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NOTES ON THE RELEVANCE OF WESTERN ECONOMIC THOUGHT TO DEVELOPING ECONOMIES

By

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Introduction

My recent trip to Latin America and Africa convinces me that there is a need to reopen the discussion which began in the 1950s as to the relevance of Western concepts and theories to other countries. Despite some broad, basic similarities, there are some striking differences in the community settings of the countries I visited. Although I stayed only a few days in each country, I was fortunate in being able to visit several rural development projects, guided by specialists working on them.

What had always puzzled me was the low population densities of Latin America and Africa compared to the great densities of monsoon Asia (density defined as agricultural population per hectare of arable land, which is ten times larger in Asia than in Africa). In an earlier paper published in the *Philippine Economic Journal* (1971 First Semester), I tried to show that the great densities of Asia were due to the high labor intensities of monsoon padi agriculture during planting and harvesting. But why with such low densities (meaning large amounts of land per capita) were the African peasants so poor? I learned that the land was so poor that most peasants had to practice "shift" agriculture — abandoning a crop area after a few harvest and then moving on to another area, clearing the bush *without* the aid of draft animals. Enormous distances had to be travelled on foot (usually barefoot in the hot sun) and most of the peasants lived so far apart that villages did not exist in most cases. The implications of these to Western economic theory and concepts could be worth exploring, including the implications of village societies (gemeinshaft).

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If one opens Western textbooks on growth and development, one finds a discussion of classical, neo-classical, and Marxian theories revolving around labor, capital, technology and natural resources. For Western economies, it seems appropriate to focus on these factors together with wages, interest, profits and rent. But this framework seems strange and "off-key" in African community settings where there are not much wage labor, fixed capital, and technology, and also in Asia where small peasant proprietors and tenants predominate, using hardly any fixed capital, wage labor, and modern technology.[1]

Theories of economic growth stress in varying degrees the interdependence of labor, capital, and technology in the growth of the West. Institutional aspects are given scant attention. This may be justified since Western growth took place over two centuries, so that there was time enough for manpower development and institutions to adjust to technological changes. The transfer of Western capital and technologies can be done in a matter of decades (not centuries) but manpower development, and adjustments in social values and institutions (necessary for the efficient use of capital and technologies) are very difficult and take much time. Thus, the focus and emphasis in the growth and development of other countries must be on manpower development and institutional changes, both of which are closely inter-related if we define institutions as ways of thinking and doing, since it is only human beings who do the thinking and doing.[2] If so, perhaps we should start with a framework in which the urban and rural sectors are taken separately since the institutional characteristics of the two sectors differ so sharply, with traditional institutions dominating the rural sectors. In both sectors, the productive unit is predominantly the household, so that we need to focus on the growth of household incomes rather than individual incomes.

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[1] Max Weber in discussing pre-capitalistic forms of agriculture focuses on the household, clan, village, manor, and tribe. *General Economic History*, translated by Frank H. Knight, Glencoe, Illinois, 1927.

[2] Even for Western countries, the focus on labor, capital and technology is only the examination of what Moses Abramovitz calls *proximate* forces and one must turn to more ultimate forces, if we are to understand growth processes for policy purposes. For example, without bringing in institutional and other forces, it is difficult to explain the slower growth of countries like Spain, France, Italy, and Germany in the 19th century.

Travelling in Nigeria and Tanzania, I wondered much about manpower development, the latter concept to denote, besides the *quantity and skills* of labor as in production function and growth accounting analyses, also work habits which are deeply rooted in social values of loyalty and devotion to the enterprise, responsible and disciplined patterns of behavior, imaginative and innovating abilities, self-reliance and ability to work cooperatively and harmoniously with fellow workers, flexibility and willingness to learn, etc.

