

THE POLITICS OF INCOME DISTRIBUTION IN THE PHILIPPINES

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Introduction

The critical issue in the Philippines today is whether President Ferdinand Marcos, ruling by decree since martial law was declared in 1972, can promote a dynamic development of the national economy while reducing severe economic and social inequalities and allowing institutions which foster broad-based participation in national politics.

The Philippines in 1972 was on the brink of anarchy. For two and a half decades, government by the traditional oligarchy which assumed power at independence was virtually unchallenged and corruption permeated many important institutions ranging from Congress to local police forces. Though dissatisfaction was widespread, there was little organized opposition to the oligarchs. The one revolutionary movement which appeared to be serious in the 1950s was weakened by factionalism and succumbed to military suppression. In the late 1960s and early 1970s, the activities and growth of a new radical movement, the Philippine Communist Party's New People's Army, again posed a threat to order and provided the justification for Marcos' retreat to authoritarianism. It, too, may now be under control.

In exchange for full power, Marcos has promised the Philippines economic growth and social and political change, a "new society." But many Filipinos bemoan the formal abandonment of democratic processes—which had never favored the majority poor in any case but which had allowed the burgeoning Philippine middle class ample opportunity to participate in politics. Middle income groups now question whether martial law under Marcos and the loss of basic civil rights are being sufficiently compensated by economic and social restructuring to reduce inequalities and promote development.

This paper is an effort to assess in very general terms the extent to which the inequalities are being reduced by current government programs and policies and to what extent resistance to redistribution of wealth and opportunity may provoke crises that are likely to be met with increasing repression. For even with absolute political power, Marcos still requires general support from educated Filipinos in both public and private economic, social, and cultural spheres, and acquiescence, at least, from the low income majority in villages, towns, and cities.

An Overview of the Economy

The Philippines' single largest resource by far is its people. With a population of 43 million in 1976 and a reported annual growth rate of approximately 3.0 percent in 1970, there will be over 80 million Filipinos by the year 2000. How to feed and employ these Filipinos is a problem of increasing concern. To understand the problem, it is helpful to view the basic patterns of economic production and opportunity in the archipelago.¹

Agriculture, fishing, and forestry combined accounted for 33 percent of the Philippines' Gross Domestic Product (GDP) of ₱79,000 million in 1974.² Rice normally accounts for 17 percent of the agricultural contribution and is the single most valuable food crop, followed by corn. Over the past ten years rice production has increased substantially and very recently has begun to meet domestic needs. In 1967, 2.8 million metric tons of milled rice were produced and 2.92 thousand metric tons imported. In 1976, estimates indicate that domestic production increased to 3.98 million metric tons and virtual self-sufficiency. In the late 1960s and

early 1970s much of this increase resulted from widespread cultivation of new, high-yielding varieties, rather than added hectareage. In 1967, farmers planted 3.3 million hectares, in 1972 crop year only 3.1 million hectares, then 3.7 million in 1975.

The 1972 harvest was disastrous, however, as a result of serious typhoon flooding. Subsequently the government began in 1974 an extensive credit program to small farmers known as "Masagana 99." The government credits the program for the recent production increases, and it has undoubtedly contributed. As Masagana 99 reached more farmers in 1975 and 1976, rice hectareage increased 6 percent while production increased 12 percent.

The achievement is a crucial one for the nation's future: the Philippines has proved its capacity to achieve self-sufficiency for the present, and, barring natural or national disasters and prohibitive increases in farm costs, for the future will not need to spend precious foreign exchange on rice imports.

This foreign exchange savings has become increasingly precious as the price of sugar, the Philippines' most valuable export crop, has taken a nose dive on the international market. In recent years production has been high and made up 10 percent by value of agriculture's contribution to GDP. In 1973, it earned the Philippines US\$785 million at a price of US\$.65 a pound. Today, the world price is nearer \$.10 and production is being cut back as much as 30 percent, possibly more. Some recovery can be expected, but for the moment, the Philippine sugar economy is in trouble.

Other export crops, such as bananas and coconuts, have fared better during the recession. Over 90 percent of Philippine banana production is sold to Japan. Growth in the pesos value of banana production to meet the Japanese market has been phenomenal: from approximately US\$22 million in 1968 to US\$152 million in 1974. This now represents 2 percent of total agricultural production. Coconut prices have been steadier over the same period. The Philippines' exports represent two-thirds of the world's copra and 70 percent of the world's coconut oil. The value of this production has grown considerably from ₱1,646 million in 1973 to ₱3,704 in 1974.

Timber is also included under agriculture in the National Economic Development Authority's statistical reporting, and it deserves special consideration. Officially, 57 percent of the Philippines is "public forest land"; 30 percent is "productive forest" and therefore open to timber concessions. Throughout the 1973-1975 recession logs and timber products have been especially hard hit: exports fell from US\$415 million in 1973, most of it in the form of raw timber, to US\$150 million in 1975. In an effort to improve prices and promote local timber processing industries, the Philippine government reduced exports of unprocessed timber to 25 percent of allowable cut. The strategy seems to have had only marginal success, however, because most timber processing industries had inadequate processing facilities for responding to the increased international demand for timber products.

Overall, Philippine agriculture has done well during the past ten years. Yet, the sugar crisis has had a far-reaching impact on the entire economy because of the Philippines' enormous foreign debt.

