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Michael S. Billig

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# The Rationality of Growing Sugar in Negros

Michael S. Billig



Aside from a large gap between rich and poor, Negros Occidental province is sharply polarized along ideological lines. Epithets such as "Communist" and "Fascist" are used freely to describe ideologically opposed people and organizations. And more than words are at stake in these ideological battles. With the active presence of the NPA, CAFGUs, and various types of *fanaticos*, Negrenses still experience a disproportionate share of extortions, kidnappings, ambushes, "sparrow" attacks, and other kinds of lawlessness, usually under a banner of high-minded ideology.

In the course of my research on the political economy of Negros Occidental, I stumbled upon a few surprising areas in which people on the far left, far right and center agree. In a conversation I had with a well-known leader of a left-of-center labor union, I asked why poor farmers, including those who receive land under the painfully slow-moving agrarian reform program, decide to grow sugar rather than subsistence crops. The union leader admitted that this was true and that he deeply regretted the fact. One of the goals of his union was to teach these poor farmers the positive advantages for themselves, their families, and their fellow farmers of growing food crops. Sugar is the crop that has made them oppressed, exploited, and malnourished;<sup>1</sup> but, having been raised as marginal or landless farm laborers in a monocrop economy, sugar is all they know. So rather than learn how to grow different crops they continue to plant sugar.

I wish to thank District 739 of Rotary International whose Group Study Exchange first enabled me to go to the Philippines. Franklin and Marshall College provided generous Faculty Research and Summer Travel Grants which enabled me to conduct research in Negros from June through August 1990 and again in 1991. Most of all, the many Negrenses who made my research easier than it had any right to be. Everything they say about Negrense hospitality and generosity proved to be absolutely true. While it would be impossible to name all the wonderful friends who helped me in the Philippines, it would be truly amiss if I failed to give special thanks to Phil Abello and Boybo Villanueva.

A government official, a relative centrist in the Negros ideological spectrum, spoke in a different idiom but told me much the same thing. The provincial government would like poor farmers to grow "high value" and food crops for their own good, but they seem only to want to plant sugar. Negros has ideal soil and climate conditions to grow diverse crops, if only farmers could be convinced of the utility and profitability of diversifying. Small farmers must be helped to take the lead in moving away from sugar.

A sugar planter, unquestionably a man of the right, spoke in harsher tones. Just look at what these small farmers do (paraphrasing). When they get land they just end up selling it back to those who really know how to farm it. These poor people are so bound by tradition and ignorance that they try to grow sugar but simply cannot make a go of it. Because of the "economy of scale" effect there is no way they can compete with the larger growers, so why do they even try? Agrarian reform means taking land from proven and accomplished farmers and giving it to people who know nothing about agriculture except for the mere mechanical actions of growing sugar.

What links these three perspectives? Why are they fundamentally the same? The answer is that each in its own way argues that the decision of small farmers to grow sugar is basically irrational, resulting either from a misperception of future profitability, the insurmountable stranglehold of static tradition, ignorance about modern agriculture, or just bad business sense. If the farmers were better informed, more worldly, or more intelligent, they would realize that it is a better strategy to grow food crops or high value crops or no crops at all on small plots of land than it is to grow sugar on such plots. Given that one's family cannot subsist on sugar, that sugar is not a high value crop, and that sugar requires a large amount of land and capital, choosing to grow this crop on small holdings cannot be regarded as rational under any meaningful conception of rationality.

But there are those who view such decisions differently. Small farmers themselves, for example, realize the irony of their opting to grow sugar, but state that they do so because it is simply the easiest and most profitable crop to grow given current conditions on Negros. In other words, they stress the rationality of the decision. Some millers, traders and even large planters praise the efficiency and productivity of small sugar farmers and acknowledge that such

farmers generally make wise decisions about what to grow and how to grow it.

The argument offered in this article stresses neither pure rationality, as in more extreme manifestations of the rational choice perspective, nor pure structural determinism, as in some versions of Marxism. Humans are neither perfect utility maximizers in abstractly free markets nor are they *träger*, embodiments of systemic structural forces. Rather, I will argue that while small farmers do make rational choices about what to produce, they make these choices within contexts that are historically grounded and highly constraining. I will describe some of the pressures and constraints that these farmers face and briefly outline some of the salient facts of Negros's historical development in order to demonstrate the contingent context within which individual decision making takes place. I hope to make clear that the impersonal "forces" that impinge upon individual decision makers are themselves products of human agency through historical time, as individual members of other classes and interest groups within classes have competed with one another to advance their class and individual positions. This activity is itself constrained by institutional structures at many levels that also ultimately result from human action. The specific example of Negros is meant to illustrate the artificiality of the distinction between structure and human agency in explaining human behavior and decision making.<sup>2</sup>

### Historical Background to 1900

The institutional, property and class context that constitute the relations of production on Negros were forged by a history of colonialism that extends back only little more than a century. Since most readers of *Philippine Studies* are familiar with the basic outlines of this history, I will keep my discussion of it brief and focus only on the parts relevant to my argument about modern decision making.

Negros entered the world capitalist economy rather late, even for the Philippines. Although the island had a failed experiment with the *encomienda* system, some missionary activity, and a minor Spanish administrative presence, it remained peripheral relative to the more extensive colonial presence on Cebu and Panay up to the 1850s. It was a sparsely-populated, densely-forested island of Malay agricultural chieftainships in the lowlands and Negrito (or *Ati*) foragers

in the uplands.<sup>3</sup> Although migration from neighboring islands had already begun in the early nineteenth century, it was the powerful flow of migrants from Panay beginning at mid-century that led to the displacement and assimilation of the natives who were forced into the uplands, absorbed into the hacienda labor force, or murdered outright. The peasant farmers who initially opened up this "frontier" by claiming and clearing forested land were themselves displaced by wealthy fortune-seekers who established the haciendas that persist to modern times.

To understand the reason for this migration, it is necessary to look at developments across the Guimaras Strait, on the coast of Panay. In the mid-eighteenth century, Chinese mestizo merchants living in the urbanized area around the sheltered harbor of Iloilo were exporting locally-produced *sinamay* textiles made from cotton, silk, pineapple fiber and abaca (McCoy 1982, 302). Iloilo was a "dynamic . . . commercial entrepôt" that was, at its peak in 1857, second only to Manila in size and importance (McCoy 1982, 298).

By then, however, the seeds of destruction had already been sown for this prosperous native industry. In 1855 Iloilo was officially opened to foreign commerce, and the next year the British sent a vice-consul, Nicholas Loney, to the city. Loney was to be the single most potent force in bringing down the Iloilo textile industry and building up the Negros sugar industry. Aside from being vice-consul, he was the commercial agent for British firms and an indefatigable purveyor of British goods. He pursued a mission of substituting cheaper, machine-made British textiles for the locally made ones and encouraging the production of sugar as a profitable return cargo. The choice of sugar was not surprising. This was the period in which sugar ceased to be a luxury in the West (especially Britain) and became a necessity for people of all classes.<sup>4</sup> Since 1844, when the Spanish began to allow the production of rum, sugar had become the Philippines' leading export crop. Loney was to be remarkably successful in his mission. Iloilo's textile exports to Manila dwindled from 141,420 *piezas* in 1863, to 30,673 in 1864, to 12,700 in 1869, to 5,100 in 1873 (McCoy 1982, 307).

