law was enacted, many landlords instituted new agreements with tenants. After the first year, when tenants attempted to negotiate loans from the landlords credit was withheld. Tenants pleaded

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<sup>9</sup> *Ibid.*, pp. 100-105 and p. 168, tables 33 B, 34 B.

<sup>10</sup> *Ibid.*, p. 105.

<sup>11</sup> *Ibid.*, p. 104.

for a return to the customary 50-50 sharing arrangements and the landlords consented.<sup>12</sup>

The merchant-moneylenders advance two-thirds of the total credit.

Credit transactions between relatives and neighbors are unimportant; and as they often happen within the same tenure group, they rarely affect the relationship of the two levels of tenure and of living.

Data concerning the price of farm credit are difficult to collect. On the basis of the findings of the second Rivera-McMillan survey, it may, however, be stated that the average tenant pays at least ₱62 a year as interest charges. This figure corresponds to a rate of interest of 28.2 percent; this rate, however, is by no means annual since the farmer enjoys the loan for seven months or less.

At harvest time, farmers use half of their share of palay to repay indebtedness that the courts and, probably, their consciences do not recognize. They repay first recent debts, while old debts are left unsettled. This is why a farmer's indebtedness increases with time, at a rate inversely proportional to his income and productivity.<sup>13</sup>

From the facts, the purpose and the process of farm credit appear very clearly. The housewife borrows to save her household from the predicament in which her unwise expenses have placed it. She borrows to supplement her current income during the last seven months of the agricultural year and to keep her household at a tolerable level of living. The function of farm credit is, therefore, definitely corrective. In the last analysis, the process is an anticipated sale of half of the next palay income for immediate cash or rice. This deal is disadvantageous to the tenant-housewife since usury pulls down the price to the lowest level. But the housewife has no alternative. She is compelled by necessity to accept oppressive

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<sup>12</sup> *Ibid.*, p. 104 et seq.-

<sup>13</sup> *Ibid.*, p. 169, table 37 B.

conditions. One might think that at harvest time she might refuse to repay more than what she thinks is due in justice and that her creditors would not dare to sue her, since their practices are unlawful. One might expect also the housewife herself to collaborate with the courts in the enforcement of the usury laws in her own behalf. But the fact is that she does not; on the contrary she carefully covers the usurer and is reluctant to give information even to surveyors. In repaying and in keeping silent, her purpose is to keep open the door of the usurer and to obtain new loans in the near future. The housewife knows that the usurer is a parasite. Usury hurts. She feels the pain. To avoid it, she tends to curtail her expenses. Usury, therefore, checks the aggravation of the household's organic disease, the unwise spending which begets the usurer's parasitism. The legislator and the courts offer to remove the parasite. The patient refuses because the parasite supplies credit, the remedy without which unwise spending would be fatal.

#### RICE MARKETING

While farm credit means those rice transactions in which the tenant-housewife delays the delivery of rice, the meaning of rice marketing is limited to those rice transactions in which the delivery of rice is not delayed.

At the rice market, tenant-housewives both sell and buy. Of all the housewives surveyed, only 28 percent sold palay during the crop year 1951-1952. Sales were generally in small quantities<sup>14</sup> and involved less than 6 percent<sup>15</sup> of all the palay harvested, which would mean an average of 4.4 cavans per household. Housewives, however, sold from their necessary provisions rather than their surplus. The proof of it is that out of 26 cavans of palay that the household consumed, 16 had to be purchased through borrowing or earnings from the farm or through extra-farm employment.<sup>16</sup>

<sup>14</sup> *Ibid.*, p. 69.

<sup>15</sup> *Ibid.*, p. 68, table 12.

<sup>16</sup> *Ibid.*, p. 129, table 53.

At the rice market, the tenant-housewives are always at the eager and therefore weak and losing side. At harvest time they stand at the selling side, eager for cash. Their eagerness brings the price as low as ₱8 a cavan. Later on, when their rice provisions dwindle, the housewives come back to the rice market but at the buying side this time, eager for food. Their eagerness keeps raising the price up to as high as ₱14 a cavan.

Unlike usury, such great price fluctuations do not serve any purpose but to enrich rice-dealers at the expense of the rice producers and rice consumers. This time, stepping in as a rice-dealer, the government can solve the problem without creating new ones.

#### A PICTURE OF THE HOUSEHOLD ECONOMY

The main operations by which the household makes its livelihood have been analyzed. Time has come to piece them together into a complete picture of the household economy.

The resources upon which the housewife draws to provide for her household are her farm and her husband's skill and labor.

On the farm, she acts as an entrepreneur; she produces or combines resources which are only partly hers; her partner, the landlord, takes his share of the product and leaves her hers. Of her share, she reserves a part for home consumption. She markets the rest together with her husband's extra-farm output of goods and services.