Minerals contribute only 3 percent to national production, although copper merits special attention because it represents two-thirds of mineral production by value. But sales have been radically reduced by environmental pressures on smelting and the recession's impact in Japan, which buys more than 80 percent of the Philippines' copper. In 1974, Japan's copper purchases amounted to US\$361 million, but only US\$176 in 1975.

Much of the modern industry in the Philippines is based on processing of raw materials. Food processing accounts for almost a third of total industrial production, followed by chemicals and petrochemicals. Almost all raw materials for the latter are imported since the Philippines has not yet been able to exploit any of its petroleum or gas reserves. In all, industry represented 25 percent of GDP in 1974.

The next two largest contributors to GDP are services and commerce, accounting for 13 and 16 percent respectively. Should the Philippines' efforts to promote tourism succeed, these two sectors will probably expand more rapidly.

In 1976 the Philippines attracted 600,000 tourists—approximately the same number that arrived in Japan in 1963 and in Singapore in 1971.

Promotional efforts target the Japanese first, then overseas Filipinos and others. Prior to 1975 tourist authorities reported only 3,500 first-class hotel beds in Manila. Now there are nearly 10,000 (and a thousand times as many fears that they will never be filled). But if the Singapore experience is relevant, they will be; and tourism will become one of the most important service industries in the Philippines. An enormous investment has been made and now needs effective promotion. With Hawaii saturated, Guam in decline, and Thailand politically insecure, the Philippines, with its martial law and low prices, offers the security and bargains that most tourists seek.

In sum, economic growth in the Philippines has been respectable by world standards, especially during the "recession years" between 1973 and 1975. The average annual rate of real growth over the past ten years has been over 6 percent: the lowest was 4.5 percent in 1972, and the highest 9.8 percent in 1974.

Distribution of Income—Low Income Groups

The Philippines has traditionally been an agricultural society, but employment in the agricultural sector is declining as a proportion of the total. In 1960, 61.2 percent of employment was in agriculture, in 1971 only 50.4 percent. In 1971, most working Filipinos derived their cash income either as farmers (35.4%), agricultural wage earners (10.7%), or fishermen (4.3%). During the same time period commerce and services increased their share of the labor force from 8.8 to 12.4 percent and 11.5 to 17.2 percent. Employment in manufacturing, on the other hand, decreased from 12.1 to 11.5 percent.

Philippine rice farmers, at least until very recently, have achieved relatively low yields. Average yields in the Philippines in 1970 were 1.72 tons per hectare, compared with 2.14 in Indonesia and 5.64 in Japan. Increased use of modern technology—especially irrigation—has markedly improved yields among adopters, but productivity—for corn as well as rice—still ranks among the lowest in Asia. Some of this relatively low yield can be accounted for by the substantial percentage of rainfed upland rice lands.

In 1960, 40 percent of rice farmers and 50 percent of corn farmers were tenants, the majority

being share tenants who paid up to 50 percent of the value of their crops as rent—after deducting harvesting and threshing costs. These high rents have been matched by high interest rates for informal credit. In 1971, for example, share tenants received 45 percent of their loans from their landlords or from private moneylenders at an average of 30 to 40 percent interest per year. The Department of Agrarian Reform estimates that in 1976 tenant farmers made up about one-sixth of the agricultural work force in the Philippines. Along with landless laborers and plantation workers, they represent the single most important group of poor in the country.³

Income statistics from Nueva Ecija, in Luzon, lend perspective. Nueva Ecija enjoys optimal conditions for rice cultivation and is a major rice-growing province. Yet its share tenants have the lowest average income per household (see Table I). Tenant incomes can be presumed to be lower in other regions of the country. (Information on the number of sharecroppers or wage laborers in Nueva Ecija is not available.)

The 10 percent of the labor force living from agricultural wages, fishing, and coconut production, may be among the poorest of the poor, although not the largest group of poor. The minimum farm wage as of 1970 was ₱4.75 per day; but even government officials observe that compliance is erratic and difficult to enforce. Sugar plantation workers are reported to earn as little as ₱2 per day since the recent collapse of the international sugar market. The vast majority of this 10 percent are sugar plantation workers in the western Visayas and parts of Luzon and coconut farmers throughout the country. In the sugar regions vast estates are still intact and employ seasonally at least 500,000 workers. The recent collapse of the international market price, as noted above, has resulted in the partial layoff of approximately 175,000 workers.⁴

Statistically, the severest poverty in the Philippines is in western Visayas—primarily the islands of Panay and Negros—where 13 percent of all families earn less than ₱500 per year and 19 percent earn between ₱500 and ₱999.⁵ In Luzon, where rice cultivation predominates, 5.5 percent of the families have incomes of less than ₱500 and 18.8 percent receive between ₱500 and ₱999 per year.

TABLE I

**Average Household Income in Pesos, by Crop,
Season, and Income Group
(Nueva Ecija, Crop Year 1972-73)**

Mean gross income per hectare (in pesos) from palay production, by crop semester and tenure group (Nueva Ecija, Crop Years 1969 to 1971)

Crop Semester	Owners	Lessees	Share Tenants
January-June 1971	₱1,047.28 (N-7)	₱495.04 (N-33)	₱499.09 (N-39)
January-June 1970	839.65 (N-13)	536.21 (N-36)	374.28 (N-64)
July-December 1971	668.94 (N-30)	599.12 (N-122)	643.79 (N-115)
July-December 1970	763.57 (N-32)	698.89 (N-169)	438.40 (N-136)
July-December 1969	656.95 (N-49)	484.56 (N-159)	369.29 (N-241)

Source: Integrated Agricultural Survey of June 1970, January and June 1971, and January 1972, Bureau of Agricultural Economics.

