

ASIAN VILLAGE ECONOMY AT THE CROSSROADS: REJOINDER

HIROMITSU UMEHARA

I N response to the reply from Drs. Yūjirō Hayami and Masao Kikuchi to my book review, I would like to state once again the doubts that I still have about the arguments they present in their book, *Asian Village Economy at the Crossroads: An Economic Approach to Institutional Change*. In order to facilitate the discussion, let me summarize the main points I am going to rejoin hereunder: (1) the validity of the assertion that modern varieties (MV) technology is neutral with regard to scale, (2) the rationality of the choices made by farmers, (3) the meaning of *averages* in the analysis of agricultural economics, (4) the concept of and factors for subtenancy, and (5) change and its implications for the threshing method in Central Luzon. Needless to say, the first three points concern the evaluation of MV technology, and the last two peasant stratification.

Regarding the first point, the authors think that the scale neutrality of MV technology has been adequately demonstrated by empirical evidence presented in Chapters 3, 5, 6, 8, and 9. Has it really been supported, though? It seems to me unnecessary to show counterevidence because the data presented by the authors themselves indicate that MV technology is not neutral with regard to farm size. As I pointed out in my review, one can assume right away that large farms do not necessarily have an advantage in terms of yield in view of the fact that the intensive labor input in preharvest rice cultivation activities contributes much to an increased yield. The real advantage of large farms over small farms lies elsewhere. Chapter 6, which considers the differences between large and small farms from an operational viewpoint on the basis of field survey data, concludes that large farms enjoy an advantage only in bargaining power when it comes to hiring labor and purchasing input materials. Furthermore, as shown in Chapter 3 in which an international comparison of large and small farms is made, tractor ownership by large farms is much greater than ownership by small farms (Figure 3-3), although there is hardly any difference between them in terms of yield and the adoption of modern varieties. Also it is mainly large farm operators who feel that their lives have improved after the introduction of modern varieties (Table 3-11). Such data clearly show that, even if they do not necessarily enjoy an advantage in terms of yield, large farms do in fact have an operational advantage over small farms because of their bargaining power and their ability to absorb risks. In other words, large farms have profited more from MV technology than small farms.

The second point concerns the rationality of peasant choice. The authors appear to find it hard to understand why peasant cultivators do not go back to

traditional varieties instead of continuing to plant modern varieties if the latter are not profitable. Without being persuaded by T. W. Schultz, I agree that peasants are rational resource allocators. However, the capitalistic rationality that the authors have in their mind is not the sole standard of rational choice for peasants. Small farmers can very well make rational decisions that we would consider to be irrational. Exploration and identification of rationality in the apparent irrational choices of peasants is the very task of peasant economics, isn't it?

The main reason why many small farmers in Central Luzon were able to adopt MV is the government package program of financial assistance and the adoption of MV technology. Farmer-recipients of government loans were obliged to plant MVs using recommended technology, resulting in a surprisingly rapid rate of MV diffusion. However, in spite of the unprecedentedly high yields achieved on some farms, many farmers suffered damage from storms, floods, pests, and diseases (in particular *tungro*) year after year and became delinquent in repaying their loans. They had to take out new loans in order to repay the old debts and thus continued to plant MVs. In this way, the cultivation of traditional varieties declined sharply. Besides, by the mid-1970s, even *tungro*-resistant traditional varieties had begun to suffer from this disease.

What choices do farmers have under such conditions? Traditional varieties have practically disappeared from the local scene, and there is no longer any advantage in shifting back to them. It is practically impossible not only for tenants but even for small independent farmers to convert from rice to other crops. Moreover, in rural communities, it is even more difficult to find any sources of stable income other than rice cultivation. Is it any wonder, then, that farmers continue MV cultivation even knowing that they will not benefit much from it? Under the given conditions, this, too, may be considered a rational choice.

