

# A Political Explanation of Economic Performance: The Post-Independence Philippine Economy

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The study aims to explain the uneven trajectory of the Philippine economic development from a political point of view. The focus is on the characteristics of the Philippine state and its impact on the national economic development. The Philippine case suggests that a certain developmental strategy per se is not a sufficient condition for national economic development. The determining factor for economic development is rather the state autonomy and capacity to mobilize internal resources effectively and to create amicable foreign relations, which are the characters of developmental state. In the post-independence Philippines, a kind of developmental state have emerged, and they achieved a certain degree of economic development. The developmental momenta, however, were interrupted by the changes of the political leadership. It seemed that the short-lived developmental states of the Philippines succeeded to pick up the national economy temporarily, but failed to institutionalize the mechanism for long-term development. The ups and downs of the trajectory of the Philippine economic development could be explained by the highly personalized Philippine politics.

**Key Words:** the Philippines, economic development, political economy, developmental state

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## I. Introduction

Historically, the Philippines is seen as a window of Western civilization to East Asia. During the wave of democratization in the 1980s, Filipinos had enough reason to be proud of being in the forefront of the regional democratization movement. When it comes to economic achievement, however, the Philippines' self-esteem as the first and most democratized country in Southeast Asia could not stand strong. Compared with neighboring countries that belonged to the same bloc under the Cold War division, the Philippines, in fact, lagged behind in terms of economic performance.

The history of the Philippine economy has been studied from various perspectives. Based on the extensive research on the business sector, specifically the industrial sector, Yoshihara (1985) and Rivera (1994) identified the structural weakness of the capitalist development in the Philippines. The conflict of interests between and among the capitalists in the Philippines seemed to determine the course of Philippine economy. In such a situation, the Philippine state was not firm enough to support the groups which had potential to bring about national economic development. Such argument was also well described in the study of Salgado (1985) and Lichauco (1988). The lack of nationalistic traits among the Filipino capitalists and the weak state authority were a few of the factors mainly blamed for the lagging economy.

Hutchcroft (1996) described the Philippine economy as "booty capitalism," which was rooted in patronage politics and clientelism. Decision-making criteria became highly personalized, and the frequent changes of political leadership made the national economic policy short-lived and unstable. De Dios and Hutchcroft (2003) blamed the political and institutional constraints for the uneven and lagging character of the economy. Given the weak capacity of the state, the economic policies were abused by the privileged groups on

the way to plundering the national economy. The characteristics of the Philippine capitalist development during the western colonization provided a foundation for the modern Philippine capitalism as described above.<sup>1)</sup> Some efforts to break out of such inheritance had been made in various ways, but these were not strong and persistence enough to transform the character.

Theories of economic development in the 20<sup>th</sup> century prescribed a number of remedies for less developed economies(LDEs). The structuralists' theory of the 1940s and 1950s emphasized the economic structure of LDEs and the nature of their exposure to the international economic system as potential constraints for economic development. They argued that only the state's promotion of a steady process of structural transformation, focusing above all on the development of a diversified domestic industrial sector through import-substitution industrialization(ISI) could overcome such problems. The basic idea of the structuralists transmitted to the developmental economic theories and neo-Marxist economic theories, which were of strong currency until the 1970s. Developmental economists<sup>2)</sup> emphasized the role of the state in breaking down the structural constraints of LDEs. Economic development can only be achieved by state planning and managing of the market. For neo-Marxists, the immediate cause of underdevelopment was the existing pattern of class control over the disposition of the surplus. The dependent situation of LDEs on the world metropolitan economies for access to finance, market, and technology deprived LDEs of indigenous capitalist development (Hunt 1989, 47-85). Although the neo-Marxist's dependency theory was useful to unveil the unequal features of the capitalist world economy, it was not able to prescribe a plausible alternative for LDEs.

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1) For details, see Corpuz(1997) and De Dios and Hutchcroft(2003).

2) Specifically, Nurkse, Leibenstein, Myrdal, and Hushman (See Hunt 1989).

Such theoretical efforts for economic development encountered an impasse in the 1980s not only because of the rising tide of economic liberalism but also because of the growing recognition of the idiosyncrasies of each LDE. The developmental theorists failed to come up with an universal theory which could apply to the diverse situation of LDEs. The advance of post-modernism in social science further undermined the efforts to build a general theory by arguing that "there is no common reality outside the individual" (Schurman 1993: 11). As a result, each country's historical and socio-political background became an important area of concern in order to pin down the causes of poor economic performance and to search for possible solutions.