On the other hand, the quantity of sugar exported rose from 12,000 piculs in 1855 to 2,470,400 piculs in 1898.<sup>5</sup> From the 1870s onward sugar would comprise over 90 percent of Iloilo's exports and Negros would supplant Luzon as the major source. The price that producers received for sugar was high, credit provided by export firms and foreign banks was plentiful, and the milling machinery

needed was relatively simple and inexpensive. The fledgling sugar industry, unlike the older textile business, was thoroughly dependent upon foreign capital. Loney lent as much as P75,000 at a time at the low rate of 8 percent (compared to the 30–40 percent of the moneylenders) and he provided state-of-the-art milling equipment at cost, under the condition that the Loney & Ker Company be the sole purchaser of the produce.

McCoy estimates that the population of Negros rose from 18,805 in 1849 to 308,272 in 1903.<sup>6</sup> Most of the migrants were *indios* who came from the poor weaving villages of Panay. The *hacenderos*, or large plantation owners, were mainly Chinese mestizos from the towns of Jaro and Molo, though there were several Spaniards and other Europeans among them. Don Manuel Valdivieso, the newly appointed (1849) *alcalde mayor* on Negros, was only too glad to have these new immigrants and investors come to develop his underpopulated island, whose tribal residents were hardly a sufficient tax and tribute base for a newly created province (Sa-Onoy 1990).<sup>7</sup>

There were many obstacles to the acquisition and consolidation of land to form the Negros haciendas. Spanish policy prohibited settlers from appropriating native land and prevented Filipinos from gaining title to land outside of their native provinces. These laws were circumvented by bribing local officials and creating close financial relationships between the holders of capital and political power. One common method of acquiring the land of small farmers was the *pacto de retroventa* in which land was purchased with the option of being bought back by the original seller at some future date. During the interim period, the seller was allowed to remain on the land paying a fixed annual rent, but he could rarely earn enough to exercise the repurchase option (Lopez-Gonzaga 1991, 16). Another method was to lend money at prohibitive rates to the occupants of land and then claim the land in lieu of payment.<sup>8</sup> Some land was acquired by simple cash purchase and much was acquired through outright—often violent—appropriation. Over the course of half a century, Negros went from being an island with little formal land ownership and few legal land titles to one in which most of the prime land was held in fact and in law by a small, elite class of planters who had come from outside the island. By the 1890s most of Negros's coastal forests had been cleared and most prime land had been acquired by the Jaro-Molo merchants. As land holdings became more concentrated, an increasingly high proportion of them were devoted to sugar rather than subsistence crops. The era of the

hacienda had arrived on Negros and the peasants, many of whom had come to make their fortunes, were drawn into a system that would render them increasingly dependent.

Sugar is a highly labor intensive crop, but labor remained in short supply on Negros up to the 1920s. Early on, debt bondage and share tenancy were the main methods of procuring plantation labor. Those who forfeited their land were generally forced to work in the fields for indefinite periods. When an owner gave clothing or food to workers this would be added to the accumulated debt. Potential workers on Panay would be given cash advances to relocate to Negros only to find themselves saddled with an unrepayable debt to the hacendero.

Other haciendas began as clusters of sharecropped holdings with approximately half the produce being appropriated by the landlord. Such tenancy relationships, either on a fixed-rent or share basis, were and still are the norm in many regions of the Philippines, including the sugar haciendas of Central Luzon. In Negros, however, this would change in the twentieth century as debt bondage and share tenancy gave way to the fixed wage rate that persists today.

From the beginning of the hacienda system through the middle of the twentieth century the hacendero typically lived in a splendid home on the plantation and provided his workers with clothing, medical fees, marriage and funeral expenses, and rice during the May through September "dead season," albeit often deducted from the low wages. Workers purchased their food and supplies from *cantinas* that were owned and operated for profit by the hacenderos.

None of the methods employed to secure an adequate labor supply at cutting time was entirely successful, and substantial portions of the crop would often be lost due to a shortage of cutters. This created the need for the *sacadas*, or seasonal laborers, who would be imported from Antique and other provinces just for the harvest season. The hacendero would arrange with a *contratista* to deliver a specified number of laborers. The *contratista* would give cash advances which would have to be repaid by piece-work labor at extremely low rates. In recent years, however, Negros has experienced a surplus of labor and fewer *sacadas* have been hired (Lopez-Gonzaga 1984).<sup>9</sup> Their role has increasingly been filled by *pangayaws*, or low-paid casual workers, many of whom are women and children (Lopez-Gonzaga 1988, 7).

The mid-1880s witnessed the first of many crises in the Negros sugar industry. With the rise of the beet sugar industry in Europe,

the price of sugar tumbled and many bankruptcies ensued. Tenants and lessees failed to pay their rents, traders were selling their stocks at less than cost, and total production dropped substantially. Wealthy merchants from Panay came to Negros and acquired land from the poorer farmers at depressed prices. Only when much Philippine sugar was diverted to the New York Commodity Exchange for sale in the U.S. did prices rebound. By 1893 production once again exceeded its previous record. This would set the stage for the period in which the U.S. market rather than the European one would be the major destination of Negros sugar (Sa-Onoy 1990).

### The American Years

The onset of American colonial rule caused radical changes in the Negros sugar industry. Despite the avowed liberality of the *ilustrados*, most Negrense elites at first sided with the Spanish during the 1898 Revolution in order to protect their interests against the strongly anti-Spanish and increasingly hungry and dissatisfied workers and peasants. For a brief time Negros planters established a "Federal State of Negros Island"—affording citizenship only to owners of land and capital—to avoid becoming incorporated into the fledgling republic (Lopez-Gonzaga 1989, 10–12).<sup>10</sup> Nevertheless, the Revolution and the war with the U.S. caused a marked decline in sugar production that would not be recovered until the century's second decade. Since the U.S. was by now the most important sugar market, most Negros planters supported U.S. forces against those of the Philippine Republic, which once again pitted the Negrense elite against the workers and peasants.

The Sugar Trust in the U.S. was a monopoly which wielded great political power. The rise of the sugar beet industry led the Trust to seek cheaper and more efficient sources and ways to produce cane sugar. Although the Trust at first advocated high duties on Philippine sugar in order to protect Cuban, Puerto Rican and Hawaiian sources, they changed their strategy after acquiring interests in Philippine production. This explains the length of time it took for Negros production to recover after the war as well as the rapid increases after 1913. At the persistent urging of Governor Taft, the Trust finally played a key role in the passage of the Payne-Aldrich Act of 1909, which provided for duty-free importation of many Philippine goods and led to the easy credit for planters that

helped cause the boom years for Negros sugar (Lopez-Gonzaga 1989, 74; 1991, 34-54).

The Americans sought to "rationalize" the chaotic system of land rights. In 1913 they began a cadastral survey which would take six years to complete. Because of abuses in the provision for homesteading vacant land, "... literate elites were often able to manipulate the formal system to acquire legal title to lands that had been cleared by others" (Feeny 1988). And so, a process of land acquisition that began during the Spanish period continued with a vengeance under the Americans. Only this time, it occurred during a period in which the demand for sugar land was virtually insatiable.