For developing countries, the record for the two postwar decades, (as reported in the IBRD *World Tables* (1976), Johns Hopkins Press), shows very rapid per capita GNP growth rates for countries like Japan, Taiwan, South Korea, Hongkong, and Singapore — about double those of Southeast Asia, about four or five times those of South Asia and African countries. The East Asian countries started out with very low levels of per capita capital stock (because of bombings during the war) and natural resources, and yet were able to borrow capital and technology and achieve high rates of growth. Were they able to borrow because of high levels of manpower development? If so, how were they able to develop their manpower? Formal education is one answer but is it enough, particularly when dropout rates rise to high levels and even those completing their primary schools cannot read effectively? There is more to manpower development than formal schooling, or even informal and nonformal education as far as DCs are concerned. The East Asian experience suggests that rural development is an important means of training efficient manpower for urban jobs — via the widespread diffusion of scientific agriculture (proper use of modern inputs like fertilizer, irrigation water and insecticides); the use of improved tools and simple equipment; business-like methods of marketing and purchasing, with attention paid to prices, costs, profits and accounting; experience in management and participation in agri-business, processing, rural banking, cooperatives and other farmers' associations and improving entrepreneurship; learning through home extension service modern ways of living (sanitation, nutrition, health, home management, child rearing, use of better household utensils and equipment); development of modern attitudes, self-reliance and democratic participation and so on, which took place not only in the postwar decades but also in the prewar decades. Compare all this with the typical traditional village isolated from the rest of the country except for infrequent contacts, depending heavily on the forces of nature as to the growing of crops and livestocks, as to the health and well-being of the community, beginning the day with the rise of the sun and ending with sundown, and earning a livelihood with centuries-old methods of production. This humdrum life is only disturbed by the vagaries of nature which bring untold suffering in the form of drought, storms, strong winds, diseases, and so on. Thus, traditional society is both monotonous and uncertain.

In Japan, manpower development begins early in life. Through nine years of compulsory formal education the students are required to take courses not only in the usual fields of knowledge and skill but also in moral education, whose objective seems to be to teach and practice good habits of working and living.

In oil-rich Nigeria, vast sums are being spent for superhighways with huge trucks, big machines, etc., and foreign workers are being imported to operate them (as is true of other oil-rich countries like Iran, Saudi Arabia and Libya). But is this strategy going to lead to sustained long-term growth of incomes and with low income disparities? Or is it going to be another case of unbalanced growth leading to stagnation before long? To develop the Nigerian economy one would think that instead of a vast network of superhighways[3], a network of railroads (which is more useful for peasants with their tiny surpluses to market) connected with small roads especially for buses, bicycles, irrigation works, perhaps electrification, may be more conducive for the long-term development of Nigeria.[4]

In moral education courses which are taught through the ninth grade, principles are taught and in the extracurricular activities which run through the twelfth grade, students practice and experience "the habit of observing group discipline, respecting responsibility and cooperating" besides cultivating the spirit of solidarity, the habit of wise use of leisure time and respect for work.[5] After finishing formal education there is an extensive network of mass media, led by the national television network, which continues to emphasize the trans-

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[3] In the three hour drive on the highway between Lagos and Ibadan, there were about 20 trucks wrecked on the side; apparently, the drivers were speeding too much to be able to make even the gentle curves.

[4] In Japan, the rural areas are covered by an extensive network of railways and scores of bicycles are parked in each railway station, indicating that the men and women going to town to work and to markets had parked their bicycles and used the railroads.

[5] See *Course of Study for Upper Secondary Schools in Japan*, p. 485 *et al.*; also *Course of Study for Lower Secondary Schools in Japan*, p. 235 *et al.* and p.

mission of skills, knowledge, and social values in ways which are said to make the Japanese TV one of the most effective educational TV systems in the world.

I believe that it is this kind of education which makes the extensive system of rural cooperatives and labor-management system in the urban areas work so well in Japan. Underlying the high savings rate, the acceleration of investment, and indeed the efficient operation of the whole Japanese economic system is the training in good habits of work and living which may be the secret of Japanese economic successes. And since the South Koreans and Taiwanese have been under similar systems before the war and as they continue to import and adapt the newer methods of Japan, they will be able to emulate the successes in economic life of the Japanese, and perhaps make it more and more difficult for Southeast Asians to catch up with them, especially in international trading.[6]

It may be that I know too little of Nigeria but the dreadful poverty of the peasants I saw in the villages was worse than one can see even in India. And watching people work in the airports, hotels, stores, offices, and construction jobs, one gets the impression that manpower development has a long way to go in all the countries I visited. I do not see how industrialization can proceed very far with such low levels of manpower development.

In contrast, the Tanzanian Government has invested heavily in rural development, emphasizing education, extension services, health, etc. But it was an odd sight to see hundreds of peasants walking barefoot on the macadam roads carrying tools and produce to and from their farms. I was informed that the resettlement of peasants into villages (called the "villagization" program) was forcing the peasant to walk a couple of hours a day to and from their farms. In most parts of Africa,

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240 *et al.*; *Course of Study for Elementary Schools in Japan*, p. 200 *et al.* and p. 205 *et al.* All three volumes are published by UNESCO and Ministry of Education, Science and Culture of Japan, 1976, Tokyo. See also *Basic Guidelines for the Reform and Education*, Ministry of Education of Japan, Tokyo 1972. The South Korean and Taiwanese educational systems also put heavy emphasis on moral education.