The Philippines is one of these countries which tried out various developmental strategies according to the fashion of the day - ISI policy in the 1950s, export-led industrialization(EOI) in the 1970s, and liberalist policy in the 1990s. Each stage had its own justification for the specific economic strategy in which it was conceived and implemented. This paper aims to explain the uneven trajectory of the Philippine economy from a political perspective. The focus is on the characteristics of the Philippine state<sup>3)</sup> and its impact on the success and failure of the national economic development.

This paper consists of four sections. The first section serves as an introduction. In the second section, three periods of high economic performance in the post-independence Philippine history are identified and reviewed their economic policies and results. It is to discern whether development theories per se sufficient to explain the trajectory of Philippine economy. In the third section, a political explanation of the three periods is supplemented by analyzing the characteristics of the state as an important agent of national

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3) This study subscribed to the Weberian definition of 'state' where it implies the governing body or organizations claiming control over territories and people. Thus, government, administration, and bureaucracy are representing the state in this study.

economic development. The fourth section is devoted to the concluding remarks wherein the role of the state in economic development would be reflected by the case of Philippine economic trajectory.

## II. The Philippine Economic Policies for Development

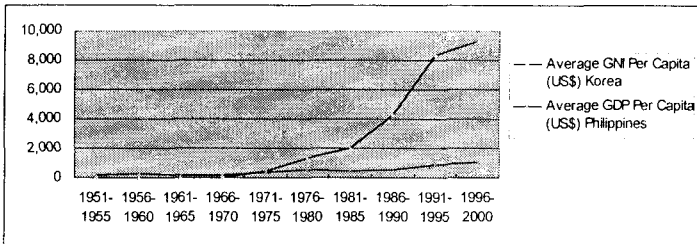
In the Southeast Asian context, the Philippine economy has performed badly and lagged behind. As table 1 shows, the Philippine economy moved slowly in comparison with the neighboring countries. The figure 1 provides a comparative perspective with one of the East Asian NIEs, South Korea, which started from a similar economic situation, but made a dramatic difference after 50 years.

Table 1. Average Growth of GDP in Southeast Asia, 1950-2000(%)

Country	1950-60	1960-70	1970-80	1980-90	1990-2000
Indonesia	4.0	3.9	7.6	6.1	4.2
Malaysia	3.6	6.5	7.8	5.3	7.0
Philippines	6.5	5.1	6.3	1.0	3.2
Singapore	n.a.	8.8	8.5	6.6	7.8
Thailand	5.7	8.4	7.2	7.6	4.2

Source: Balisacan and Hill (2003, 7).

Figure 1. Historical Economic Performance: Korea and the Philippines



Note: The data used in this figure are growth national income (GNI) for Korea and growth domestic products (GDP) for the Philippines. No significant differences exist between these two figures, especially when per capita income is calculated. The same figure also appears in Kim (2002, 343)

Even though the Philippine economy moved slowly on the average, some years in its history achieved a significant economic success. Many studies (Carroll 1965, Lichauco 1988, Rivera 1994, Lim 1996, Hill 2003, etc.), which dealt with the history of the Philippine economy, identified the three periods as developmental moments. These are the periods of the Magsaysay administration in the 1950s, the martial law Marcos regime in the 1970s, and the Ramos administration in the 1990s.

In the late 1940s, the communist-led peasant uprising reached up to the neck of the central authority, and a serious balance-of-payments crisis drove the Philippine economy to near bankruptcy. Such political and economic problems urged the Philippine state to take emergency measures to cope with such crisis. Supported by the US government, the strong anti-insurgency drive under the Magsaysay leadership successfully broke the back of the uprising in the early 1950s. The state under Magsaysay adopted a number of economic rescue programs upon consultation with the US. In order to save the deteriorating balance-of-payments situation, the state imposed import and exchange control policies. On the other hand, the state adopted ISI policy to promote national industrialization. The protection policy was basically contradictory to the prevailing

norms of free trade that underpinned the country's relations with the US. However, the US agreed to the implementation of the import and foreign exchange control in the Philippines after a careful analysis of the situation.<sup>4)</sup> As Rivera (1994, 114) cited in a broader perspective, the US considered these barriers to free trade as a "temporary program until global economic equilibrium and growth could be restored in the aftermath of the war."

The foreign exchange control by the Central Bank limited the importation of many items which considered as luxuries. As a result, private capital was induced to set up local industries that would produce the items whose importation was either restricted or prohibited. Under the ISI policy, locally manufactured goods were sold in the domestic markets. It also encouraged the local capitalists to shift their business from agriculture exports to industrial manufactures. The World Bank, in a country report on the Philippines, described the Philippine economic performance during that decade as "one of the more impressive records of economic gains among the less developed countries" (Lichauco 1988, 147-149).