As given in Mangahas, Miralao, and de los Reyes, *Tenants, Lessees, Owners: Welfare Implications of Tenure Change*. (Alteneo de Manila University Press, Quezon City, 1976), p. 115.

The economic situation of new settlers in the northern regions of Luzon and the southern island of Mindanao lies somewhere between plantation workers and traditional rice farmers. Since the mid-1950s the government has attempted to resettle tenant farmers from saturated regions of Luzon and the Visayas on relatively uncultivated lands in these far northern and southern regions. By 1973, 44,000 people had settled on government reserved land. However, only 9,500 of these were officially resettled by the government;⁶ the re-

mainder relocated on their own initiative, often without title to the land. An unknown number, perhaps several hundred thousand, have migrated to these regions and have "unofficially" settled on traditional tribal lands as squatters.

Why has resettlement failed so far to improve opportunities for increasing settler incomes? First, the policy was conceived chiefly as a means of relieving tenancy problems in Luzon, and insufficient

attention was given to aiding the settlers. (Some noticeable exceptions have been where private Christian organizations have assisted individual settlers' communities.) Second, conflicting economic interests have complicated conditions in the resettlement areas. Conditions in Mindanao are illustrative of the types of problems settlers confront. Legal title, for example, had been secured for only 4 percent of settler holdings as of 1974. Irrigation—the key to rice productivity in Mindanao—is available on only 2 percent of resettlement lands. Finally, large-scale agribusinesses, such as banana and coffee plantations, have expanded in the resettlement areas, especially in central Mindanao. Without clear title, many settlers lost land claims based on usage and became plantation laborers. The numbers affected are unknown, yet the process seemed common in the late 1960s and it may have intensified under martial law and Marcos' promotion of corporate farming. Of course, the extent to which the overall economic welfare of the small farmer is improved or worsened in the shift to plantation worker is debatable, but many farmers have attempted to resist.⁷

Resettlement has run into other problems as well. The cultural minorities who lived in relative isolation in the far north of Luzon and in southern and western Mindanao have resented the intruder. While tensions have surfaced in both areas, the "Christian" settlement in Muslim areas of southern Mindanao has led to violent, armed revolt and demands for local autonomy and protection of land rights by Muslims.

Since 1960 the national work force has been growing at a rate of 2.6 percent a year overall, but only 1 percent in agriculture. On the other hand, 77 percent of the population is classified as rural. This means that currently there are some 500,000 new job seekers each year, most of them ruralites, and only about 77,000 are being absorbed in the agricultural sector. The remainder, it appears, are entering urban sectors, as Table II indicates, or remaining in rural areas without work. Many of the latter are youth.

Much of the labor surplus which agriculture does not absorb ideally should be transferred to manufacturing. But there has also been a percentage decrease in manufacturing employment, as a

consequence, it appears, of the capital-intensive nature of the Philippine industrial growth in the 1950s and 1960s.

Most of the percentage growth in employment in services, transport, and commerce points to increasing under- and unemployment, particularly in urban areas. Unable to find jobs in agriculture and industry, work-age Filipinos have joined a growing labor force of self-employed street vendors and scavengers. The problem is also reflected in the increasing number of squatters in Manila over the past 20 years. Estimates of the number of squatters range from one-quarter to one-third of all households. Physical conditions are visibly bad. Perhaps half of the squatters earn less than the minimum wage.⁸

In recent years, inflation has ravaged wages despite increases in the minimum rate. Wage rates for skilled and unskilled laborers in Manila increased about 20 percent between 1973 and 1976, yet real wage rates actually decreased by more than 25 percent in the same period. Obviously, minimum wages do not apply to self-employed workers; where they do apply, they are hard to enforce.

It is impossible to state precisely the degree of unemployment *and* underemployment. According to official government statistics, 10.8 percent of the urban work force is looking for jobs (as opposed to 4 percent in rural areas). ILO and others suggest that 25 percent of the population is without "sufficient" work (presumably to meet basic consumption needs). In any event, the statistics appear to err in favor of underreporting of unemployment. The countryside, to seasoned observers, gives the impression of serious under- and unemployment.

The data on employment are weak and subject to different interpretations. But together with statistics on changes in income distribution in both rural and urban areas, they indicate that inequalities are increasing to a point of critical concern.

As the figures in Table III reveal, the relative economic deterioration of the lower 40 percent in rural areas is serious, although other evidence suggests that extreme low incomes are markedly regional. For example, in the mountainous Ilocos region and the Cagayan Valley region of northern

TABLE II
Aggregate Trends in Sectoral Net Value Added and Employment, 1960-1971

Sectors	Shares in net value added and employment					
	1960			1971		
	Net value added (1960 prices)	Employment	Relative value added per employee	Net value added (1971 prices)	Employment	Relative value added per employee
Agriculture	33.5	61.2	0.55	36.5	50.4	0.72
Mining	1.2	0.3	4.00	2.3	0.5	4.60
Manufacturing	19.6	12.1	1.62	19.8	11.5	1.72
Construction	3.6	2.7	1.33	2.6	3.4	0.76
Transport, utilities	5.1	3.4	1.50	3.4	4.6	0.74
Commerce	17.1	8.8	1.94	14.2	12.4	1.15
Services	20.0	11.5	1.74	21.2	17.2	1.23
	100.0	100.0	1.00	100.0	100.0	1.00

Sources: National accounts data and labour force surveys for October 1960 and November 1971. Accounts data exclude imputed rents on owner-occupied dwellings; employment in October 1960 is adjusted for under-enumeration.