But the most radical change that took place in the early years of the twentieth-century concerned the technology for milling and refining sugar and the subsequent division of labor in the sugar industry. The colonial government, through the Philippine National Bank (begun in 1916), financed the construction of sugar "centrals," or large centrifugal mills which are still among the most prominent features of the Negros landscape. This moved milling out of the haciendas, where it had been done by small, inefficient moscovado mills, into industrial factories. Between 1914 and 1927, 820 hacienda mills were replaced by 17 centrals (McCoy 1982). The first mill in Negros, the San Carlos Milling Company, was begun in 1912 and began operation in 1914. It supplanted twenty-five moscovado mills and greatly enhanced the efficiency and yield in its growing area. As would be true of most Negros centrals in these years, it was entirely owned by American interests. In 1918, five new centrals and an extensive rail network to transport sugar were built, all financed by PNB. These were the first mills to use the "share system," in which the mill processes and transports the sugar in exchange for a share of the finished product rather than outright purchase of the raw cane.

The shift toward centrifugal mills had many important effects. By greatly expanding production capacity it created a surging demand for sugar land which resulted in further acquisition of the land of small farmers. Negros's sugar exports increased from 1.7 million piculs in 1913 to 10.3 million in 1932.<sup>11</sup> It created a sizable class of industrial laborers and the consequent beginning of a trade union movement. It made the local economy more dependent upon U.S. capital and the American market. And it helped create two new and powerful elite segments of Negros society: the sugar millers and the sugar traders. From the start, traders and bankers manipulated prices

to the detriment of the planters. The larger planters and millers formed a bloc to fight for their interests, but soon conflict between these two groups broke out over the terms of milling contracts. In 1938 President Quezon created a National Sugar Board to coordinate the industry after a particularly acrimonious dispute between planters and millers. The factional disputes among these various interest groups spilled over into the political arena and are still important aspects of political life on Negros.

The sugar industry was organized in a highly non-competitive way. Contracts between millers and planters typically ran for five to thirty years, and mills typically received from 25 to 50 percent share. Most sugar land was divided up into milling districts in which all planters in a district had to mill with the central of that district (hence, the term "central"). Since sugar was transported almost entirely by rail, a planter could not choose to send his cane to a different central. Each planters' association, therefore, dealt with a single monopsonistic mill.<sup>12</sup> In recent years much of this system has disintegrated and the industry has become more competitive. Most contracts now run for one year, share is subject to competition and negotiation, and (since almost all cane is transported by truck) the milling districts have broken down. Planters now can choose which mills and traders to deal with, and planters' associations now typically must work with more than one central.

During this period "the social life of the Negrenses would enter an era of unmatched glamour and conspicuous consumption" (Lopez-Gonzaga 1989, 18) leading to the profligate image of Negros "sugar barons." The profits gained from sugar during this period were enormous. While some of the gains were used to improve transportation and other infrastructure, few of the benefits accrued to the workers who experienced food scarcity, rampant disease, and the constant threat of displacement. In fact, "the industrialization of milling and mechanization of much farm work during the 1920s reduced the demand for agricultural labor for the first time in the province's history, creating a surplus and depressing wages" (McCoy 1982, 329). The writings of American officials of this time are filled with reports of injustices perpetrated against the poor at a time when glittering luxury was the norm among the elite. Part of the mission of the National Sugar Board was to institute a minimum wage for laborers, to help smaller planters, and to encourage diversification; but the political power of the Negros elites and the outbreak of war prevented these policies from being pursued.

The charmed life of the early American years would come to an end. In the early-1930s the price of sugar fell sharply owing to the worldwide Depression and the overproduction encouraged by U.S. tariff policies. The Timberlake Bill—strongly pushed by U.S. sugar producers—to limit importation of sugar was narrowly defeated in the U.S. Congress. The debate over the Philippine Independence Bill (Hare-Hawes-Cutting), which would end the duty-free status of Philippine sugar, created a furor on Negros. Many U.S. banks, who held interests in Cuba, were strong advocates of the bill. Although the U.S. Congress passed Hare-Hawes-Cutting over President Hoover's veto, the Philippine legislature led by Manuel Quezon rejected it, partly because of the tariffs and partly because of the provisions guaranteeing the U.S. right to retain naval bases. The amended bill that finally passed in 1934 (Tydings-McDuffie) struck out the bases guarantee and promised to study the tariff issue further. The Jones-Costigan Act of 1934 and the Sugar Act of 1937 finally set and enacted a quota for duty-free sugar. After a record year in 1933-34 (1,652,500 short tons), Philippine sugar production dropped precipitously in the following year (to 695,133 short tons) due to the imposition of the new quota (Quirino 1974). Much of the "excess" sugar that year was actually destroyed while still in the fields. Ironically, this blow to the industry led to a gain for workers. The quota caused many planters to take some of their land out of sugar and allow workers to grow rice on a tenancy basis (Aguilar 1984, 19). The quota also led to favoritism and consolidation of wealth and power within the industry. Portions of the quota were granted to specific milling districts which, in turn, apportioned quotas to specific planters within their district. Planters with economic and political influence prospered at the expense of others, and the managers of centrals were able to yield even greater clout than they had before.

### **The Postwar Years**

The Negros sugar industry was decimated by the Japanese occupation and World War II. Many fields reverted to subsistence crops or were left fallow, many centrals were scuttled for machine parts, and exporting was impossible. As part of the postwar agreement granting independence to the Philippines, the U.S. Congress restored duty-free trade for a period of eight years and created the Rehabilitation Finance Corporation, both intended to revive the sugar indus-

try. Ironically, the rebound of the industry led to a reversal for workers. Not only did the planters restore the land that had previously been planted in sugar, but they also reappropriated what had been the workers' rice fields. Workers again became reliant upon their meager salaries and handouts of the hacenderos.

The most important postwar move, however, was the Laurel-Langley Trade Agreement. This granted Philippine sugar a high quota for entry into U.S. markets up to 1974 and, more than anything else, led to boom years for Negros sugar in the fifties, sixties and early seventies. The souring of U.S. relations with Cuba following the Cuban Revolution led to an increase in the quota of all other sugar exporting countries. In 1961, the Philippines was given 15 percent of the Cuban share, thereby causing another strong surge in demand for land. Meanwhile, another important trend was occurring, although few realized it at the time: Philippine domestic sugar consumption increased in every year after the War. Today, the majority of Philippine sugar is consumed at home and the expansion of the home market has not yet shown signs of slackening. Last year, for the first time, the price per picul of sugar destined for the domestic market exceeded that destined for the U.S.

All through the glory years of sugar, Negros planters, millers and traders were among the most influential people in the country. Many of the nation's most important political and commercial figures sprang from the ranks of the sugar barons, and many others were beholden to them in one way or another. Although many sugar people supported Marcos initially and some played instrumental roles in getting him elected, they, along with most of their countrymen, would come to regret this support. Marcos was intent upon curbing the great political and economic power of the sugar industry. He largely succeeded in doing this during the martial law period by creating a government monopoly on sugar trading that was used to siphon off much of the sugar profits into personal bank accounts in Switzerland and the U.S. Planters fared poorly, but the workers, as usual, bore the brunt of the disaster.