In the early 1970s, the Philippine society was under the storm of newly reviving communist movement along with economic stagnation. Marcos declared martial law in 1972, and took serious measures for economic development. The two important strategic policies were adopted and implemented, which were the export-led development that focused on non-traditional manufactured exports and foreign investments, and the Green Revolution (agricultural reform). The state created an attractive climate for foreign investment by amending existing laws on local and foreign investment (Brillantes and Amarles-Illago 1994, 85). The high investment pattern

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4) The US government dispatched an economic mission, so called Bell Mission, to diagnose the problem of the Philippine economy. The Bell Mission pointed to the Bell Trade Act (free trade agreement with the US) as the agent in the near bankruptcy of the country (Salgado 198 37).

was sustained throughout the seventies, particularly from 1974 to 1976. Lim (1996, 9) noted that this was the result of the state's conscious efforts to go into massive infrastructure spending, partly to spur economic growth and legitimize the martial law.

According to Villegas (1988, 62), external forces provided the direction of economic policy during the martial law regime. The state economic planning body, the National Economic Development Authority (NEDA), synchronized the activities of state agencies to follow an export-oriented industrialization (EOI) program, which was recommended by the Ranis Mission.<sup>5)</sup> The spectacular increase of the US economic and military assistance supported the arguments that the US deeply involved in the martial law regime. The international financial institutions provided the martial law regime with an unprecedented amount of loans. Between 1950 and 1972, a period of 22 years, the Philippines received US\$326 million from the World Bank. During the eight-year period of martial law, from 1973 to 1981, the Philippines received more than US\$2.6 billion from the same institution (Salgado 1985, 59).

In the early 1990s, the Philippines was suffering from economic setback and political instability mainly due to the frequent military coup attempts. As soon as Ramos came into power, the state initiated several measures to dismantle oligopoly and induce competition in many industries such as telecommunications, oil, and shipping. The fast-track implementation of liberalization and privatization policies achieved significant results for the Philippine economy. The state under Ramos sought even a more attractive climate for foreign investment by liberalizing nationality requirements in the Omnibus Investments Code (Brillantes and Amarles-Illago 1994, 86). The foreign-owned electronics firms located in the country's export-

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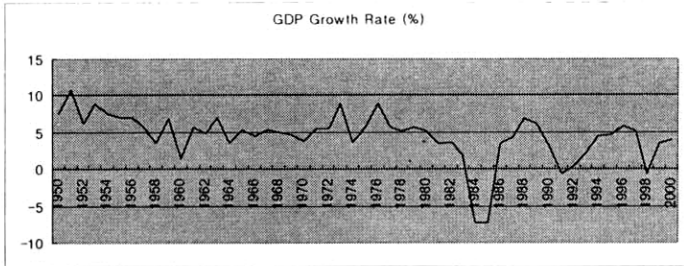
5) It was a project of the International Labor Organization supported by the World Bank. It came in 1973 with the wide-ranging recommendations for employment and growth policies, which were adopted by the Marcos martial law regime.

processing zones were recognized as the driving force of the 1990s export growth. According to the estimates by the Philippine Economic Zone Authority (PEZA), over the period 1994-99, manufactured exports from these zones rose from 22% to 50% of the country's total (Hill 2003, 231).

The liberalist economic policy under Ramos was the mainstream of the world economy in the 1990s. The global trend of neo-liberalism led by the international regimes comprised irresistible forces for the weak and debt-stricken Philippine economy. The fast approaching regional free-trade regimes, ASEAN Free Trade Area (AFTA) and Asia-Pacific Economy Cooperation (APEC), and the emergence of the World Trade Organization (WTO) pushed the Philippine economy further into the global arena. The period from 1994 to 1997 was recognized as a period of recovery and growth in the Philippine economy. Its graduation from the International Monetary Fund (IMF) program in 1998 and emergence as a new Asian tiger economy supported the success story of this period.

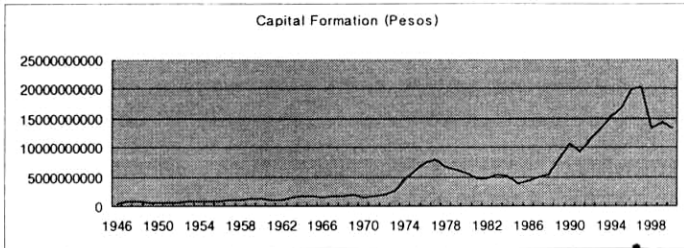
As reviewed above, each period under different environment had its own motives and strategies to bolster up the Philippine economy. The high economic performance of these periods could be confirmed by some macro-economic data. The figure 2 shows the higher GDP growth rate during these periods compare to other periods. In the Figure 3, the late 1970s and the 1990s shows the high capital formation which is one of the important criteria for economic development. However, the high economic performance could not live long, and the trajectory of the Philippine economy drew the ups and downs pattern.