[6] The problems of Singapore and Taiwan are simpler, at least for the moment. They need not spend large sums to develop the rural sectors and instead they can spend directly for manpower development through their educational system and for housing, health, and so on. But (in the long run) the small size of their population will mean that local market constraints will slow down their growth.

switch agriculture similar to "slash and burn" agriculture had forced peasants to live far apart, and in these parts of Africa villages have not existed. Thus, without the agricultural basis, it was premature to establish villages and the problems of how to make possible continuous cropping on the same plot of land should have been solved first. Switch agriculture, tribal societies, low agricultural techniques, low-income levels on the one hand and low levels of manpower development on the other seem to go together. I was told in Tanzania that there are ways of developing permanent farming but that the peasants must be taught the methods. But the sloppy cultivating methods associated with switch farming (and poor health and nutrition associated with it) make difficult the teaching of better cultivating patterns.

One of the factors making for good working habits in the United States is said to be the strong loyalties of the employees to their firms (whether private or public). Loyalty to firm is also very strong among Japanese employees, perhaps even stronger than in the U.S. as far as economic matters are concerned. In other Asian countries, loyalty to the family is stronger than to enterprise or firm; in others to the clan, in still others to the caste. In the countries I visited I was told that loyalty to the tribe is still strong. In some of the countries of South America, class solidarity is supposed to be strong.

Perhaps this matter of loyalty as an element in economic efficiency needs to be studied. It is common knowledge that the Japanese employee will put all his efforts to further the goals of his firm, even to the detriment of his family as when he stays on his job night after night, neglecting the family.[7] If loyalty to economic organizations (whether private or public) is very strong, it will be favorable to economic efficiency.

If loyalties to the families, clans, castes and tribes, are very strong, economic efficiency may suffer because these are not purely economic institutions, but are a varying mix of social, cultural, religious, political, economic organizations. In such societies, hiring,

[7] In visiting Tokyo I often stay in a hotel in the Marunouchi district in the heart of Japanese Wall Street. I notice that young executives from the surrounding buildings (most of whose offices are lighted up far into the night) go into the hotel with just a brief case for overnight stays with the hotels furnishing plastic shavers, toothbrushes, and night clothes.

firing, promotion, and so on in factories, shops, offices and stores are decisions less frequently arrived at on the basis of economic considerations than on tribal and kinship grounds, with the result that problems of nepotism, corruption, absenteeism, pilfering, irresponsibility and mismanagement are intensified as in Nigeria. And political stability may be weakened in tribal societies as when dominant tribes struggle for power and gain. This may also partly account for the political instability of South American countries where the land-owning classes work closely together against the other classes as in Argentina, Chile, Uruguay. And since political parties put ideologies ahead of economics those selected for publicly owned industries in socialist countries may not be the most efficient, as in the case of Tanzania (where the ruling party is trying to build communist party type of loyalties to the party among the bureaucrats).[8]

If the foregoing speculation has any validity, we need to know more about loyalties — their historical roots, their different types, their interrelations with other values and institutions, and, above all, how to go about shifting them to economic enterprises and agencies (without however weakening social loyalties to families, clans, tribes). Historically, as Max Weber shows, Christians in Europe were able to shift their loyalties from religious activities to economic activities via the concept of "calling" in Protestant ethics. In Japan loyalty to class was shifted to loyalty to enterprise by means of large doses of material incentives: big retirement payments, permanent employment, generous semi-annual bonuses, subsidized housing, participatory decision-making, etc.