When the Laurel-Langley Agreement expired in 1974, Negros sugar producers lost their guaranteed access to the U.S. market. Most hoped and assumed that the quota system would be extended beyond the expiration, but U.S. sugar interests won the day. After fifty years of easy credit and duty-free quotas, Philippine sugar was forced to enter the world market just at the time that the European Economic Community "started dumping its heavily-subsidized sugar

in the world market" (Aguilar 1974, Preface) and the cost of inputs such as fuel and fertilizer were reaching new heights. The price of sugar plummeted from a historic high of 67 US-cents per pound in 1974 to as low as 7 cents per pound in 1975 (Lopez-Gonzaga 1989, 86), reflecting the far lower world market price. Using this crisis as an excuse, Marcos nationalized the sugar trade in 1977 and activated the Philippine Sugar Commission (PHILSUCOM) and its marketing arm, the National Sugar Trading Corporation (NASUTRA), under the leadership of Roberto Benedicto.<sup>13</sup> The mandate of this government monopsony was to control domestic pricing, local distribution and marketing, and all export functions (Aguilar 1984, 59). Many planters initially supported this move. They felt that consolidating trading under a single unit would eliminate most of the unproductive and profitable trading activity and lead to higher profits for the producers. In time, however, it became clear that PHILSUCOM was basically a feeding trough, created to divert profits into the hands of Marcos and his loyalists. The province of Negros Occidental was partitioned into Negros del Norte and Negros del Sur to facilitate the division of control among the top cronies: Benedicto and Armando Gustilo, the President of the National Federation of Sugarcane Planters.

The mid-seventies to the mid-eighties were tough years for planters and millers, many of whom went bankrupt when they could no longer repay their crop loans. It is estimated that the industry lost from P11.6 to 14.4 billion between 1974 and 1984, experienced an 18 percent decrease in yield, and a three-fold increase in unemployment. Still, the highest income earners in Negros (the top 100 or so families) experienced a 17 percent increase in real income between 1978 and 1982 (Aguilar 1984, 37).

By the mid-1980s, Negros became a noteworthy spot on the "international charity map" (Ofreneo 1987, 162). This attention was properly focused upon the workers, many of whom were laid off and forced to fend for themselves in an economy that had no viable alternatives. Between 1975 and 1981 real income for the average sugar worker declined by 33.5 percent (Aguilar 1984, 33). In a 1982 survey, the mean annual income for unskilled sugar workers was a mere \$187 (Lopez-Gonzaga 1983, 19). The result was malnutrition on a massive scale. In a 1982 study, nearly 70 percent of 177,373 children weighed on Negros were suffering from malnutrition (Ofreneo 1987, 162). In 1985, 83.7 percent of families were earning less than the poverty threshold (Lacson 1988, 1-2). While the

infant mortality rate was increasing, all but one of the hospitals for workers' families funded by the various milling districts closed down. Relief aid poured in from Church groups, foreign governments and NGOs. To this day, many planters resent the negative image ("Asia's Ethiopia" and Bishop Fortich's "social volcano") that Negros received during this period, feeling that it exaggerated the magnitude of the problem and scared off potential investors.

Aspects of martial law, such as the heightened power of the military, the absence of a free press, and the suppression of unions also had strong effects on life in Negros and were widely reported in the West. These were the years in which "salvaging" and other government-sanctioned illegalities were rampant. At the height of the crisis, the Philippine military listed Negros as having the second worst insurgency problem in the nation (Lacson 1988, 4) and planters organized private militias to protect their properties.

NASUTRA ceased functioning in 1984 and PHILSUCOM was dismantled in 1986 because of pressure from the World Bank. Since then, the plight of the planters has improved and many of the outward signs of starvation have abated. Thanks to rising sugar prices as well as many health and nutrition programs run by the highly active NGOs, the immediate crisis was defused. But still, malnutrition remains a problem, the majority of the population live in appalling conditions, and political violence remains an ever-present threat.

### Current Conditions

Although sugar trading is no longer subject to state monopoly, it is still dominated by only a few wealthy families. Planters talk about traders with hostility and there is widespread sentiment that traders receive an unfair portion of sugar profits because of hoarding, collusion, and price manipulation. There is also an element of ethnic resentment. One is often reminded that sugar trading is one of many commercial enterprises dominated by ethnic Chinese, with the implication that this naturally leads to nefarious conspiracies.

An important fact of life on Negros today is the radical change in the structure of the hacienda and the effect that this is having on the labor force. The paternalistic, family-run operation is giving way to the fully "rationalized" agro-industrial concern. The sugar industry had become inefficient and uncompetitive during the years when

its U.S. market was guaranteed. Labor costs, unlike many other inputs such as fertilizer and fuel, are potentially reducible through mechanization. Many larger planters looked to the highly productive Australian growers as the model and began to mechanize weeding and land preparation. In the midst of the crisis, PHILSUCOM purchased eight of a planned seventy-six mechanical harvesters, each of which cost \$200,000 (Hawes 1987, 96). Most of these harvesters were never useful under Negros growing conditions and many of them can be seen rotting from disuse behind the Bacolod office of the SRA.

At first, mechanization mainly affects the casual workers, particularly women and children. One of the reasons for the overall decline of workers' family income has been the decrease in the contribution of women and children without a corresponding increase for males (Aguilar 1984, 69). At first, there is simply less work to do on the farm and tasks become apportioned on a rotating basis. The workers who remain work fewer days and receive fewer benefits such as loans and free medical care (Aguilar 1984, 74). There are signs, however, that many *dumaan* are being eased out of the haciendas upon which they may have spent their entire lives. Aguilar estimates that mechanization will ultimately result in a 40 to 60 percent reduction in the agricultural labor force if it continues until it reaches a stable state. As early as 1970, Lynch cited the excess of labor as the single most powerful wage-depressing factor on Negros. In a 1987 survey of hacienda workers Lopez-Gonzaga found that only 17.6 percent had full-time work (Lopez-Gonzaga 1988, 6).

Another trend is the legal incorporation of haciendas to prevent fragmentation among family members. Most hacenderos never returned to live on their estates after the Japanese occupation. Today they live as absentee landlords in Bacolod, Manila, or even out of the country. As the younger generation pursues higher education and professional careers, many of them have little interest in the day-by-day operation of their families' haciendas. The farms are run by administrators (*encargados*) who operate them like factories, with little of the personal relationship between *Amo* (master) and worker that characterized the system for most of its history. Incorporation not only limits the legal liability of the owners, but it affords the hacendero family easier, less personal labor relations. Despite the obvious dependency fostered by the traditional system, many workers seem to feel genuine nostalgia for the benevolent *Amo* who took care of their needs. In this new system, decisions about worker displacement

tend to be based more on pure business considerations than on long-standing personal relationships.

The labor displacement that is taking place will be stretched out over a long period. Aside from the costs of initial mechanization there is widespread and well-founded fear of social unrest. Many land owners are now afraid of visiting their own properties due to the unsettled "peace and order" situation. Labor unions and church groups have tried with some success to instill a new sense of independence and an awareness of legal rights among workers, many of whom are no longer willing to accept any fate that the elites dish out. A growing number of strikes, suspicious fires, and acts of violence have convinced the planters of the potential for radicalization among the workers, although in Lopez-Gonzaga's 1987 survey only 7.5 percent of workers advocated destruction of the prevailing system even though 93.2 percent "see themselves under crisis situation" which includes hunger and chronic underemployment (Lopez-Gonzaga 1988, 6-7).