Figure 2. GDP Growth Rate, Philippines, 1950-2000



Source: (raw data from) The Statistical Coordination Board of the Philippines.

Figure 3. Capital Formation, Philippines, 1946-2000.



Source: (the raw data from) The Statistical Coordination Board of the Philippines.

As far as the developmental strategy is concern, the Philippine tried out as various ways as other countries did. However, the results were quite different not only from one country to the other but also from one administration to the other within the same country. It suggests that the developmental theories per se could not provide a sufficient explanation for the success and failure of the Philippine economy. Such explanatory deficiency leads us to seek alternative approaches. As an important agent for national economic development, the state could provide a key to access the truth as the development state theorists claimed.

### III. The Philippine States and Economic Development

The role of the state has attracted a lot of attention as far as the economic development is concerned. The arguments of developmental state(DS) has evolved along with the changing economic environment. As for the explanation of the East Asian economic success, the conventional theory of DS emphasized such elements as dedicated developmental elite, competent and relatively insulated bureaucracy, state autonomy, absence of actual or perceived threat to the sovereignty of the country, etc. (Johnson 1982, Amsden 1989, Wade 1990, Applebaum and Henderson 1992, Evens 1995). The advance of globalization, however, undermined the continual utility of the conventional theory of DS. The increasing integration of economic space around the world poses the question of what local or national actors can do promote development within their territory (O'Riain 1999). Globalization and the spread of technology have made citizens more skillful in collecting and utilizing information. This 'skill revolution,' together with the acquisition of global norms, has changed the nature of political authority. Citizens are becoming more knowledgeable on issues that concern them and less deferential to traditional sources of authority (Hirata 2002). Many of the institutionalized relationships that were formerly so effective and functional have become self-serving and obstacles to needed reform (Beeson 2003).

On the other hand, some argues that globalization is not only constrains but also contributes to the expansion of governing capacities through both the transformation of public-private sector relations and the growth of policy networks. It is the idea that the state has an 'adaptive' capacity that allows them to respond creatively to the evolving international political economy. Significantly, Weiss(2003, 19-24) argues that such adaptive processes will be predicated on, and informed by, an existent pattern of

institutions that will delimit the range of possible responses and innovations. The key issues revolve around the degree of state capacity to act effectively in an era characterized by increasingly pervasive competitive and regulatory pressures. This ability is sustained by the multiple embeddedness of the state in professional-led networks of innovation and in international capital and by its flexible organizational structure which enables the effective management of this multiplicity (O'Riain 1999).

Even though the theories of DS have evolved into various perspectives, it seems that whatever the role it plays the state is still in the center of discussion when it comes to national economic development. As Leftwich(2000, 169) strongly argues, "it seems unlikely that it is possible in the modern world for any society to make a speedy and successful transition from poverty without a state that in some respects corresponds to this model of a developmental state." There are certain characteristics of the state which are considered as indispensable for development regardless of changing the time. Among others 'state autonomy,' 'state capacity' and 'amicable foreign relations' are still strongly counted for the conditions of being a DS.

According to Evans(1997, 65-74), the structural heart of the economically successful DS is the embedded autonomy. Without autonomy, the embeddedness becomes captive. Without embeddedness, joint projects that engage the energy and intelligence of business cannot be constructed. In other words, if the state is captured by any specific groups or sectors, it could easily be an instrument for them to facilitate their personal interests rather than to promote that of the national economy as a whole. The state capability is closely discussed with the strong state arguments.<sup>6)</sup> The

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6) Migdal(1987, 397) argued that state could be strong if it gets people to do what its laws and other rules prescribe, and if its policies have their intended effects on people's behavior. Doner(1992, 399) described two features of a strong state. Firstly, the state should be insulated from societal forces. Secondly, it should be well

strong state, on the other hand, is often considered as inflexible and thus incapable state in the fast changing economic environment. Such concept as 'flexible developmental state'<sup>7)</sup> became a closer concept to the state capability (O'Rain 1999). However, in the context of LDEs in which the people and the society are still at the stage of needing the role of the state for their course of action the concept of 'strong state' is still relevant for arguing the capability of the state. Furthermore, the strong state tends to establish social stability which affects economic development significantly. Social stability provides the state with favorable condition to implement economic policies effectively in domestic and international arena. Lastly, foreign relation is a crucial element for LDEs that leads to economic development. Structural constraints, such as shortage of capital and lack of technology and management skills are the common causes for LDEs to falter their economies. In order to facilitate the access of the scarce resources, the amicable foreign relation is indispensable. The above three characters of the state guide the following discussions.