In sum, the problems of the developing countries are enormous indeed. They are not only short of capital and appropriate technologies, but they are short of appropriate manpower in the midst of increasing labor surplus. Manpower (skills and work habits) can be developed only in inter-relations with more capital, technologies and resources. Perhaps the problems look insoluble because of our way of

[8] The issue of "redness vs. expertness" that crops up in China and also the outbursts against Confucius whose system of social ethics emphasizes family loyalties are manifestations of the difficulties in shifting loyalties and values. Robert N. Bellah in *Tokugawa Religion: The Values of Pre-Industrial Japan* (Beacon Press, 1957), points out how important the central value of loyalty played in the emergence of modern Japan. Originating in the tribal period, and influenced by Confucian thinking, the Japanese extended it "beyond military concerns to include intellectual, economic and governmental interests", unlike the Chinese who confined it to family circles. The Japanese extension is said to be similar to that in Protestant ethics and also in Communism, see Chapter VII.

looking at development in terms of capital, labor, natural resources and technologies. If we think in terms of programs of rural and urban development, the problems may look less formidable because these programs are packages of interrelating factors of production within the context of institutional changes with manpower developing as externalities in the interplay of land, labor, capital and technologies.

Investment in Human Capital and Rates of Return

In the concept of human capital, it is assumed that the costs of such investment can be identified, and in actually deciding whether to invest in human capital or material capital, the rate of return on such investment can be roughly estimated. How do we go about identifying the costs of developing good working habits such as loyalty and devotion to the firm; responsible, disciplined, imaginative and self-reliant behavior, willingness to learn and improve and working closely together with fellow employees? These are working traits lacking in varying degrees in developing countries and probably account for a large part of the low efficiency.[9] But working habits are distinct from working skills and we do not know what their costs, if any, are.[10] Perhaps good work habits are like Kuznets' costless innovations which arise out of the experience in the mass application of a new technology. Japanese, Korean and Taiwanese employers prefer hiring unskilled and semi-skilled workers from the farms because of their good working habits.

In the use of social rates of return to guide governments in the allocation of public resources into different levels and kinds of education, how are differences in work habits taken into account, especially when these habits cannot be easily taught in the schools? One notices in the Philippines that workers from various localities, communities, and families have different work habits. This is not unique to the Philippines, but probably true in all developing countries.

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[9] Gary S. Becker, *Human Capital* (Columbia University Press, N.Y., 1964), in discussing different forms of investing in human capital, does not mention good working habits, and seems to confine himself to skills.

[10] Working habits should be distinguished from in-service training of specific skills which is a cost internal to the firm training the worker. Most of the working habits are mainly developed outside of the firm and in the community — in the home, schools, village, city, and so on. If they are developed on the farm and workshops, they are learned not through specific instructions but through associations, imitations, routines, etc.

A problem in the use of private rates of return is that of parents' motivations in sending (or not sending) children to school. A picture of parents comparing rates of return on a college education with rates of return on stocks and bonds (suggested by some versions of human capital theory) is certain to be out of focus in a gemeinschaft (or bayanihan) society, even if it may be roughly true in a gesellschaft culture.[11] A recent (1976) study of the Department of Education and Culture of the Philippines showed that parents want their children to go to college in order that they may achieve "better or improved stations in life than the one the elders were able to reach" and also "to give them support or care when they are in their twilight years." Gelia T. Castillo's study, "Alternatives for Rural Youth" made for the Council for Asian Manpower Studies, reported that "a good life" was perceived to be first of all "economic stability" and "living peaceful, happy and harmonious." Because life in developing countries is full of uncertainty and instability (as these societies are subject more to the forces of nature than in developed societies and because of intermittent and irregular employment conditions), it is realistic for most people in these countries to aim at maximizing stability, certainty, and security, even at the expense of higher incomes. And in gemeinschaft or bayanihan culture, harmony and happiness are values more important than striving for maximum wealth and incomes, (which in many instances must be shared with the less fortunate). No doubt, high incomes are desired but for the majority, the striving is not for the highest at the expense of happiness, harmony, and stability.

Frank Lynch, noted for his lifetime study of Filipino social values, speaks of economic security and social acceptance as the central values in Filipino society, and points out that these values are "standards used in making decision." (See *Let My People Lead*, F. Lynch, S.J., Jeanne F.I. Illo, and J.V. Barrameda, Jr. (Ateneo, Quezon City)]. In developing countries, like the Philippines where diversities and heterogeneities are rampant, it may be that for more modernized groups in urban areas, people may be maximizing incomes as in the

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[11] *Sociology in the Philippines*, by Chester Hunt, Agaton Pal, Richard Collar, Socorro Espiritu, John F. de Young, and Severino Corpus, Quezon City, 1963, Chapters 5, 9, 14. According to the book, p. 356, gemeinschaft or bayanihan society is described as "a type of community life in which intimate, traditional, sympathetic and neighborly relationships prevail. Primary group contacts predominate." On page 358, a gesellschaft society is "A type of community life in which impersonal, superficial, and businesslike relationships prevail. Secondarily, group contacts of a transitory sort predominate."