Some sugar planters have attempted to diversify, but rarely into labor-absorbing crops or industries. In the early 1980s many wealthy landowners converted coastal sugar land into prawn ponds. Aided by Japanese technology and enticed by high prices, they sunk large amounts of start-up capital into these ponds. Although the return on the investment was healthy for the first few years when prawn prices were as high as P500 per kilo, by 1988 the price had dropped to P70-80 per kilo and many were forced out of the business. It seems that the Japanese offered similar assistance throughout tropical Southeast Asia and the market became glutted with prawns. Today, with a price between P120 and P150 and chronic problems of defective fries, undiagnosed disease, and water pollution, only the efficient and the lucky can succeed in prawn growing. Although many continue to lease prawn ponds, few investors are spending the money to develop new ones.

Few sugar planters opt to grow rice. I was often told that while rice is fine for a subsistence farmer, it is unprofitable as an alternative to sugar even though the Philippines must import large quantities. Most blame the high mark-up taken by "middlemen" as well as government pricing policies which favor the consumer at the expense of the farmer. By using rice importation as a method of keeping prices stable, the government interferes with the price feedback that farmers receive from the market. Rice remains cheap for the consumer, but the farmer is given no incentive to grow more of

it. Data provided by the Bacolod office of the Bureau of Agricultural Statistics graphically illustrate this fact. Because of last year's drought in the Western Visayas as well as November's Typhoon Ruping, 1990 palay production in Negros was off by almost one-third. The first half of 1991 witnessed a strong rebound in production.<sup>14</sup> Through this eighteen month period, however, the monthly farm-gate price of palay (i.e., the average price received by farmers) has varied within only narrow limits—and it has not moved in directions predicted by the fluctuations in supply.<sup>15</sup> The workers at the Bureau observed that the price was kept low last year by the presence of large quantities of imported rice in National Food Authority bodegas. While the NFA offers a specially subsidized price to palay farmers, very few can avail themselves of it owing to the strict moisture requirements and the need for the farmer to physically transport the palay to the NFA buying stations. Most farmers have no choice but to accept the low traders' prices, given that traders have easier moisture standards, pick up the palay from the farmers, and pay with cash up front.

This urban bias in the pricing of staple grains is a problem in many countries, particularly developing ones (Streeten 1987; Schultz 1978). Billig (1991b) argues that this is one symptom of a systematic capital outflow from the "provinces" to Manila and beyond which operates through tax policy, banking, currency overvaluation, infrastructure development, pricing policies, and the investment and spending decisions of individuals. Negros is a supply region not only for sugar, but for capital as well (Billig 1991b).

Although land reform was touted as one of the main objectives of Marcos's martial law, sugar land was generally exempted (Goodall 1987, 25). There were attempts by the Church and unions to set up workers' communes (such as the Basic Christian Communities), often on land voluntarily donated by benevolent planters (Lopez-Gonzaga 1987),<sup>16</sup> but these affected small numbers of workers and few hectares. In the wake of the EDSA revolution there was great hope that at long last the government would make a concerted effort to guarantee that those who till the soil have access to land ownership. Since then, President Aquino has been widely criticized for the slow pace of land reform. Her efforts have been blocked by landed interests in the Philippine Congress, massive resistance by politically powerful landowners, and lack of financial resources. The historical inequality of land ownership on Negros persists unabated. 82 percent of rural households are landless, 3.8 percent of landowners own 72.4 percent of private holdings, and only 1.8 percent of

owners control holdings greater than 100 hectares (Lopez-Gonzaga 1988, 11-14).<sup>17</sup>

The Comprehensive Agrarian Reform Program (CARP) has been one of the most controversial issues in the Philippines since its official introduction in July 1987. As it exists today CARP has so many exemptions and so much resistance to it that it is doubtful whether it can ever have a significant impact. That CARP is badly conceived is one of the few things about which sugar planters and the National Federation of Sugarcane Workers agree. Some of CARP's problems are: 1) Public landholdings are an insufficient base for large scale land distribution. On Negros, very little of the once lush forests remain, and only 8.5 percent of agricultural land is publicly owned (Ledesma 1988, 2); 2) Landowners are able to exempt up to 85 percent of their best land, leaving only marginal land open to redistribution. Many owners of large holdings divide the titles among several family members to make the total property seem much smaller; 3) Because the new landowners are not provided with technical or financial help, many of them fail and sell their land after only one or two years; 4) Land slated for redistribution is assessed at low value and payments are spread out over twenty or even thirty years; 5) The onus of finding recipients willing to pay for the land is placed upon the planters themselves. This opens the way to intimidation and profound conflict of interest; and, 6) With the involvement of so many different agencies (e.g., the Dept. of Agrarian Reform, the Bureau of Lands, the Land Bank, and provincial government) often working at cross-purposes, bureaucratic logjams are virtually unavoidable.

Many Negros planters feel that CARP is tantamount to giving away their land and say they will resist this. Even the NFSW feels that planters deserve to receive "fair market value" for their land so they can invest in other enterprises that will employ workers. But what constitutes "fair market value" is subject to considerable disagreement, which is illustrated by the fact that approximately 90 percent of the Land Bank's valuations on Negros have been rejected by the landowners. While many older planters reject any land reform, often with the assertion that the land is their heritage and that they are willing to die for it, younger planters who have pursued professions confide that they feel no great love for the sugar business and would get out if they could. Many Filipinos cite the precedents of Taiwan and Japan to say that foreign governments could help the Philippines by creating a fund to enable the government to purchase

land outright from owners at fair market value. While such a fund might help break the impasse, it is not politically expedient for Western countries to aid a developing country by paying off wealthy landowners (Collins 1989).

One promising method of phasing in agrarian reform is Gov. Lacson's "Sixty-Thirty-Ten Plan." This plan has gained much support on Negros but has not yet been broadly implemented. It calls for 60 percent of a planter's land to stay in sugar production, 30 percent to shift to diversified high value crops that afford year round work (perhaps organized around contract farming systems or "nucleus estates"),<sup>18</sup> and 10 percent to be divided into 1000 square meter plots to be sold off to workers financed by government insured loans. Sixty-Thirty-Ten is just part of an extremely ambitious Fifteen-Year Plan to turn Negros Occidental into "a mini-Taiwan" (Lacson 1988, 32) with a balanced agro-industrial economy. The Plan includes curbing the high rate of population growth (2.4 percent as of 1985); instituting "bio-intensive gardening" to achieve food self-sufficiency; diversifying agriculture, especially into high value crops; beginning the process of industrialization, first by processing agricultural products and then by attracting low-tech, labor intensive industry; providing better services such as water, health and education; improving infrastructure; controlling environmental degradation; and, developing an export sector. Most Negrenses applaud the governor's energy and idealism but remain skeptical about the possibility of success.

### **The Rationality of Sugar**

Although there are many cultural and historical reasons why Negrenses continue to grow sugar, the main reason is that sugar is simply more profitable than virtually any other crop for which Negros is ecologically suited. While the prices of rice and corn are kept artificially low, since 1986 the price of sugar has been kept stable and high by the Sugar Regulatory Administration of the Philippine government. The SRA does this mainly through a classification system in which all sugar milled is apportioned into five categories: that destined for the U.S. market (in an amount determined by the annual quota established by the USDA for each exporting country);<sup>19</sup> that destined for the domestic market; a reserve that is gradually converted to the other categories; that destined for the low-

priced world market; and, a newly created category intended to provide export-oriented food processors with somewhat cheaper sugar to discourage them from importing the commodity. While it is generally desirable to apportion as much as possible for the U.S. market because of the artificially high price of sugar and the need for foreign exchange, the U.S. portion in recent years has amounted only to between 10 and 14 percent of total output. The recent strong prices have mainly resulted from the growing (2-3 percent per year) domestic demand and high domestic prices for sugar.