The authors recognize the fact that the increased risk involved in MV adoption can lead to financial crisis in the form of credit defaults and land rent arrears. Their reply, however, made it very clear where they stand in regard to this matter: "the observation of such financial crisis for particular persons and in particular years is by no means the evidence rejecting the hypothesis that both large and small farmers, on the *average*, benefited from new technology" (p. 74). In other words, the authors think that such financial crises only involve particular farmers in particular years as exceptional phenomena. This point of view is maintained throughout the book. In the analysis of factor shares in rice cultivation, for instance, they have omitted cases of crop failure and extremely low yields due to natural calamities (p. 114, footnote 6).

Farmers' operations are hardly experiments. The whole set of facts, including crop failures, bumper harvests, and good and bad years, comprise a single reality. What significance can an analysis of actual conditions, as opposed to that of theoretical level, have if it excludes extremely low yields and treats the years in which crop failures occur as exceptions? Can a situation in which rent arrears are widespread and 60-70 per cent of farm loans are not being repaid on schedule be considered exceptional? Furthermore, the authors say in their

reply: "there is no doubt that the lot of farmers, on the *average*, has improved considerably over the past two decades" (p. 75). What do they mean by "on the average"? An average is something that in reality is seen only very exceptionally or not at all. It seems to me that, particularly in the case of the Philippines, where there is an extremely uneven distribution of production assets, an "average" that ignores the different strata involved amounts to little more than fiction.

Regarding the fourth point, subtenancy, we have to be very careful in our analysis because many different relationships or reasons are normally involved. As I pointed out in my review, there are, among the subtenancy relationships argued by authors, the subletting of land established through the pawning of tenancy rights and between parent and child. They are entirely different from ordinary subtenancy in terms of both its nature and the factors involved. Even in an ordinary subtenancy, motivation and conditions usually vary from one case to the other. In spite of this fact, the authors subsume all of these different situations under the concept of subtenancy, unnecessarily stress the sharp increase in this phenomenon, conclude that it is a result of the difference between the economic rent and the actual rent, i.e., the economic surplus, and even go so far as to cite the social implications for the village community. This is clearly a case of drawing rash conclusions, and the more determined the authors are to stick to them, the greater the distance they put between themselves and reality.

Finally, there is the question of the rice-harvesting labor system, particularly the authors' discovery of a transition from mechanized threshing to hand threshing and the significance thereof. First, regarding the facts, the authors' reply has not dispelled my doubts, for I still do not see how and why they have determined the main threshing method for each municipality. If hand threshing were more common in interviews with farmers during the loop survey period, the authors should simply state this to be so. However, they dare to evaluate the harvesting pattern in each municipality in Central Luzon based on the insufficient data acquired. Using field data in such a way as to ignore its limitations can hardly be considered scientific.

Needless to say, I do not have extensive field data on threshing methods. Still, from my limited observations of the situation in Central Luzon, it does not seem to me that there has been such a great decline in mechanized threshing, albeit hand threshing has increased. It seems to me that the reason why the authors were so struck by the increase in hand threshing as to conclude, wrongly, that a shift from mechanized threshing has taken place is that they do not have a full awareness of the emergence since the 1960s of the farm work contracting system for plowing and threshing by landlords and merchants in this area. If the authors' contention is correct, the thousands and even tens of thousands of *tilyadora* in Central Luzon should all have been scrapped by now, and that is simply not the case, for the direct control of threshing by *hacienda* landlords was gradually giving way to dependence on such threshing contractors up to the 1970s.

While it is true that in the course of agrarian reform the landlords gave up their control over threshing, this does not necessarily mean a shift or a transition

from mechanized threshing to hand threshing. The one thing confirmed in this regard was the farmers' recovery of their freedom to choose a threshing method. In many cases, however, their option for hand threshing has been for technical reasons, including the difficulty of introducing large machines into irrigated paddies, inadequate road systems between fields and major roads, and the coincidence of the harvest with the rainy season after recent changes in cropping patterns.

The authors insist that I have to explain the meaning of the fact that farmers have chosen the *hunusan* system to replace the traditional system of harvesting by wage labor since I am said to deny the relationship that they say exists between the selection of the *hunusan* system and the village principle. It is my view, as explained in my review, that the introduction of hand threshing is no more than a temporary phenomenon that has occurred in a limited area. I therefore do not think it necessary to consider any supposed relationship between the two.