Her transactions take place at five different markets.

The first market is the rice market which she visits twice a year: at harvest time, to sell at a low price (perhaps ₱8 a cavan) and beginning in May, after the exhaustion of her rice provisions to buy at a high price (probably between ₱12 and ₱14 a cavan).

The second and the third markets are credit markets where, during the seven months which precede the harvest, she sells the greater part of her expected crop at a very low price. There also at harvest time she delivers the rice sold

within the past seven months. The second market is the market for landlord credit where the price is somewhat more favorable for the housewife than at the third market, the market for merchant-moneylender credit.

At the fourth market, the housewife meets the whole community the whole year through and sells her husband's output of goods and services. Here, the total proceeds amount to ₱386.

At the fifth market, she spends her cash to avail herself of that type and quantity of consumer goods and services which she does not produce but which her household wants to consume.

"Graphic channels" connect the household with the farm and the five markets. Along with these channels flow cash, rice and other goods and services.

The flow of income from the fourth market or side-line is almost continuous the whole year through, but weak or even suspended at plowing, planting, harvesting and threshing times and in general whenever the tenant has to go to the fields. The flow of farm products other than rice will be assumed continuous and regular. The flow of other commodities is not continuous and seasonal.

There are two seasons.

The first season starts with the inflow of the harvest income and lasts five months, from December to May. During this period the housewife makes an income assumed equivalent to ₱200 by selling to the community her husband's extra-farm goods and services; from the farm, she receives rice and other farm products. The number of cavans of palay harvested is 76.7. Out of these 7.3 are due to the harvesters and threshers; the tenant loads 30.7 cavans on his landlord's jeepney and finally, the rest, 38.7 cavans, on his own ox-cart. As he comes home, his housewife takes 10 cavans as her rice provision and 4.4 cavans which she intends to sell at the current price, ₱8 a cavan. The return of the sale will amount to ₱35. She allows her husband to put 1.4 cavans aside for seed and asks him to bring the rest, i.e., 22.9 cavans, to the

creditors; the creditors will not yet be satisfied and in the course of this season cash earned on the side-line will have to be added, not to liquidate the whole debt but only the greater part of it.

Since her yearly expenses exceed by ₱51 her yearly income, either her permanent indebtedness increases by the same amount, or the inventory of the household depreciates by the same amount, or her permanent indebtedness increases by one part of that amount and the inventory depreciates by the remaining part.

Of these hypotheses, the third is the most likely. To see the result quantitatively, let it be assumed that during the first season permanent indebtedness increases by ₱21 and the inventory depreciates by ₱12 while during the second season the inventory alone depreciates by ₱18.

With these assumptions, it is possible to calculate what amount of cash the housewife hands over to her creditors in addition to rice. This amount is somewhere between ₱50 and ₱96.

As a result of her transactions the tenant-housewife has at her disposal for this first season:

palay	:	10 cavans
other farm products	:	valued at ₱30
cash	:	between ₱139 and ₱185

Since the household's annual rice consumption amounts to 26 cavans of palay and since rice consumption is higher during the first season, it may be presumed that before May, the housewife will have already purchased 2 cavans of palay to feed her household.

The second season starts in May with the exhaustion of the harvest income and ends in December with the harvest. It lasts seven months and covers that part of the agricultural year during which the farmer's efforts are claimed by his fields. Since it rains more often, since he has less time to work on his side-line and since the community as a whole has less

purchasing power, the household's extra-farm income will amount to ₱186 only. The rice basket is empty, the equivalent of 14 cavans of palay has to be purchased, and the price of palay is close to either ₱12 or ₱14 a cavan. The farm yields products other than rice worth ₱40. Besides the greater part of the household's labor, ₱38 have to be spent on fertilizer, irrigation, planting and tool maintenance; the tenant's seed reserve (1.4 cavans) is sown together with the landlord's.

On the assumption that the housewife borrows cash only and then spends it on rice at the rice market, she makes the following transactions: she borrows ₱158 from merchant-moneylenders, and ₱80 from her landlord; she gives ₱38 to her husband for business expenditures; and she spends between ₱168 and ₱196 for 14 cavans of palay.

On any other assumption, she would hardly purchase her palay at a more favorable price.

As a result of her transactions, the tenant-housewife has at her disposal for this second season:

palay	:	14 cavans
other farm products	:	valued at ₱40
cash	:	between ₱190 and ₱218

During the first season the level of living of the household is higher than during the second season as evidenced by the following table which compares monthly consumption:

Monthly Consumption of a Tenant's Household

Items	First economic season	Second economic season
palay	2 cavans	2 cavans
other farm products	valued at ₱6	valued at ₱6
purchased goods and services	between ₱28 and ₱37	between ₱27 and ₱31
household inventory	valued at ₱2.5	valued at ₱2.5

#### HYPOTHETICAL GIFTS OF LAND

Furnished with a mental picture of the household economy, the reader may answer for himself the question: what would

happen if the tenant-housewife were suddenly given the ownership of her farm?