Many planters and millers would like to see "D" sugar—the portion destined for the world market—phased out entirely, since it is most often sold at a loss. They were stung in 1986 when too much sugar was allocated to the "D" category at the beginning of the year only later to be converted upward to "B." The producers took a loss from this conversion while the traders made large profits. Although no D sugar was apportioned this past year, the Administrator of SRA, Arsenio Yulo, told me that "D" sugar must be retained so that the Philippines can maintain its position in the world market in case there is a dramatic rise in price. Moreover, if "D" sugar were eliminated, 8 percent more sugar would enter the domestic market thereby depressing the price of "B" sugar and ending up to a net loss for producers.<sup>20</sup> "D" sugar has not been converted upward again and Yulo pledges that it will not happen. Although planters are always fearful that "C" (or reserve) sugar will be converted downward to "D," causing planters and millers to incur large losses, Yulo stated that this "almost never" happens. In fact, in recent years most "C" sugar has been converted to "B," or sugar for the domestic market. There is also a certain amount of griping among planters and millers that it is the traders rather than the producers who benefit most from the classification system. Yulo agrees that trading is the worst part of the system and he tries to encourage producers to band together to establish marketing associations that would eliminate the middlemen. But still, many producers feel that traders make windfalls from inside information about the timing of conversions.<sup>21</sup> Aside from managing the classification system, the SRA lobbies the USDA for its quota, sponsors much research on sugar and sugar-derived products, monitors all facets of sugar production and marketing, and acts as the public relations agent for Philippine sugar.

Retail sugar in the Philippines is barely cheaper than in the U.S. Because sugar is not a staple food crop, and because sugar farmers tend to be well-organized elites with political clout rather than poor

peasants, the pricing strategies—while now operating through market manipulation in a competitive trading environment rather than by government monopsony—are designed to bring the highest possible return to the producers rather than the lowest price to the consumers. The fact that sugar sold domestically commands a higher price than sugar destined for the world market reflects policies that keep the price of the commodity artificially high. In contrast, rice sold domestically is generally cheaper than world market price. These policies are reinforced by high (50 percent) tariffs and special agreements which make importing foreign sugar all but impossible.<sup>22</sup> But still, the SRA is even more interested in price stability than it is in high prices. In late 1987, for example, the government imported about 100,000 metric tons of sugar to arrest an extremely rapid rise in prices, setting off protests by planters and millers (*Manila Journal*, 9 January 1988). Sugar is, after all, an important consumer good and a major input to the food processing industry. Planters still complain that the government caves in to these interests and keeps the price of domestic sugar lower than it should naturally be. Many planters seem not to appreciate that if import protection of the inefficient Philippine sugar industry is to continue, it is essential that the price of sugar not rise so high that it provides a serious impediment to exporters and large commercial users. Such big corporations could muster the political clout to pry open the protected market and seriously damage the profits of sugar producers. The SRA must balance these interests. It would be counterproductive for it to act purely as an agent to protect planters' interests.

Although there are still many centrals operating in Negros today, only one of them—the giant Victorias Milling Corporation—possesses the facility to refine milled sugar into the pure white powder on a commercial scale. This means that all planters, millers and traders who want to produce refined sugar must arrange to do so at Victorias. Not surprisingly, Victorias is not only the largest central on Negros, it is also the most powerful and influential corporation in the province.

During the quota years—the glory years for the “sugar barons”—profits from sugar were narrowly restricted to the privileged few who were able to garner access to the closed U.S. market. As long as most of the sugar produced was exported out of the Philippines and as long as Negros sugar interests had political and economic clout, the market remained non-competitive and operated in the interests of the elites. This “structure” was not handed down by God,

nor was it a simple function of abstract "capitalist relations of production" or the "capitalist world system." Rather, it was created by the combined actions of American sugar interests, Western bankers, colonial governments, and Negrense elites themselves. It represented the complex interaction of the self-seeking and class-aggrandizing behaviors of many interests in many parts of the world, and it resulted in a closed system that effectively restricted sugar profits to those with power. Indeed, it appears closer to a sort of neo-Mercantilism than it does to market capitalism.<sup>23</sup> From the viewpoint of small, powerless farmers such a structure appears as a monolithic impersonal set of forces that impinge upon them, about which they can do little. But however accurate such a perception may be from one point of view within the system, the fact that the system owes its form and structure to human agency and the contingencies of history cannot be denied. Since small farmers were unable to obtain a piece of the quota—millers would not process their cane and traders would not buy the finished product—they chose rationally not to grow sugar.

During the PHILSUCOM years the clout of the planters was effectively crushed as power came to be defined as privileged access to Marcos and his cronies. The market, if anything, became less competitive and more co-opted by rent-seekers, warlords, and bureaucrats. Once again, small farmers did not grow sugar because producing cane was not profitable.

Several trends and events have occurred which, taken concurrently, have changed the institutional context so much that it has become more profitable for small farmers on Negros to grow sugar than any other crop. Although sugar milling and trading are far from perfectly competitive, they are now more competitive than they have ever been. The breakdown of the old milling districts with the decline of the quota system and the rise of truck hauling means that centrals now must negotiate shares with planters, and planters can choose to mill under short term contract with centrals far from their cane fields. While trading is still dominated by a few family enterprises, many aggressive young entrepreneurs have successfully gotten in on the action in the past decade or so. Planters still decry the unfair practices of traders, but few deny that trading has suddenly become a highly competitive—if not cut-throat—business. Some traders have gone so far as to purchase and refit old centrals in order to get a leg up on the competition by ensuring themselves a steady supply. The fact that most Philippine sugar is now sold on the grow-

ing domestic market means that traders have had to fight for market share rather than rely on guaranteed, protected access.

There has also been a definite movement in the Philippines toward a reassertion of the "rule of law" following the arbitrary rule of the individual during the Marcos years. Whereas once it was possible for wealthy and powerful people to prevent the poor from benefitting from the structure of the sugar industry, now the legal and regulatory environment of sugar pricing, marketing, milling and refining applies to everyone equally. If the price of sugar is kept artificially high through protectionism and the action of the SRA, for example, there is no legal way of preventing such benefits from accruing to all who grow sugar, nor does there seem to be any inclination to restrict these benefits to the chosen few. Several milling executives told me that it is not profitable to haul and mill the cane of small producers but they do it anyway because in today's business climate it is important to retain the goodwill of customers and planters' associations.<sup>24</sup> To be sure, the current system still disproportionately benefits large elite planters. But, unlike in the past, it is a system in which anyone can "sweep up the crumbs" and turn a profit. The rules of the game now apply to all who choose to play and many small farmers so choose.

There was nothing inevitable or inexorable about how this modern structure developed. All along the way there were decisions taken, interests pursued, conflicts resolved, and other particular contingencies of history that resulted from the actions of individuals and organized groups. Nicholas Loney and the early sugar planters, the opening of the U.S. market and the investment of American capital in centrals, the quota system begun initially at the behest of American sugar interests, the Cuban Revolution, the intention of Marcos and his cronies to destroy the political clout of the sugar barons and to get rich in the process, the EDSA Revolution, the enormous non-self-regulating population growth leading to an oversupply of labor, the actions of the SRA, the rise of Philippine sugar consumption (partly due to aggressive marketing of soft drinks), and many other episodic or fortuitous events have all gone into the mix of modern Negroes history.