West but for the majority, especially those away from large urban centers, traditional values of economic security and stability with social acceptance will prevail because of the uncertainties of work and life. Once instabilities are overcome, people are in a position to maximize, as when one gets a secure job in the cities. On the other hand, for the poorest groups, the landless farm workers and the jobless slum dwellers and squatters, the problem of survival or getting at *any* source of livelihood may be the goal, irrespective of whether the income is a stable one. Thus, monolithic assumptions and theories focusing on one goal is not relevant for developing countries.[12]

Accordingly, parents will continue to send their children to college, no matter how the private rates of return turn out to be in relation to stocks, savings, deposits, etc. This may be part of the reason for the rapidly increasing demand for higher education despite large numbers of "educated unemployed." If the rates are higher for engineers instead of teachers or lawyers, there may be a tendency for parents to encourage shifts to the former and in this sense these rates are of value. But some caution in the use of private rates of return is necessary.

One hears frequently in Southeast Asia that farmers will do everything to send their children to high schools and universities in order to get urban jobs (whatever they may be) because they don't want their children to go through the arduous work that non-mechanized agriculture requires and the lack of amenities and dullness of village life. On the other hand, in the backward parts of Asia and Africa, parents refuse to send their children to schools precisely because they will become alienated from their village and culture, and leave for the cities. In Nairobi, I was told that schools built for the children of the Masai who are pastoral tribes are unoccupied because their parents fear alienation. This is not an uncommon phenomenon in many parts of Africa. Even in Japan before World War II, girls were not generally sent to college because parents thought they would not make good wives. Motivations vary in different gemeinschaft societies and these need to be studied if we are to make appropriate use of studies of rates of return.[13]

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[12] With the Japanese, one may say that incomes are maximized not on an individual basis but on a group basis whether this be the firm, the university or the cooperative. This may account for the minimal use made of microeconomics by Japanese economists.

[13] Cost-benefit studies of public projects also must be interpreted carefully because (among other limitations) we do not know many of the indirect benefits

Household Time Allocation Theory

This theory, mainly worked out by economists in Chicago, is now being applied to developing countries and economists in developing countries are getting interested in its application. Before we get too far in to it, we might want to listen to the views of some sociologists, who feel that the behavior of nuclear families in the Philippines especially in the rural areas is quite different from that in the U.S.[14] Its power to make decisions is constrained substantially by the needs of the extended family, kinship groups, compadrazo, neighboring farmers, barrio leaders and various associations, church and school groups, landlords, moneylenders, traders, and other interest groups. In a gemeinschaft or bayanihan rural society, important decisions of the households are usually made in relation to other households unlike the gesellschaft household in Chicago. The utility function drawn up on the basis of desires and needs of the given family is largely irrelevant when the desires and needs of other families, groups and organizations must be taken into account. And it is difficult to draw up a meaningful utility function for the one family *taking into account those of all others* for a bayanihan environment. One may need here a village economics framework to go along with the new home economics. But what of tribal societies of Africa where the family structure may differ even more markedly, with polygamy, and so on? [15]

Moreover, sociology books tell us that in these villages households are bound by an extensive network of social obligations and tradi-

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and costs, e.g., it is difficult to know what the costs in lives of drivers the superhighways network in Nigeria will be, nor the cost in terms of congestion and pollution they will bring to the cities on the highways. Indirect benefits from rural development projects are also difficult to foretell; but some evidence is emerging that irrigation roads, electrification, etc., may help reduce rural underemployment, lower income inequalities, improve health, reduce birth rates, and develop manpower skills and working habits. These indirect benefits are very important for most developing countries today.

[14] In addition to the book, *op. cit.* George M. Guthrie and Pepita Jimenez Jacobo extensively compare U.S. and Philippine societies in *Child Rearing and Personality Development in the Philippines* (Pennsylvannia State University Press, 1966). Also see books by Mary Hollnsteiner, Frank Lynch and others on Philippine social values.

[15] A curious type of family structure prevails in Ibadan, Nigeria. The wives keep their own earnings and accounts, completely separate from their husbands. For the family expenditures, each is responsible for certain types of expenditures, the wives for food, the husbands for clothing, etc. In farming the crops are

tional relations governing important decisions, which may leave them on many occasions with very little choice to move here or there along a given indifference curve or between the curves as may be the case in the gesellschaft household.