It is true that if such a gift were generalized, important alterations should eventually be expected in the demand, the supply, and the prices of both credit and rice. Such changes would no doubt affect the farmer's level of living. However, it is not possible to analyze here and now such developments. It will be assumed, therefore, that the gift is not extended to so many tenants as to produce such effects.

Three cases will be considered. In the first case, land is just given; in the second case, land is given and a law is enacted which restricts the acquisition of farmland to farm operators; in the third case, land is given, and a "landowning cooperative" is erected. The constitution of the landowning cooperative will be explained later on.

In the first case, the tenant becomes overnight owner-operator without spending a single centavo. Harvest time comes and he is proud to present his housewife with the 30.7 cavans of palay which, until last year, he had to load on his landlord's jeepney. His housewife must decide what to do with this new income. Which decisions will she take?

It is safe to assume that he will decide much in the same way as actual owner-operators' housewives do. The Rivera-McMillan survey encompassed this category of housewives too.

Here are the relevant facts that the report gives. An owner-operator puts 2.8 cavans of palay aside for seed instead of 1.4 cavans as the tenant does.<sup>17</sup> The owner has also to put aside 4.7 cavans to pay planters at planting time.<sup>18</sup> The owner-housewife keeps 14 cavans of palay for home consumption while the tenant-housewife keeps 10 cavans only.<sup>19</sup> The owner-housewife has, therefore, 20.6 cavans left to sell for cash, while the tenant-housewife has only 4.4 cavans for the same purpose.

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<sup>17</sup> *Ibid.*, p. 88, table 32.

<sup>18</sup> *Loc. cit.*

<sup>19</sup> *Ibid.*, p. 129, table 53.

Owner-housewives borrow little less than tenant-housewives;<sup>20</sup> and in owners' households, expenditures exceed income by ₱122, while in tenants' households it was by ₱51 only.<sup>21</sup> While the tenant has to spend only ₱38 on hired labor, fertilizer, irrigation, tools, etc., the owner has to spend ₱56 on the same items<sup>22</sup>

In the light of these facts, it appears that after the gift, the economic year of the household will still be divided into two seasons.

To quantify the flow of money and goods, it is assumed that expenditures exceed income by ₱122, because during the first season permanent indebtedness increases by ₱32 and the household's inventory depreciates by ₱45, while during the second season indebtedness does not increase but the household's inventory still depreciates by ₱45.

These assumptions are partially arbitrary. But it is true that owners are less inclined to repay their debts.<sup>23</sup> They rather mortgage their lands, abandon it little by little to their creditors, and become tenants.<sup>24</sup>

On the basis of these assumptions, it is possible to state that the housewife has to add between ₱39 and ₱85 to the rice she delivers to her creditors.

The first economic season still starts in December with the inflow of harvest income, lasts six months and ends in June with the exhaustion of the 14 cavans of palay reserved for home consumption.

As a result of her transactions, the owner-housewife has at her disposal for this period:

palay	:	14 cavans
other farm products	:	valued at ₱35
cash	:	between ₱280 and ₱326

<sup>20</sup> *Ibid.*, p. 101.

<sup>21</sup> *Ibid.*, p. 126, table 51 and p. 71, table 13.

<sup>22</sup> *Ibid.*, p. 88, table 32.

<sup>23</sup> *Ibid.*, p. 169, table 37 B.

<sup>24</sup> *Ibid.*, p. 154, table 3 B.

The second economic season starts in June and ends in December with the inflow of the next harvest income.

As a result of her transactions, the owner-housewife has at her disposal for this second season:

palay	:	12 cavans
other farm products	:	valued at ₱35
cash	:	between ₱200 and ₱224

During the first season, the household's level of living is higher than during the second season as it is shown by the following table which compares monthly consumptions:

Monthly Consumption

Items	First economic season	Second economic season
palay	2.3 cavans	2 cavans
other farm products	valued at ₱6	valued at ₱6
purchased goods and services	between ₱47 and ₱54	between ₱38 and ₱37
household inventory	valued at ₱7	valued at ₱7

The owner's household lives at a higher level than the tenant's. But this level is by no means permanent. When a tenant-housewife applies for a loan, she offers as security her anticipated production; but if an owner-housewife wants to wrest loans from merchant-moneylenders, sooner or later she will have to mortgage her land. Later on, if a tenant-housewife fails to pay her debt, she has enriched herself; but if the owner-housewife fails to pay *her* debt, she loses a bit of her land and enriches her creditor.