Of course, it is still possible that other crops would be even more profitable than sugar but that small farmers are too tradition-bound and lacking in the necessary information to realize it. After conducting many interviews with farmers on Negroes, I have concluded that this is implausible. Farmers are highly aware of what is difficult to

grow, what is risky, and what is potentially profitable. They are, to be sure, skeptical of innovations that outsiders try to impose and they are highly averse to risk. But they are also willing to take a risk if they have strong reason to believe that they will get a positive return. Except in those areas of Negros in which rice was traditionally grown and the irrigation networks are established and well-maintained, few small farmers will choose to grow rice nowadays. The price they receive for their palay is simply not remunerative enough to warrant the large input of capital and labor that would be required to convert to rice. I was told repeatedly that rice is one crop in which the middlemen get most of the gains and farmers get little. The so-called "high value crops" are likewise greeted with skepticism. Who will buy these products? How will such perishables be transported to large markets such as Cebu and Manila given the rough state of Negros infrastructure and the lack of an efficient port? These crops might work out for some, but they are clearly too risky to ask farmers living at the edge of subsistence to grow. And besides, most of these farmers remember the plethora of failed diversification experiments during the crisis years: ramie, corn, poultry, flowers, fruits, and countless other flops. A group of entrepreneurs and the provincial government have been trying to encourage the raising of cattle as an adjunct to sugar, since canetops, molasses and bagasse can all be used to maintain cattle. But farmers ask why they should make such a risky and expensive investment given that Negros has no slaughterhouse, cattle are easy to steal, the main markets are distant and inaccessible, and those who tried to raise cattle on a small scale in the past ended up regretting it.

Sugar, on the other hand, is profitable and entails far less risk. For better or for worse, the centrals, trucks, and barges are there on Negros. It takes little to prepare the land, especially if that land has long grown sugar. It is a crop that absorbs labor and does not require extensive inputs of capital. Small farmers have likely spent large portions of their lives growing sugar so they are highly skilled at it. They can join planters' associations which will work for their interests. And, most important, the price now is high (approximately P700 per picul)<sup>25</sup> and probably will remain so in the near future as long as the SRA does its job diligently and world sugar protectionism remains unaffected by GATT. No wonder the typical response when I ask a small farmer why he chooses to grow sugar is, "Why should I grow anything else?"

There is a school of thought among rational choice theorists which

views changes in property rights and other political and economic "institutions" as being driven by a supply of and demand for institutional change (Hayami and Ruttan 1971; North and Thomas 1973; Feeny 1988). In this "necessity is the mother of invention" view, new forms of property and new organizations of production arise when there is a growing "demand for the establishment of more elaborate systems of property rights" (Feeny 1988, 277). Such a static functionalist metaphor is an inappropriate and inaccurate description of the history of institutional change on Negros. Since history consists of an infinite stream of particular, nondetermined events, actions, and perceptions, any encapsulated description of a general historical dynamic is metaphorical. But still, it seems to me that one version of the historical materialist dialectic is a far better metaphor for Negros history than supply and demand for institutions can ever be. This is not the Hegelian dialectic which sees a mystical teleological inevitability in the movement of history, nor is it the version of the dialectic that sees all societies as traveling through a similar evolutionary sequence. Rather, this is the particularist/probabilist version that views all human history as a process of becoming, never being; that sees permanent flux as the only constant; and that sees conflict between rational individuals and self-seeking classes as the predominant (though not only) dynamic force. The supply and demand metaphor, and neo-classical equilibrium-oriented conceptions of history in general, fail to appreciate the fact that rationalities conflict, that every temporary "solution" engenders new conflicts or contradictions which themselves require new solutions.<sup>26</sup> One cannot, in this view, separate "structure" from human agency, as the two are related to each other dialectically and therefore each contributes to the very essence of the other. The history and current situation on Negros are clear examples of how these conflicts work themselves out through historical time and how there is no Panglossian inevitability for the "solutions" to benefit the majority at any point in history.

Given that such a conception owes much to historical materialism, and that historical materialism owes much to Marx,<sup>27</sup> it might seem incongruous for me to be extolling the virtues of the free market. It should not be so, especially given world events in the past two years. The Negros case amply illustrates that poor people, particularly small farmers, prosper more under freer markets than they do when access to markets is tightly restricted by mercantile alliances of state, native elite and metropole. In those instances when government and special interests succeed in squashing competition, inhib-

iting price feedback, and denying equal access, it is the rich and powerful who gain at the expense of the rural poor. Such was the case with sugar during the quota and PHILSUCOM years, and is the case with rice today. When the state interferes with the price mechanism through currency overvaluation, over-regulation, and excessive control over markets, the rational behavior of individual farmers will fail to reflect the underlying conditions of supply and demand and will instead reflect the distorted prices. No wonder the Philippines today continues to produce too much artificially high-priced sugar and too little artificially low-priced rice. When prices reflect the underlying conditions of the market and when anyone who produces is able to sell his goods openly and fairly, poor farmers—who generally utilize land and deploy labor efficiently—stand to gain.

This is not to say that "capitalism" *per se* is either always positive or always negative; both the free, open market and the restricted neo-mercantilist one are, in the strict sense, capitalist forms. The form that I am advocating is one in which the state operates autonomously (i.e., not as an "agent of private interests" [Bates 1988, 343]) to guarantee that the law applies equally to all and prevents those individuals or groups with economic and political power from co-opting exclusive access to markets. The state must act to restrict the market co-opting actions of "distributional coalitions" and "cartels" of wealthy and powerful individuals, as such actions lead not only to inequity but also to inefficiency and economic stagnation.<sup>29</sup> Given the potential gains of both equity and efficiency, the Philippine state must execute thorough agrarian reform. As North (1981) has convincingly argued, property rights must keep up with social needs if a society is to prosper. Property rights in the Philippines—especially in Negros—have failed to keep up and have become socially and economically corrosive. There is a pressing need to restructure taxation and banking in order to encourage and reward investment and diversification. And, of course, there must be a concerted effort to eliminate rent-seeking, corruption and bureaucratic obstructionism.

## Conclusion

Although there are many complex local, national and international reasons for the difficulty that Negros has had in diversifying its economy (Billig 1991b), the signs of growth and diversification are beginning to be noticeable on the island. Young scions of the sugar barons are now well-educated and many of them are not satisfied

living the luxurious lives of their parents and grandparents.<sup>29</sup> Despite the stereotype of Negros as an island of slothfulness, one cannot help but hear and see constant signs of the new spirit of entrepreneurship that is taking hold. Many young people wish that the land reform issue could be settled once and for all so that they could use the proceeds to invest in viable ventures and be rid of the sugar albatross once and for all. Several of these young people even admitted to me that the quota and the lifestyle that it engendered made their parents and grandparents lazy and smug. As markets become freer, one can sense the dynamism that goes along with new opportunities. It takes hold of the young and privileged, but it also affects poor farmers. Whereas once the decisions about what to grow were made within a tightly constraining universe of options, today they are able to choose (rationally) to grow whatever will provide the best return. For many, that crop is sugar. Tomorrow, as markets and conditions change (and if the Philippine state allows agricultural prices to reflect the underlying conditions of the market), it may be pineapples or bananas or even palay. As markets become increasingly free and as the "rule of law" becomes the way of life in the Philippines, farmers will be able to exercise their rational decision-making powers in an open realm of endless possibilities. And those who make the right choices and succeed will become Negros's barons of tomorrow.