Source: International Labor Office, *Sharing in Development, A Program of Employment Equity, and Growth for the Philippines* (ILO, Geneva, 1974), p. 12.

Luzon and the western Visayan islands of Panay and Negros, 42.78, 44.61, and 45.71 percent of family incomes, respectively, are less than ₱1,500 a year. The fertile rice and corn growing regions of central and southern Luzon, however, show only 22.10 and 23.70 percent for the same low income.

Despite the tightening labor market described above, Table III indicates a more encouraging prospect for achieving greater equality in urban incomes, although statistical inaccuracy appears to be a more plausible explanation. As the ILO report points out, "...for the top 10 percent of urban families, the data imply a fall of almost one-third in real income from 1965 to 1971, which is surely implausible."⁹

It may be reasonable, therefore, to assume a marked deterioration of equality in rural areas and, at best, no or slight changes in urban distribution.

Upper Income Groups

Concentrated ownership of natural resources—especially land—has provided the top 20 percent of income earners 51 percent of all rural income (Table III). The World Bank reported in 1960 that 5.6 percent of farms were over 25 hectares, and made up to 25.3 percent of cultivated area, while 41.1 percent were less than 2 hectares and made up only 11.8 percent of cultivated areas. 18.4 percent of all farms were between 5 and 25 hectares.¹⁰

TABLE III
Indicators of Income Distribution
Total, Rural and Urban, 1956, 1961, 1965, and 1971

Indicator	1956			1961			1965			1971		
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
<i>Quintile of families (percentage of total family income)</i>												
Lowest 20 percent	4.5	7.0	4.5	4.2	5.9	3.8	3.5	5.0	3.8	3.8	4.4	4.6
Second 20 percent	8.1	11.1	8.0	7.9	11.8	7.5	8.0	9.5	8.0	8.1	8.9	9.4
Third 20 percent	12.4	14.7	12.2	12.1	13.5	12.5	12.8	15.3	12.0	13.2	13.9	13.4
Fourth 20 percent	19.8	21.1	20.0	19.3	21.9	19.5	20.2	23.0	18.7	21.1	21.8	21.9
Top 20 percent	55.1	46.1	55.3	56.4	46.9	57.1	55.4	47.2	57.5	53.9	51.0	50.7
Top 10 percent	39.4	30.1	39.6	41.0	31.1	40.9	40.0	30.0	41.7	36.9	34.4	33.4

Source: International Labor Office, *Sharing in Development, A Program of Employment, Equity, and Growth for the Philippines* (ILO, Geneva, 1974), p. 10.

Amado Guerrero—the nom de plume of one of the leaders of the Maoist New People's Army—asserts in his radical analysis of the Philippines that ownership and control of wealth is even more concentrated.¹¹ He gives figures—the source of which he claims are lists by provincial assessors—suggesting as much as 3 million hectares, about 40 percent of all cultivated land, are in holdings of 50 hectares or more, ownings between 50 and 1,000 hectares in 1968, 204 above 1,000 hectares and 8,914 between 50 and 199 hectares. His figures—the sources for which he does not cite—would place as much as 3 million hectares, about 40 percent of all cultivated land, in holdings of 50 hectares or more.

The World Bank's report, more than Guerrero's, suggests two kinds of rural "haves": a very wealthy landowner class and a middle income farmer. The former represents inherited wealth from the haciendas formed during Spanish colonial rule. The latter appears to reflect substantial, systematic investment in small and medium-sized farms. The importance of the middle-income farm group has become apparent in the process of implementing the current land reform. It was discovered in a

Department of Agrarian Reform survey that 88.6 percent of "small land" owners (24 hectares or less) were absentee and not cultivating their own land. A few were government officials and armed services personnel. Many of the rest were retired, in other occupations in small towns, had immigrated to the United States, or were holding family plots cultivated by relatives. About 90 percent owned less than 7 hectares. The critical point here is that most of these small and medium-sized absentee landowners earn nearly 75 percent of their income (averaging over ₱3,000 per year) from their land. To confiscate their land would affect, in President Marcos' words, "...part of the economic middle class we are trying to build...."¹²

Certain patron-client relationships are institutionalized in the rural sector. In return for collecting a percentage of harvests from tenants, and extending credit at high interest rates, landlords perform a variety of patronage functions. The tenant is provided some rice or corn to see the family through lean periods just prior to harvests. Landlords also help to cover extraordinary medical expenses, intervene with local government officials in dealing with legalities, and provide free use of

vehicles for emergencies. Usually, however, the tenant is not provided with a home lot or vegetable plot. This last point has become a problem in implementing the land reform.

Such patron-client relationships do not exist in the highly commercialized economy of the sugar plantations, where farm labor is on a wage basis rather than share tenancy.