## 1. The State under Magsaysay(1954-1957)

The assumption of Magsaysay to the presidency of the Philippines was quite unusual to the common practice at that time.<sup>8)</sup> Unlike his

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organized sufficiently to implement coherent policies.

7) The flexible developmental state is defined by its ability to nurture Post-Fordist networks of production and innovation, attract international investment and link these local and global technology and business networks together in ways which promote development (O'Rain 1999).

8) The typical presidentiable of the Philippines was featured as "a lawyer, in his 50s, college-educated in an elite university in Metropolitan Manila, and with a long and rich experience in government affairs...he is a member of the elite, the superior few who are chosen from the many who were called to serve the polity" (Agpalo, Remigio E. 1983, cited in Brillantes and Amarles-Illago 1994, 68).

predecessors, he was neither a lawyer nor a member of the traditional elites. His political career mainly relied on his experience in public service. By that time, the most influential political power bloc was the sugar bloc. The sugar industry was the major industry in the Philippines shortly after the country's independence. But the sugar bloc was not the main leverage of Magsaysay's success in the presidential race. Although he was the presidential candidate of the Nacionalista Party, which was one of the two major political parties then in the Philippines, his own extra party organization led by men personally loyal to him, called Magsaysay for President Movement (MPM), and the secret support<sup>9)</sup> from the US were said to be the main barrel for his presidential campaign. The sugar bloc supported Magsaysay in 1953 only after he appeared a sure winner. Although the sugar bloc remained the strongest economic pressure group in the country, Magsaysay's electoral victory broadened the political elite spectrum by incorporating young Catholic activists, the progressive-minded military and technocrats (Brillantes and Amarles-Illago 1994, 38). As a result, the state under Magsaysay had a good condition to be autonomous from its inception.

Magsaysay enjoyed great popularity from the masses, which became the foundation of the state capacity. Projecting his image as a man from the masses proved successful. Many people believed that Magsaysay would restore free and genuine democracy to the country. The tremendous popularity of Magsaysay caused the exodus of Liberal Party members into the Nacionalista Party during the race for Congressional seats (Carlos and Banlaoi 1996, 92-3). As President, Magsaysay gave significant efforts to set stability in the country

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9) Aside from the secret support by the Central Intelligence Agency (CIA), psychological warfare operator, Col. Edwar G. Landsdale, estimated the contribution by American business interests operating in the country to the Magsaysay election campaign amounted to some US\$250,000. Such financial contribution from foreigners was against the law but found its way into the Magsaysay camp (Brillantes and Amarles-Illago 1994, 106; Carlos and Banlaoi 1996, 92).

where the insurgency problem was yet to be resolved. Accompanied by the military campaign against dissidence, the state passed the Land Reform Act of 1955, which led to the accelerated acquisition by the state of big estates and the opening of public agricultural lands for distribution and sale to the tenant-farmers. The Court of Agrarian Relations was also set up to settle tenancy disputes (Brillantes and Amarles-Illago 1994, 82).

While maintaining its pro-American foreign policy by supporting the US political and military strategies in the region, the state under Magsaysay also participated in the Bandung Conference on Afro-Asian States in 1955. Magsaysay's pro-American policy was not blind loyalty to the country to which he owed his position a significant part. It was during his term that the first rupture in Philippine-American diplomatic talks happened, when the 1956 negotiations for the expansion of the US military bases broke down (Brillantes and Amarles-Illago 1994, 79). In sum, the state under Magsaysay secured a significant level of state insulation from the traditional elites, and increased the state capacity based on high popularity. The state also nurtured an amicable foreign relations not only its close ally but also other countries. The internal and external strength of the state made possible to carry out developmental and nationalistic economic policy without major constraints.

## 2. The State under the Martial Law Marcos(1973-1980)

The Philippine Constitution of 1973, which adopted a parliamentary form of government and ratified under martial law, made Marcos the all-powerful executive who held the position of President and Prime Minister at the same time. The rhetoric for justifying such extreme ordinary power concentration was to change the fundamental defects of the Philippine society, which tended to be oligarchic. Marcos claimed that "the oligarchic elites manipulate the political authority

and intimidate political leaders," while "the masses," because of their poverty, dependency, and lack of organization, "perpetuate a populist, personalist, and individualist kind of politics" (cited in Abueva 1988, 53). Marcos closed down the once-powerful congress, which was a multifaceted symbol of an elite representative system and countervailing legislative power, as well as of horse trading and patronage, privilege and corruption, outside the executive branch (Abueva 1988, 57).<sup>10</sup> It was noticeable that the newer and non-landed capitalists entered into local manufacturing by accessing loans and privileges from the state authority (Rivera 1994, 121). As a result, the state was able to insulate from the traditional elite group, and the power vacuum was filled with the Marcos cronies.