A major innovation in the New Home Economics is the inclusion of time for the home production of consumables. Time spent, for example, in leisurely activities (watching television or movies, listening to the radio or stereo, driving out for visits, for vacation, etc.) is regarded to be a major cost and hence must be taken into account in the home production function together with market purchased inputs. There is no doubt that in Chicago or New York time is a major cost but in a bayanihan society the rural sociologist will find it difficult to agree that time spent in leisurely activity is so important a scarce factor. As shown elsewhere,[16] time is what most peasant households in monsoon Asia have in abundance throughout most months in the year. (Time becomes scarce during the busy months of planting and harvesting the rice crop.) Especially during the dry seasons in the first half of the year, the peasants are hard put to find things to do. The Thai Census of 1970 taken in March reported that about 40% of the peasants were "waiting for the rains to come" and had to be classified as unemployed. Since the cost of calories consumed for the basal metabolic rate of the human body is a fixed, overhead cost, the opportunity cost of time during the slack seasons may be close to zero.

It is therefore customary in these villages to hold frequent festivals for days at a stretch, spend much time on religious worships, in kinship gatherings, etc. (In Thailand each year young men enter the priesthood for many weeks to do merit.) "Time consciousness" is at a minimum and especially in villages far away from cities and large towns, there is no need for timepieces such as watches and clocks, since appropriate time can be known by the position of the sun in the sky. But there is another reason for the low level of time consciousness.

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sold by the husband to the wife who does the selling, and in processing such as palm oil, the husbands are employed to do the heavy work. In all these transactions, much bargaining goes on, oftentimes with the wife ending up by buying another man's crop, and the men colluding to charge high rates to the women.

[16] See the Special Issue of *Philippine Economic Journal*, "Labor Absorption in East and Southeast Asia" (April 1976).

For that part of the day spent for producing market goods and services, some degree of time consciousness cannot be denied. For the value of each hour spent in such work brings in money income which is the scarce factor in these poor societies. But since the human body cannot labor continuously each day over the year for more than 8-10 hours per day, the remaining portion of the 24 hours in a day must be allocated to leisurely and biological functions. As long as incomes earned are low, there is not much income left for purchasing leisurely goods after buying goods needed for biological functions (eating, clothing, housing, etc.), even though much time is left for leisurely activities. The ratio of income available for leisure and of time for leisure (leisure income per unit of leisure time) is low in these societies.[17]

In the Chicago household, this ratio is very much higher. Time available for leisure has increased only slightly due to slowly declining hours of work but the rise in income due to the rapid growth of productivity in the factory, office, stores, and shops has left very large amounts of income available for leisurely goods and services, with the result that the ratio of income available for the purchase of leisure over leisure time available has become very high. And some of the leisure goods purchased are highly time intensive, e.g., T.V. watching which alone can easily absorb most of the time left for leisure in Chicago. A quick computation shows that the per capita expenditures for recreation, entertainment and cultural services in the U.S. (1973) was about $500 while for the Philippines (1972) it was less than $5.[18] In the U.S., there are so many things to do outside of working hours with so little time available that the efficient allocation of time becomes important. Thorstein Veblen points out that the coming of the machine industry made timepieces necessary because of the need for precision. It was the rise in income for leisure per unit of time available for leisure that made time consciousness so important a factor.

With the effective demand for leisure time so weak, the allocation of home time need not be precise. One need not be so "conscious"

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[17] Thus, leisure time is spent inexpensively — for social gathering, neighborly visits, dancing or simply sitting around.

[18] Based on data from the U.N. *Yearbook of National Accounts Statistics*, 1974, Vol. 3 (New York, 1975). It is difficult to estimate time available for leisurely activities but taking into account the underemployment in monsoon Asia, it might be 10 to 20 times greater. See *Philippine Economic Journal*, (April 1976) *op. cit.*

about time and something more or less is sufficient. It is, therefore, difficult to collect appropriate data to estimate time spent for most of the numerous home produced consumables (in the same way national accountants find it difficult to obtain time spent for home-produced output such as firewood). It is not likely that in bayanihan homes peasants go about allocating their time separately and distinctly into child care, health care, rest, leisure, house cleaning, washing, and so on. Since time is relatively plentiful, it need not be clearly demarcated into these activities and hence allocation only of a very rough sort is all that is needed. Moreover, some types of child care (such as playing with the child) can be leisure; some types of eating are for health, others for pleasure, and some for both. Some types of bathing and personal care can be for health while others are for pleasure. The over-lapping and jointness in home activities make their measurement in units of hours arbitrary. Under the circumstances, data collection for the new home economics is likely to be expensive, with respondents unable to give adequate replies to interviewers. About the only way out of these difficulties is to teach respondents to tell time, leaving clocks in the villages and record books, and then working out some arbitrary demarcation of activities which are multi-purpose. Stationing an interviewer in the home as time keeper (as one survey did), is just too expensive. Is this expense worth the effort when nonwork time may not be an important variable in these societies? [19]