The obverse side of the patronage network is the accumulation of power by the estate owners and even middle-range farm owners. By virtue of their domination of local social relationships, local government, and constabulary forces, landlords in the past could provide votes for whatever candidate provided the promise of future favors. Often these favors were special credit facilities for large industries or import licenses for capital goods. Throughout the 1950s and 1960s the Philippines pursued a policy of import substitution through import controls and other measures to protect local industries producing for local markets. Thus import facilities for capital goods could become political favors. As a result, much Philippine industrialization took the form of "political" industries which served the economic interests of traditional elites. The cement industry, as George Rosen documents in his analysis of premartial law Philippines, is one example:

As early as 1967 when there were already nine cement factories, a DBP [Development Bank of the Philippines] official already recommended that the bank stop buying equity and guaranteeing the purchase of cement plants. That recommendation, which was based on serious market studies, was thrown to the winds. Since then, five more cement factories were supported by the DBP.... Now the cement industry is hopelessly overcrowded. [It] is threatening to raise the price to Pesos 6.50 per bag in the face of a glut if only to raise funds to meet maturing and past due obligations with the DBP....

Why did the DBP allow the establishment of more plants?

"We are helpless," a spokesman said. "Politicians come to us contesting the

validity of our studies and practically telling us to approve their projects," he said.

Don't they know that the industry is crowded and therefore their proposals are not profitable?

A ranking leader of the cement industry had a very frank answer: They are interested only in kickbacks arising from the overprice in the purchase of cement plants.

He said the average cost of Peso 12 million per plant is invariably raised to Peso 18 million or a kickback of Peso 6 million. With a Peso 6 million "profit," some plants do not care even if the DBP seizes the collateral....

The "raid" on DBP funds happens every four years, or every presidential election year. A junior DBP executive said that during national election years all sorts of projects are presented for financing to the DBP.

The projects are almost always poorly studied and overpriced, resulting in their failures, he said.¹³

Even if such industrialization were not entirely efficient, it produced, along with widespread American-style education, a growing coterie of technicians and managers, energetic and ambitious men who proliferated in middle management and government bureaucracy. Some of them may now decry the inefficiency of former industrial efforts, others simply demand more opportunity through greater laissez-faire and rationalist economic policies. In any event, in recent years they have worked hard and have done well. They may well account for much of the increase of income in the "fourth 20 percent," from 18.7 to 21.0 percent (Table III), in the urban sector between 1965 and 1971. Although they exist primarily in urban areas, they are new and represent a break in the old patron-client and plantation owner-farm laborer syndromes of the traditional Philippine economy.

Today, many of these middle- and upper-income groups have been threatened by martial law. We have already noted the effect land reform can have

on middle and large rural landholdings. In urban areas, the concentration of power in the central administration and the strong personal financial interests of the Marcos and Romualdez (Mrs. Marcos) families equally threaten interests of middle- and upper-income groups. Bureaucrats, businessmen, and professionals—many liberal, bourgeois, enterprising, and educated—are weary of arbitrary rule under martial law and chafe as the Marcos and Romualdez family fortunes go on growing. They long for the comfort of former “democratic” practices—with all their imperfections—of habeas corpus and elections.

Another elite deserving mention, of course, is composed of Americans. Under colonialism and subsequent treaty agreements between the United States and the Philippines, Americans have enjoyed parity rights in the Philippines’ economy. As a result American entrepreneurs have developed substantial interests in the economy, although many of these were devolved with the lapse of parity rights in 1973. Former controlling interests in large mining and refining industries have been replaced with Philippine majority interests. Overall, however, American direct investments have continued to increase in line with Philippine government investment regulations and incentives, and their presence remains strong. “Old-timers” are nostalgic for the “good old days” of parity. New American managers respect the growing ability of Philippine government experts on the Board of Investment to administer other incentives.

Politics of the Distribution of Income

The failure of politically democratic regimes since independence to cope effectively with economic inequalities was inevitable, for “politics” was ultimately neither national nor democratic. Regional and local power bases—built largely on landed wealth—were blocks in a political pyramid. Votes were bought and sold and voting was controlled either by patron-client bonds or heavy-handed police interference in vote casting or counting. In many regimes, the politician capable of constructing a patronage network and buying enough regional oligarchs won national “elections.” Within such a framework, where money, land, and political interests exercised power, demands for reform—particularly from the middle class—could be heard but were never fully

answered. Several land reforms were attempted but implementation was incomplete. Moreover, peasant movements based on economic grievances surfaced from time to time but were ill organized. Organized labor suffered equally from poor organization. Only one, the Hukbalahap or anti-Japanese peasant army which flourished in the 1950s, ever became even a mildly serious threat to regional political elites in Luzon.

By the late 1960s what little stability the Magsaysay government had achieved through the collapse of the Huk rebellion was lost. At least three factors were at play: political squabbles for power within the oligarchy on such sharp issues as American “neocolonialism”; deterioration of law and order to the point where private armies and corrupt local police brought terror wherever and whenever local power elites thought advantageous; and the emergence of a more highly organized Communist Party of the Philippines, with its New People’s Army, simultaneously with an array of left-of-center political and labor movements. By the end of the ’60s, conditions were chaotic: strikes, assassinations, revolutionary struggles, corruption, and seizures—all contributed to the growing crisis. American cruise ships even stopped calling in Manila. Under such conditions either martial law, anarchy, or a widespread and violent revolutionary struggle seemed inevitable. Corruption and decay had ravished virtually all political institutions—democratic and oligarchic.

Martial Law and Political Change

Martial law came first. In invoking constitutional provisions allowing a Proclamation of Martial Law, Marcos established both personal arbitrary rule by decree and promised major social reforms in his “new society.” In 1973, he wrote “That society will endure whose members enjoy social equality—in other words, a society which has eliminated economic inequality.”