### Notes

1. This union publishes a brochure entitled "Blood and Sweat in Negros Sugar," which is liberally sprinkled with terms such as "fascist" and "feudal lords."

2. While my conclusions are similar to those of "rational choice analytic Marxism" (e.g. Roemer 1986; Elster 1985; and Cohen 1978), my mode of presentation is historical and dialectical rather than analytical and formal. I also have been influenced by such non-Marxist political economists as Bates (1981); North (1981); Olson (1982); and Popkin (1979). Up-to-date discussions of issues in rational choice may be found in Cook and Levi (1990); and Elster (1986). Applications of rational choice to development issues may be found in Bates (1988).

3. Although there is a widely held belief among Negrenses that nothing at all existed on their island prior to the coming of the hacenderos, modern evidence suggests that the Malays and Negritos who inhabited Negros prior to the 1850s enjoyed thriving tribal economies and possessed considerable technical sophistication. The cultural richness of pre-colonial Negros (or "Buglas" as it was called prior to 1565) has recently begun to be appreciated and written about (e.g. Sa-Onoy 1990; also, Eduardo Ledesma, Jr., personal communication; and Fr. Niall O'Brien, personal communication).

4. The fascinating story of the growth of British sugar consumption during this period is told in Mintz (1985).

5. 1 picul=63.25 kilos. While the wealthy pioneers who received loans from Loney tended to plant sugar, other settlers planted rice, corn, tobacco, abaca, coffee and sibucan (a tree that produces a red dye that was used extensively by the Iloilo textile industry). Although rice and corn production also boomed during the latter half of the nineteenth-century, most of these other croplands would later be converted to sugar.

6. Sa-Onoy (1990) figures the population of Negros was 27,000 at the beginning of the nineteenth century, and migration from Bohol and Panay increased it to 50,000 by 1825, 101,260 by 1850, 255,717 by 1876, and 450,000 by the end of the century. While the numbers differ between the two sources, the fact that migration after 1850 led to a large population increase is not in dispute.

7. Negros ceased being a *corregimiento* and became a province in 1848. The partition of the island into its Ilonggo-speaking and Cebuano-speaking modern provinces took place in 1890.

8. N. O'Brien, personal communication. Informal moneylending at high rates by *Alili* is still a common practice in rural Negros. The standard loan by an *alili* is referred to as a "cinco para seis" or a "five-six," in which a loan of P5 today is repaid at P6 tomorrow.

9. The plight of Negros's *sacadas* was exposed in now-famous studies by Fr. Arsenio Jesena and Fr. Frank Lynch.

10. Sa-Onoy (1990 and personal communication) takes strong exception to this characterization of Negros planters. He argues that the elites were more divided during the Revolution; some supported the Spanish, some stayed neutral, and others supported the Revolution. He admits, however, that a solid majority supported the Americans against the nationalists.

11. A. McCoy (1982, 328; personal communication), who corrected an error in the text.

12. Quirino (1974) considers this noncompetitive system to be largely responsible for the low yields of the Philippine sugar industry. This point is updated and developed at length in Billig, submitted for publication (1991c).

13. This story is told in greater detail in Hawes (1987); and McCoy (1983).

14. January through June palay production figures for the last three years are as follows: 1989=101,877 mt; 1990=68,339 mt; 1991 (provisional)=108,815 mt.

15. Some of the monthly prevailing prices in Negros Occidental as provided by the Bureau of Agricultural Statistics are as follows: 1/90 - P4.50 per kilo; 2/90 - 5.00; 3/90 - 5.00; 4/90 - 5.00; 5/90 - 5.00; 6/90 - 3.75; 7/90 - 4.00; 8/90 - 4.25; 9/90 - 4.50; 10/90 - 5.30; 11/90 - 5.00; 12/90 - 4.80; 1/91 - 5.30; 2/91 - 5.00; 3/91 - 4.80; 4/91 - 4.75; 5/91 - 5.00. The figures for corn are even more stark. In 1990, corn production in the province was less than half of what it had been in 1988 (12,773 mt vs. 28,235 mt), and yet there was no perceptible upward pressure in the price of corn.

16. Also discussed in the articles in Ledesma and Montinola (1988).

17. For an up-to-date review of the slow progress of agrarian reform on Negros see Pandan (1991).

18. For a description of such alternative forms see Villegas (1989).

19. The Philippines are entitled to 13.2 percent of all sugar imports into the U.S., but the total amount of imports varies according to U.S. domestic production. Since

1986, the Philippines has had an additional 2.3 percent of the quota as a result of the embargo against South Africa. But it was recently announced that this portion will now be returned to South Africa as part of the lifting of the embargo against that country.

20. And yet, because of low supply due to Typhoon Ruping no "D" sugar was set aside this past crop year.

21. The most noteworthy opponent of SRA policies is Romeo Guezon, Congressman from Bacolod City and President of the National Federation of Sugarcane Planters.

22. Although there have been some well publicized instances of companies importing cheap world market sugar, the SRA has been able to control imports by its special agreements with the Central Bank and the Customs Bureau. Unless the SRA signals that an import of sugar or molasses is justifiable, the Central Bank will not authorize the issuance of a Letter of Credit and the Customs Bureau will hold up the shipment at port. Both major planters' organizations currently support legislation to ban imports outright, but this is strongly opposed by large industrial sugar users.

23. It is similar to the "mercantilism" described for Peru in De Soto (1989). De Soto argues that the problem in Peru (and, by extension, in the Philippines) is not too much capitalism, but a mercantilist variety of capitalism that inhibited access to the market to all but a small elite. For him, freeing up these markets by legitimating the "informal sector" is a large part of the solution.

24. Some small planters in remote areas simply sell their raw cane by weight to larger planters with milling contracts who then possess the *quedans* (i.e., coupons reflecting ownership of physical sugar) for the finished product.

25. This increase over last year's B sugar price of about P550 per picul was mainly due to the 15 percent lower production in Negros caused by Typhoon Ruping. Next year's price also promises to be high given the projected 50 percent reduction in sugar production in Pampanga and Tarlac due to the eruptions of Mount Pinatubo.

26. The neo-classical and historical materialist conceptions do, however, share some critical things. The first is that while humans certainly are capable of irrational behavior, we begin with the assumption of rationality since differences between societies and periods are most likely due to the rational actions of individuals. We assume, in other words, that people respond to incentives and disincentives both within and outside of markets. Secondly, we conceive of this rationality as fundamentally material in nature; versions of rationality which attempt to incorporate the non-material most often end up with excessively relativistic and barely useful definitions of rational (e.g. Little 1991, 35-52). Nonetheless, historical materialists defend the proposition that rationality differs depending upon the prevailing relations of production and that market rationality cannot be simply extrapolated to non-market systems. Neo-classical rational choice views (e.g., Popkin 1979) tend to stress the universality of market rationality.

27. At least in his *The German Ideology and Critique of Political Economy* manifestations.

28. This idea owes much to M. Olson (1982).

29. For that matter, the events of recent history have ensured that they no longer have the means to live that way even if they desired to. As one wag told me, "The sugar barons have been reduced to sugar cubes." For a discussion see Billig, submitted for publication (1991a).

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