The state capacity under the martial law was based on the citizen submission or acquiescence through its coercive power and its guarantee of peace and order. The expansion of public works by mobilizing the people under the catchphrase of "New Society Movement" increased the state penetration to the society. The creation of public job, the extension of credit to rice farmers, the availability of rice and other essential commodities at regulated prices, and the state's control over public information provided a favorable condition for social stability.<sup>11</sup> The state effectively mobilized the people and resources to reforming the country with authoritarian means.

The state under the martial law reaped a great advantage from foreign relations, especially with the US. The drastically increased

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10) On the other hand, Rivera (1994, 119) observed that while temporarily displacing the oligarchy from its traditional base of political power - at least, during the closure of Congress and abolition of elections - the Marcos regime did not seek the actual destruction of the oligarchy's economic base of power, even for its most prominent enemies. As long as foreign loans were available, there was less need to confront politically the oligarchy and the industrial oligopolies and extract more resources from them.

11) For more details, see Abueva(1988, 55-64).

long-term foreign loans demonstrated the attractive climate for foreign investment. The state exerted efforts to improve foreign relations with the countries which used to be ignored previously, such as China, the former Soviet Union, and other East European and Asian countries. It also expanded ties with the Muslim world, befriending member countries of the Islamic Conference in order to thwart their backing of the Muslim separatists in the southern Philippines (Brillantes and Amarles-Illago 1994, 80). Although various points of criticism to the martial law regime existed, the state was in fact successful to insulate from the traditional oligarchy and increased the state capacity. The practical and diversified foreign relations supplemented internal stability to be possible. Such internal and external environments made possible for Marcos to exploit fully the access to massive foreign resources to fuel the economic development drive.

### 3. The State under Ramos (1992-1998)

The presidential campaign of 1992 focused on the issues of “economic reform” and “*trapos*.”<sup>12)</sup> Ramos projected himself as one of the non-traditional politicians. In fact, Ramos, a civil engineer and military elite by training, did not owe much of his success in the presidential race to the big business groups or the traditional landed elites, but more to the mobilization of the state machinery and its resources. Ramos was surrounded by some retired military generals

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12) Alex Magno, a political scientist, described the “*trapo*” (traditional politics) as the mode of political contestation in Philippine society where the contending factions of the elite vie for the support of the people, especially during election time, through the cultivation of the patronage and the spoils system. It is a brand of politics practised by the political elite, which views the people simply as passive voters who are to be organized and mobilized only with the coming of elections” (cited in Brillantes and Amarles-Illago 1994, 36).

whose loyalties did not belong to any particular clan or class (Coronel 1998: 135). The executive secretary of Ramos, Almonte publicly claimed that “if our country is to organize the rational economy that will move us into the mainstream of regional development, the state must first free itself from the influence of (the) oligarchy” (cited in De Dios and Hutchcroft 2003, 57). The state under Ramos gave high priority to insulate from the traditional elite group and initially succeeded under such favorable background.

The country under Ramos could be recognized as most peaceful in the post-independence Philippine history. The frequently raised military coup attempts under the President Aquino disappeared with the Ramos’ policy of embracing the rebellious military men. The prolonged Islam secessionist movement was settled as the state reached a peace agreement with the major Muslim militant group (Banlaoi and Carlos 1996, 198). Even though the state was borne out of a minority coalition party, LAKAS-NUCD-UMDP,<sup>13)</sup> it was able to create a wide range of political alliance, so called “Rainbow Coalition.” The social stability and political support made the state strong and capable to carry out several economic reform policies, which were tried but aborted in the previous administration because of the vested interest group.

The state under Ramos rode on the bandwagon of economic liberalism, which gained global currency since the 1980s. It actively participated in the regional and global economic cooperation such as ASEAN Free Trade Area(AFTA), Asia Pacific Economic Cooperation(APEC) and World Trade Organization(WTO). Such direction of foreign relations and liberalist economic policy caused to

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13) It stands for Partido Lakas Ta, the National Union of Christian Democrats, and the United Muslim Democrats of the Philippines. The majority administration party under Aquino government was LDPLaban ng Demokratikong Philipin). But Ramos succeeded to get the endorsement from Aquino over the administration candidate, Ramon Mitra who was the House speaker and the president of LDP.

surge foreign investment into the country. With respect to the relationship with the US, which was entangled by the withdrawal of the US military bases in 1992, Ramos stated in his inaugural address that friendly relations between the US and the Philippines did not end, but merely entered a new phase. He refocused foreign missions towards "economic diplomacy," and considered the diplomatic service as a tool for the achievement of the country's export-led development (Brillantes and Amarles-Illago 1994, 81 & 110).