One of Marcos’ first political initiatives under martial law was to remove important opposition, both oligarchic and liberal, from national politics. For many this meant political detention—as in the cases of Benigno Aquino, Eugenio Lopez, Jr., and Sergio Osmena, Jr. All three were accused of subversion (the last two of attempts to assassinate Marcos); all were members of wealthy families but

enjoyed liberal support; and all had opposed Marcos at one time or another. But all represented party politics and have now become, in the eyes of politically active and educated middle-income groups, martyrs of Marcos' martial law.

Marcos subsequently created "people's assemblies" through which he now conducts national referendums for general expression of public support for his policies. He has used the assemblies on several occasions—once to demonstrate public support for continuation of martial law. Votes in the assemblies are hand cast publicly. Marcos cites the referendums to establish legitimacy for his rule; however, with 90 percent of all votes cast in favor of whatever it is Marcos seeks, questions are raised about the validity of the count and the atmosphere of coercion. These exercises in political participation have certainly not convinced peasants organized by the New People's Army or the politically astute middle class.

Marcos has enhanced military and police effectiveness as instruments of national power in a number of important ways. The military has been substantially re-equipped through nearly a three-fold increase in defense budget allocations over the past three years. Furthermore, control of police forces has been removed from local political influence by creation of an integrated national police and a civilian "home defense" force under provincial commands. The latter move is recent, is costing nearly ₱600 million in 1977 (or 12 percent of total defense allocations), threatens privately controlled police forces, and to undermine the private armies.

By so centralizing political and military power, Marcos has been able to move against his oligarchic and liberal oppositions, and the political left as well. The New People's Army, while not defeated, is in a defensive position. A number of its leaders have been captured. Definitive estimates of its current strength are impossible, as the Marcos regime variously overestimates its strengths as a warning to Filipinos, or overestimates its weakness as a show of the regime's strength. He has also arrested over 1,000 political leftists and labor activists. For the moment, at least, most labor and farmer organizations have assumed more politically docile positions.

To the extent that martial law has given Marcos power to control his immediate enemies, it has also given him time to formulate and implement the economic policies of his "new society." Ultimately, Marcos' fate rests not on the short-term political expedients which are facilitated not by martial law but rather on the impact and success of his economic policies.

New Society programs to create greater equality in income and reduce poverty run a gamut from land reform to squatter resettlement in Manila, from encouraging foreign investment in labor intensive industries to organizing government agricultural cooperatives, from subsidizing production credit for small farmers (Masagana 99) to creating village marketing organizations. But no one of these has the same immediate potential redistributive effect as land reform. Some, such as urban squatter resettlement, are being heatedly contested by any of the intended beneficiaries. Others—Masagana 99, for example—are proving difficult to administer. Masagana 99 is already ₱646 million in arrears—about 24 percent of the total credit of ₱2.6 billion extended by the program. The government cooperative movement, intended to assist farmers in savings and support land reform, has run into a host of problems, perhaps the most important being excessive dependence on a centrally administered bureaucracy. Indeed, the experience of the cooperative movement may well reveal a major dilemma of the Marcos government. Martial law has so centralized political and administrative power that many low income economic and social groups feel their vital interests are either unrepresented or are abused.

The Critical Test of Land Reform

It is impossible in a paper of this type to describe in detail efforts to alter the economic disparities we have identified in Part II that stem from land tenure patterns. Nonetheless, a few salient features of the land reform can give some indication of its problems and prospects for economic reforms. It is the critical test for the nearly one million poor tenant farmers promised land under the reform.

The land reform stipulates that all privately owned rice and corn landholdings in excess of seven hectares will be distributed to those farmers who cultivate it—up to three hectares of irrigated land and five hectares of unirrigated land per cultivating

tenant. Absentee landlords can lose all their land if it can be proved that they have other major sources of income. Compensation to the landlords—value is determined by a village committee consisting of landlords, tenants, and village officials—is equal to two and a half times the value of the previous three-year average production of the land.

The scope of the reform as projected by the Department of Agrarian Reform is enormous, and the number of people to be affected escalates as field surveys discover more tenants and landowners. As of January 1977, the department had identified 914,914 official tenants deserving the 1,422,988 hectares of land they tilled. This accounts for 23 percent of all rice and corn lands in 1974, and perhaps as much as 17 percent of all rice and corn farmers.¹⁴

Actual transfers are proceeding slowly and encountering a number of obstacles. The first step to transfer of ownership is the issuance of a certificate of land transfer to the tenant. So far, only 164,700 certificates have been distributed to tenants although over 300,000 have been printed. The discrepancy is due to a number of causes: landlords taking legal action against claims on their land; tenants not being members of the government-sponsored cooperative movement—a prerequisite for issuance of the certificate; and landlords mortgaging land to avoid detection. But even with the certificate the tenant still has to negotiate the value of the land with the landlord before compensation can begin. Compensation requires 10 to 20 percent cash payment and issuance of Land Bank bonds to the landlord. Once this is accomplished the landlord-tenant relationship ceases and the tenant receives full title upon amortization of his debt to the Land Bank.

As of June 30, 1976, the Land Bank had compensated less than 6 percent of the designated landlords on behalf of 26,100 tenants. The problems behind this low figure are complex. Most farms targeted for reform have been large, over 24 hectares; and many of their owners have diversified into other field crops exempted from the reform. Sometimes the landlord refuses to cooperate with the village committee responsible for land valuation, thus delaying the whole process. In some instances, landlords have offered tenants better crop sharing terms and convinced them that it is better

to remain a tenant than become an owner. Sometimes the tenant balks when it comes time to sign the amortizing agreement with the Land Bank. This has happened on several occasions when the tenant finds that his home lot has not been included in the holding or when the tenant thinks a better deal can be struck by holding out. In other words, tough bargaining occurs and administrative enforcement of the operation is too weak to push all parties into agreement.