One other problem about the home production function is the practice of valuing nonwork time by worktime earnings (or some shadow wage). Becker argues in his classic 1965 *Economic Journal* article that the value of nonwork time is similar to the opportunity cost of foregone worktime of a college student. But is this so? The student's foregone time has a real opportunity cost because it pertains to the regular working time which has to be foregone in order to attend college. But the nonwork time is *after* regular working hours. No human being can work 24 hours day after day over a long stretch. An average worker must have some time for leisurely, biological, and social functions. Time for sleeping, eating, cleaning, relaxation, rest, leisure, socializing, and so on is an absolute necessity. Nonworking time (after working hours) does *not* have opportunity costs (as in college education) for it is time spent for necessary activities and cannot be foregone — and this is so even in Chicago.

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[19] **Incidentally, we have difficulties collecting data on time spent during the *year* in all work activities, with breakdown as to different types of occupation and industry. No country in Asia (except for Japan) has such data.**

Finally, wages are paid for work because of the disutility of work. To infer that time spent, for example, for watching TV, involves disutility, is strange since the person watching TV will not do so if he is not enjoying it. In a real sense, wages of work include the cost of nonwork time insofar as sufficient sleep, food and leisure are necessary for efficient work, so that without them productivity of work will fall. Hence, the concept of total income in the new home economics may involve substantial double-counting.

These questions are raised because we do need a framework for the study of the household which is an institution very important in developing countries. Mary Jean Bowmann of the University of Chicago has suggested that the time allocation theory may furnish a useful framework, even though the theories may not be relevant for Asia, just as the Keynesian system furnished a valuable framework despite problems in the particular theories within the system. I would agree with this but if the problems suggested above cannot be solved, should we not simplify the framework and make no attempt to get such detailed data on home consumables as the theory demands? [20]

Perhaps it may be more constructive to say that the theorists of the new home economics have raised some important issues that need to be researched. In gemeinschaft societies, how much decision-making power do individual households have, and what are the processes involved? What range of choices is open to each households in the poor, tradition-bound villages, often isolated in remote areas? What do they maximize and optimize and how much knowledge about child care, nutrition, education, economy, and so on do they have in their decision-making? This last question is a basic one and we now turn to its discussion.

Rational Economic Behavior in Developing Countries

Agricultural economists like to say that peasants in developing countries are rational in their economic behavior. They point to the fact that when prices of crops are raised, output goes up and when

[20] The need to collect information on household activities other than for work has been urged time and again by statisticians, sociologists, demographers, economists, and others for some time, just as the framework suggested in the Keynesian system was preceded by Kuznets' work on national income, capital formation, commodity flow and consumption. But the expense of collecting the data has been the deterrent.

prices of inputs (like fertilizer) are raised their buying falls. But is this not due mainly to the response of the large farmers with ample land, credit sources, educated and skilled, located conveniently to markets with access to means of information and transport? What of the vast majority of smaller, poorer peasants?

When confronted with evidences of non-rational behavior, some economists would reply that within the environment and under the conditions facing the peasant, such behavior is rational. That is to say, if the peasant must go to a festival and spend days in festivities even though the seedlings must be planted or the harvest brought in, this is not irrational because if he does not go to the festivals he may be ostracized by his neighbors, who may then fail to help him with his harvest. Or if he fails to weed or use insecticides due to some superstitious reasons, this too is rational since he may worry about being punished by the gods, and if he fails to use sufficient fertilizer because of his fear of investing too heavily because he fears the risk of crop failure, this too is rational.

But rational behavior defined in this way is vague and tautological. Since peasants always have some reason to behave the way they do, all of their decisions are rational. Such a definition cannot be used in the usual theory of a firm and of an industry to derive conclusions about efficiency, output, price, and profits.