#### 4. Causality and Discontinuity

A common feature of the three periods examined above was the emergence of the strong developmental state. The three states were borne after a certain crisis situation, and such situation allowed them to establish a high rate of state autonomy against traditional elites. Through either authoritarian or democratic means, they enjoyed strong popular support from the populace, which made social stability possible. The non-traditional power elites closely linked to the state machinery increased the autonomous power of the state in relation to the traditional elites. They were effective to induce foreign investments into the national economy by means of amicable foreign relationships. Under such environment, the economic reform policies were effectively implemented and the national economy moved upward as a result.

If the three periods put in comparison with the rest of the periods in the post-independence Philippines, differences could be more prominent. The state under Roxas(1946-1948) and Quirino(1948-1953) right after the independence represented the period of semi-independence because of the direct US influence through a number of mutual treaties. Such situation deepened the unequal colonial socioeconomic structure, which caused economic plunge and social unrest upon worsening of trade balance and domestic insurgency

problem. During this period, the political power holders were mainly from the landed elites, the wealthy urban entrepreneurs and crooked politicians, by whom the state became chiefly an instrument for exploiting possible economic interest (Brillantes and Amarles-Illago 2003, 38).

The state under Garcia(1957-1961) which succeeded Magsaysay was highly regarded by many nationalist economists as a period in which the nationalist economic policy, so called "Filipino First Policy," was adopted and implemented. However, the nationalist economic policy failed to accomplish structural transformation of the Philippine economy as it aimed, and furthermore left behind many problems. Although Garcia took full advantage of the popularity of the late President Magsaysay by promising to continue the policies of the Magsaysay administration, he simply returned to the rule of power by politicians and cronies. The President Garcia was not able to initiate any innovations in the area of land reform, which was one of the long due social reform program. His outspoken nationalism and "Filipino-First Policy" was also considered as anti-American and anathema to the Americans, which caused various negative effects on mobilizing foreign resources (Carlos and Banlaoi 1996, 102-103).

The state under Macapagal(1961-1965) and Marcos prior to martial law (1965-1972) simply followed the liberalist economic policy in which the traditional landed elites further consolidated their economic and political power. The lift of import and foreign exchange control further strengthened the power of business sector, specifically local agriculture exporters and foreign multinational corporations. Rivera (1994: 115) described it, "the state lost a potentially powerful instrument for redirecting the course of the economy by abolishing controls." Under the worsening economic situation, the social unrest became bold again, which provided Marcos with a good excuse to impose martial law. The 1980s shortly after the lift of martial law represents the worst period of the Philippine economy. The extreme social unrest accelerated the

economic plunge, which eroded any economic accomplishment of the 1970s.

The state under Aquino(1986-1992) paved the way for the traditional elite groups to reemerge in national politics and the economy. The 1987 Constitution, according to Magno, "basically restores the presidential arrangement of the pre-martial law republic that encouraged domination of the electoral process by the major power blocs. It has also restored the district representation that allowed local elites to project their power, on the basis of factional alliances, to the national level" (cited in Brillantes and Amarles-Illago 1994, 39). The state under Estrada(1998-2000) was installed by taking full advantage of Estrada's personal mass popularity, but it failed to divert such high popularity to reform the country. The Estrada administration revealed the lack of competence soon after its inception and entangled with a series of plundering cases. The state eventually invited a popular uprising, known as "People Power II" by which Estrada was forced to step down.

The common feature of the rest periods was the absence of developmental state. The most prominent defect was the lack of state autonomy from the traditional elite group. It could be an intrinsic element of the Philippine political system. The Philippine political system and its leadership were constructed under the historical juncture of an emerging modern state. The introduction of the electoral system for public offices, starting from 1907, opened the gateway for the traditional economic elites to expand their influence to the political sphere. The entrenched elites dominated the country's political institutions and its processes. The close linkage between political power and economic interests eroded the autonomy of the state. The Philippine state could not enjoy full autonomy from the dominant interest groups, specifically, the traditional landlord class, in projecting any significant policy agenda to develop the country that might impact on the existing social structure itself. The Philippine state became simply an instrument for representing

specific interests of the few in society rather than of the whole (Rivera 1994, 112; Brillantes and Amarles-Illago 1994, 37).