It is still too early to declare the reform a success or a failure. If it is successful it will have created a new class of lower middle-income farmers and, assuming landlords lose local political influence and power in the process, a new political group with a solid economic base. If it fails because of intransigence, obstruction, and poor enforcement, whatever traditional stability that existed between landlord and tenant on the basis of patron-client bonds will be further shaken. The Philippines countryside will then be extremely volatile.

Resistance, Participation, and Reform

Martial law as a force for implementing the economic growth, reforms, and equity goals of the "new society" will be severely tested in the coming years. If the "new society" is to succeed, politics must reconcile the inherent contradictions of three traditions within Philippine society and respond to the resistance they offer: its conservative Catholicism dating from the Spanish colonial rule; the democratic tradition (albeit abused) of free economic and political association; and the corruption and exploitation of the traditional patronage system based on entrenched economic interests.

First, the Catholic Church has changed considerably in many instances over the past few years within the Philippines and throughout the world. But traditions do not easily change, especially in a country with 85 percent of its population Christian. Thus the "new society," with its emphasis on regulating population growth, runs into resistance from conservative elements of the Church on basic policy issues. While their concern for poverty is real, the solutions they offer are not always in accord with the "new society" programs. For example, on population growth:

...When it is attacked by pushing the pill, encouraging vasectomy and campaigning

for divorce and abortion, we can undermine the moral fibre of the nation. Undermine this, stress pleasure and convenience as the passports to happiness; forget the need for sacrifice and discipline—and we will surely be destroying the drive to work, the push for productivity, the awakening of a general social consciousness.¹⁵

Second, other Catholic groups do “push the pill.” And many of these same groups have been in the forefront of economic and political association through organization of farmers and workers. Branches of the Federation of Free Farmers—perhaps the largest nongovernment farmers’ organization—were developed in Mindanao and the Visayas with the strong support of Maryknoll and Carmelite priests. Their political activism set them apart from the mainstream of the Federation and they were purged in 1973, with the help of martial law detention powers; this left wing of the Church nevertheless continues to push for greater participation by all rural and urban low-income groups. Their resistance to martial law has become a critical issue in Church-State politics because several foreign priests have been deported and two Filipino priests have been arrested for “subversive” activities.

More secular efforts to promote participation in economic policy by liberal party activists and their supporters, by unions, squatter movements, and farmer organizations have also offered resistance to “new society” programs. The small private cooperative movement has very much felt itself pushed aside by the government cooperative movement. Similarly, the middle class—most notably academics and private businessmen—has felt its role inhibited by increased bureaucratic involvement and Marcos/Romualdez economic interests in what it feels should be private sector initiative, as the following statement reveals:

The solutions proposed are all very good. No one should quarrel with rural development, the encouragement of small- and medium-scale industries, particularly those that use appropriate technology to process appropriate products. But governmental schemes to push these objectives can be very expensive. The cost and time involved in pursuing

these schemes can be stretched way beyond the nation’s financial capacity and patience. But the reason why they are so stretched lies in the basically statist approach, where the government does most of anything, while everyone else gapes and wonders over the instant results produced.¹⁶

Third, new political patronage and entrenched interest will have to be confronted. This will be a particularly difficult problem for at least two reasons: first, Marcos and his wife, Imelda, on too many occasions have pursued personal economic interests and patronage contrary to the equity objectives of the “new society.” Second, there are still many instances where the police are under the control of local economic interests.

Conclusions

It is hard to draw conclusions at this stage. Martial law, it will be recalled, was one of three possible alternatives in 1972—the others being anarchy or violent revolution.

If the “new society” programs do not succeed in their basic objectives, the other alternatives become increasingly probable. Anarchy would in essence mean civil war: military and police factions would again be used to protect the entrenched interests the “new society” failed to ameliorate and reconcile with its goals. More likely, however, would be increased support for revolutionary violence by low economic groups frustrated by the failure of the “new society.”

Neither of these alternatives is pleasant and both may be avoided. But it will require greater opportunity for participation than martial law currently permits (and consequently less resistance) and much more reform. It will require, in effect, an end to martial law and far greater responsible, participatory politics than were known even prior to 1972. Political leaders now in prison, underground, or merely intimidated must once again be allowed to organize reformist political movements with broad-based participation.