A priori it is evident that an owner-housewife who annually spends ₱122 more than her income, has to mortgage her land, cannot redeem it, and finally has to abandon it bit by bit to her creditors. Necessarily she slowly becomes again a tenant-housewife.

This process is not only a rigorous deduction; it is a historical fact. In the Central Plains in 1903 out of 100 farm operators, 38 were tenants. Between 1903 and 1918 many farmers settled on public lands. As a result in 1918 out of 100 farmers only 20 were tenants; but after one generation (in 1948) there were 60 tenants already. Pampanga is a still more striking illustration: in 1918 the proportion of tenants was less than 19 percent, while in 1948 it had gone up to as high as 88 percent.<sup>25</sup> Moreover, both on extremely small farms and extremely large ones there are relatively more owners than tenants.<sup>26</sup> This suggests: first, that landlords are reluctant to divide their estates into too small units, for it would be administratively inexpedient; second, that large owner-operators are able to keep their land, for their earnings match their housewives' spending propensities; third, that when the farm has once been broken into smaller units (to accommodate new households, for instance), the land starts to flow away little by little; finally, that when the size of the farm has been reduced to about one hectare, the farmer offers a stronger resistance to the flow of land and is more reluctant to mortgage his property.

It would not be safe to state that the acceleration of the flow of land during the last thirty years was entirely due to economic causes. But it seems beyond question that economic factors played a dominant role. Population has been growing much faster; farms had to be subdivided to accommodate new households; the standard of living kept rising; year after year, owner-housewives overspent their income; land had to be mortgaged and could rarely be redeemed.

It is time to draw a first conclusion. If in the present socio-economic set-up the tenants of Central Luzon were given the ownership of the land they till, their level of living would rise but not permanently; their housewives would spend away the land and their children would be tenants again back at the lower level of living. The relationship of the two levels of tenure and living is not a simple one. The two levels are in-

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<sup>25</sup> *Loc. cit.*

<sup>26</sup> *Ibid.*, p. 157, table 8 B.

terdependent and interacting. To a higher level of tenure corresponds a higher level of living, but a too high level of living achieved by overspending depresses the level of tenure. An improvement of a farmer's tenure may not be expected to be permanent unless his housewife be first discouraged from spending away the land in an effort to reach a too high standard of living.

This may be attempted by passing a law restricting the acquisition of a piece of farmland to its operator. Such a law would be easy to enforce. It would suffice never to issue new title to a piece of farmland to anybody but to its operator. No old title would have to be cancelled.

In this second case, merchant-moneylenders would no longer turn landlords as their debtors fail to redeem their land. Probably, however, they would be much more reluctant to advance credit; and, unless housewives would adjust their spending habits in time, the level of living of the owners' households might be dangerously low during the second economic season. This could be avoided by substituting a new source of farm credit for the old usurious ones.

This is the purpose of the "landowning cooperative." To detail its constitution and its operation would overextend this already too long article. Only its essential features will be outlined therefore. The members of the landowning cooperative are all farm operators. A law restricts the acquisition of a piece of farmland to its operator and the landowning cooperative to which the operator belongs. The cooperative borrows either from the State or from a bank its starting capital. Its essential function is to buy and to sell rice from and to its members at prices calculated to avoid losses and to minimize profits. At harvest time, the cooperative buys rice at the highest safe price; later on, it resells rice to its members first at the lowest safe price and it buys future rice at the highest safe price. As cooperative credit is easily available, this presents a danger. Member-housewives might be tempted to sell all their next year's palay and exhaust the proceeds of their sale even before harvest time. This can easily be prevented

by limiting advances to a certain monthly maximum. A housewife might still contact a usurer for supplementary credit, but then the usurer who advances credit would take a great risk, for the housewife needs this credit much less than before. She can afford not to repay her debt, she can even denounce the usurer to the courts. Another danger would be that housewives would fail to deliver the rice they sold to the cooperative before harvest. This also could easily be prevented if the cooperative sends its agents to collect the rice as soon as it is harvested. If an owner-member tried to prevent the collection, his land could still be taken to repay the cooperative.

Such a landowning cooperative would offer the farmers the services formerly supplied by the landlords and the merchant-moneylenders. The difference would be in the price. The cooperative price would be the lowest possible, while the former price was the highest possible.

It is time to draw the last conclusion. If the socio-economic setup is first modified by the organization of landowning cooperatives, then farm ownership would raise permanently the level of living of the farmers' households. The reason is that the households' expenditures would be adjusted to their incomes. This adjustment is basic to any permanent solution of the agrarian problem, and for this adjustment there is no substitute.