The presidency of the Philippines operates within a context of politics that has largely been personalistic in nature. According to Balisacan and Hill (2003, 19), the particular problem in the Philippines is that regime changes have major consequences since they percolate right through the system. In contrast to the general expectation of the civil service remaining largely intact during regime changes, the Philippine regime changes affected the top layer of the civil service (at the level of secretary), the next layer (under-secretary), quite often the third tier (assistant secretary), and sometimes even the fourth (at the director level). The main problem of such situation is the inconsistency of state economic policy. Any long-term economic projects, which extended its implementation to the next administration, could not be properly carried on and often suffered from insecurity of its continuity. The national political and economic resources naturally poured into the elections which became a "winner-take-all" competition. The politicization of economic policies and centralization of political power around the President created institutional instability in which economic performance periodically fluctuated depending on the political leadership.

#### IV. Conclusion

Various theories of economic development could not provide a fundamental remedy for the periodically lagging Philippine economy. The Philippine case suggests that a certain economic strategy is not a sufficient condition for national economic development. The economic strategy for development could be successful only when the state is ready to carry out with strong will and capacity. As

shown in the successful periods, the determining factor for economic development was the state capacity to mobilize the internal resources and to create a favorable external environment. In the Philippines, even though the developmental state emerged in certain periods, such developmental moments were interrupted as the political leadership changed. It implies that the reason for the discontinuity lie on the low level of institutionalization of the political and economic process. The three periods of high economic performance in the post-independence Philippines relied mainly on the effective political leadership rather than its institutional performance. During these periods, the state was able to secure autonomy and capacity through the strong leadership, but failed to institutionalize such strong and capable state mechanism.

In many LDEs, political institutions are not functioning as the founders expected. It is mainly because these institutions are not customized to the environments where they operate, but simply copied from others. Thus, it is important to take into account the specific context of the country in order to understand correctly how such institutions operate. Many studies described the characteristics of the Philippine politics by such concepts as patrimonial state and rent capitalism (Hutchcroft 1996), or bossism and worlordism (Sidel 1999). In such a highly personalized political environment, each political leadership came into power with the certain resolution to do better than his predecessor. They creatively engaged in the state apparatus and redirected it to suit their needs and plans. Such tendency has been the pattern throughout the Philippine history and has resulted in the discontinuity of the policies for national economic development.

Prevailing observation of the cultural heritage and political structure of the Philippines easily leads one to conclude with a negative prediction on the future of the Philippine economy. But one could also miss out some positive aspects of Philippine society which may be mobilized for the national economic development. There

were certain periods in which a strong developmental state reigned in the Philippine history. Such trends could be understood only by projecting the Philippine history and society from a different perspective. As Iletto(2001 and 2002) noted, the Filipino masses have not simply acquiesced to the unfit leaderships, but they have continuously risen against them. Such vibrant masses in the Philippines could bring in a strong political leadership with a vision of national economic development. Related with the Philippine economic development, the future study should focus on how to depersonalize and thus institutionalize the political process in order to make a sustainable developmental state.

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## 국가와 경제발전: 독립 이후 필리핀 경제를 중심으로

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본 연구는 필리핀 경제발전의 불연속성을 정치적 측면에서 조명하였다. 독립 이후 나타난 필리핀 국가의 성격과 경제발전에 대한 이들 국가의 영향에 초점을 맞추었다. 특정한 발전전략 자체가 국가경제발전을 가져오는 충분조건이 아니라는 것을 필리핀의 경우를 통해 볼 수 있다. 경제발전을 결정 짓는 중요한 요소는 결국 발전전략을 운영하는 국가이다. 국가의 능력이 최대한 발휘되기 위해서는 국가의 독립성과 사회적 안정 그리고 우호적인 국제관계를 들 수 있다. 이러한 조건과 환경을 만들 수 있는 국가가 곧 발전국가이다. 독립 이후 필리핀에서는 발전국가의 형태가 나타난 시기가 있었으며, 이 기간 동안에 비교적 높은 경제발전을 이룩하였다. 그러나 이러한 경제발전의 계기들은 정치적 리더십의 변화와 함께 중단되었다. 발전국가를 이룩한 필리핀의 정치적 리더들은 일시적으로 경제발전을 가져오는 데는 성공하였으나 발전국가의 제도화를 통한 지속적인 발전의 여건을 조성하는 데는 실패하였다. 전통적으로 제도화보다는 개인화되어 있는 필리핀의 정치의 특성이 필리핀 경제발전의 불연속성을 가져오는 한 원인임을 본 연구를 통해 알 수 있다.

주제어: 필리핀, 경제발전, 정치경제, 발전국가