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NOTES

1. Data for this section have been taken largely from two sources: National Economic Development Authority: *Statistical Yearbook of the Philippines*: 1976. (Manila, NEDA, 1976) and Central Bank of the Philippines: *Statistical Bulletin*; Vol. XXVII, December 1975 (Manila: Department of Economic Research, Central Bank of the Philippines; 1976).
2. U.S.\$1.00 currently equals ₱7.40. In 1914 US\$1.00 equaled approximately ₱6.80.
3. This estimate may be low as it is based on the Department of Agrarian Reform's field surveys of tenants eligible for the current land reform. Other estimates run as high as 25 percent. No thorough analysis of land tenancy was available to me in writing this report.
4. From unpublished data provided by the Center for Research and Communications, Manila.
5. See Republic of Philippines, Department of Labor, "Conference on Sugar Crisis," mimeographed press release, undated.
6. As cited by Rocamora and Panganiban, *Rural Development Strategies: The Philippine Case*. (Ateneo de Manila University, Institute of Philippine Culture, Quezon City, 1975), p. 70.
7. The phenomenal growth of the Federation of Free Farmers on Mindanao during the late 1960s was due to active organizers and also to attention farmers received from FFF lawyers in land claim cases.
8. Harkin, Dunkin, "The Philippine Land Reform," in *Land Tenure Center Newsletter*, No. 48, April-June 1975, p. 11.
9. ILO, *Sharing in Development: A Program of Employment Equity and Growth for the Philippines*. (Geneva, ILO, 1974), p. 9.
10. As quoted by Rocamora and Panganiban, p. 131.
11. Guerrero, Amado; *Philippine Society and Revolution*. (Hong Kong, Ta Kung Pao Press, 1971), p. 185.
12. Rocamora and Panganiban, p. 64.
13. Rosen, George, *Peasant Society in a Changing Economy*. (Urbana: University of Illinois Press, 1975), pp.69-70.
14. See David Wurfel, "Philippine Agrarian Policy Today: Implementation and Political Impact," unpublished manuscript.
15. Estanislao, Jesus and Edgardo Garcia, "Poverty in the Philippines," a monograph published by the Center for Research and Communication, Manila, 1976, p. 7.
16. *Ibid.*

NOTES ON THE DISCUSSION, MARCH 16, 1977

by Brewster Grace

The discussion centered on several specific and general questions and issues:

1. Why have urban areas, most notably the sprawling Metro Manila region, been relatively neglected in economic planning;
2. What are the origins and roles of the Philippine middle class;
3. What are the prospects for the land reform and what are some of its current problems; and
4. What are the key strengths and weaknesses of Marcos' martial law administration?

The Metro Manila urban complex, which sprawls around Manila Bay, contains over five million persons and several major cities—Manila

being the largest. Mrs. Imelda Romualdez Marcos is mayor. The key problem, obviously, is poverty arising from unemployment. The critical issue is whether current development strategies which serve overall growth objectives can in any way contribute to easing its economic stress. Emphasis on agribusiness or even diversification away from small-scale subsistence production, while serving economic growth, is failing to create enough jobs in the rural sector to reduce the flow of job-seekers to Metro Manila. On the other hand, it may be sufficiently destructive of traditional values to rend the rural social fabric, leaving people without the customary support of family members or a *patron*. This is a universal phenomenon and dilemma which the study group felt that the paper should examine in more detail in order to portray the very pressing problem of Philippine urban poverty.

The study group also felt that the paper failed to describe adequately the Philippine middle class, although it is among the most significant in South-east Asia. The importance of Philippine entrepreneurs cannot be overstated. Extensive education, large bureaucracies, and liberal capital traditions have given this class enormous social and political importance. Their impact on and their reactions to current politics need to be more fully described and analyzed. In particular, we need to investigate the degree of compatibility existing between middle class economic and social demands and Marcos' political ambitions, and between each of these and the needs of the very large numbers of urban and rural poor.

The paper pointed to the land reform as one critical strategy where these various needs and demands intersect and possibly conflict. While the study group acknowledged the importance of the reform to rural stability as well as economic development, several members expressed the opinion that it was, in essence, a political gimmick since it ultimately effected only a small percentage of the rural poor. They also pointed to some major contradictions in the land reform policy, such as applying the reform to small, middle-income land-owners, yet needing to develop middle-class political support. Finally, serious doubts were expressed concerning the ability of a highly centralized yet factionalized bureaucracy to carry out the "New Society's" distributional reforms.

Indeed, this centralization and factionalization of the administration was seen as one of the deeper problems confronting the Marcos regime. As a corollary, many members of the group agreed with the paper's thesis that the ever-expanding influence of the government was both stifling private initiative while failing to generate effective public sector activity. The group noted that coordination of economic planning and investment was seriously lacking and that much investment was going to the wrong places. The hotel construction boom reflected this—those who control credit dictate investment policies which are not necessarily

meeting broad public need. Many members of the study group believed that the extensive Marcos-Romualdez financial interests compounded this problem and generally reduced the credibility of the administration.

In defense of the Marcos administration, arguments were made that labor-intensive industries are hard to establish overnight; especially given the history of the corporate agriculture's expansion without concern for social consequences. Second, it was argued that martial law had at least brought competent technocrats into top administrative positions and their careers depend on delivering the (development) goods. Some of their accomplishments are more than token—e.g., there has been considerable development of roads, electrification, schools, and health centers.

When Marcos imposed martial law in 1972, there was general agreement that the move would help re-establish order and create an atmosphere of stability in which economic growth could take place. Despite this initial consensus, martial law government has failed, in the study group's opinion, to achieve such stability, and for a number of reasons. First, under martial law, such private groups as student organizations, church social-action programs, and farmers' organizations have been restricted, and where they have not been, as in the case of Religious Superiors, they have been seen as a threat. Second, and consequently, Marcos increasingly relies on his technocrats, who are often regarded with suspicion. Finally, some members expressed concern about the emerging importance of the military and police as a component of Marcos' strength.

In sum, the discussion recognized the enormous economic potential of the Philippines now enhanced by promises of a new and stable society. It expressed concern, however, that martial law may have created new political interests, new social discord, and disoriented economic planning to the point of threatening those reform efforts designed to bring about greater equality.