Nor is it sufficient to equate economic rationality to profit maximization alone. As Max Weber points out in his various books, the ancient Oriental traders were more strongly motivated economically than modern capitalists. Nor is it to be equated only with the careful accounting of money incomes and money expenses which Weber points out existed in China, India, Babylon, Egypt, Mediterranean Antiquity and the Middle Ages.[21] And as Talcott Parsons points out Weber's notion of rationality goes beyond profit-making into "attitudes toward the development of science, and more generally the whole type of culture and social organization which emphasizes universalistic principles, in law, in large-scale organization, private and public, and perhaps most of all in the organization of the modern university and the modern professions..."[22] Perhaps, it is best not to view the matter dichotomously as either rational or

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[21] Max Weber, *The Protestant Ethic and the Spirit of Capitalism* (New York, 1958), pp. 17-22.

[22] Introduction to *ibid.* Perhaps for our purpose it may be sufficient to define economic rationality as decision-making which leads to optimal, long-term effi-

rrational but as *degrees* of economic rationality, i.e., like competi-ion rationality ranges all the way from perfect to imperfect. The African peasant under conditions of "switch" agriculture must act ess rationally than the Asian peasants, and the latter much less so han American farmers with their high levels of education, science, echnology, incomes, and social surroundings. And within each country, the degrees of rationality may vary with respect to regions, provinces, and groups of people, as we noted regarding manpower levelopment.

From the point of view of Western economic theory, the more people behave in the ways specified and assumed in the theory, the more rational their behavior. But as J.M. Clark points out these "theories are typical models of how the market mechanism would work under specified conditions as to consumer behavior, entre-preneur behavior, etc. and the specified conditions do not probe deeply enough to explain the extent to which this behavior depends on the presence of a complex set of implementing institutions and pattern-setting institutions and, back of these, the whole body of social mores, all of which converge to make the market behave (approximately) in the ways the models depict, and in ways that are serviceable (in the West)."[23]

Since the institutions and social mores, plus the natural, techno-logical, and economic environment, are quite different, the degrees of rationality must also differ considerably. There are many similari-ties no doubt and so, some degree of relevance can be assumed but the issue is: how much and what adaptations and modifications must be made? And shouldn't economists interested in theoretical economics begin to concern themselves with these problems? Those of us interested in empirical studies have begun to think of ways of modifying types of sample surveys originating in the West to types which will give us better information for the problems of planning and policies more urgent in Asia. For example, in manpower statis-tics, conditions of work differ from developed countries. Irregularity and intermittence of work is extensive not only because of pro-nounced seasonality but in urban areas most factories and shops

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ciencies in production. Professor Encarnacion points out that rationality is what-ever that can be justified in a theoretical model.

[23] John Maurice Clark, *Human Institutions and Human Welfare*, (New York, 1957), p. 208. He goes on to cite loyalty to the firm as one of the social mores not explicitly specified.

schedule their operations on the basis of orders received, sometimes operating two shifts at other times half day or none at all; employment for these firms is monthly, weekly, and most often by the day. Consequently changes in jobs, occupations and industrial attachments are necessary for a substantial portion of the labor force. The difference in the labor market requires different types of surveys.

If it is true that behind social science models are the institutions and social values of the community as JM Clark maintains, then, the examination of the relevance of Western thought should not be confined to economics only but to all the social sciences, not only basic but also the applied social sciences. I have in mind, for example, management science. In the Philippines, what are usually taught are Western management models. How much of these are applicable to the conditions under which most firms operate in the Philippines? Since management has to deal with the relations between the manager and the managed, the difference between work habits and, in general, levels of manpower development of the workers here and in the West must be so great that Western models may have to be modified considerably before they work well here. Japanese management models depart radically from Western models and are said to work well in Japan but this is because they are based on Japanese institutions and social values.[24] The same goes for public administration as well. The increasing recognition of the need for multi-disciplinary research may partly reflect the dissatisfaction with Western models.

To conclude, just as we have learned in the transfer of Western material technology that adaptations are necessary to a greater or lesser degree, so is it time that we begin the modifications of Western economic and social thought to fit Eastern conditions. The example cited in this paper may just be the tip of an iceberg, so that the task is a huge one.

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[24] James C. Abegglen, *Management and Worker: The Japanese Solution*, (Tokyo, 1973), pp. 22-23, 27-28. Also M. Yoshino, *Japan's Mangerial System: Traditions and Innovation* (MIT Press, 1968).