

Temario C. Rivera

Landlords & Capitalists

**Class, Family, and State
in Philippine Manufacturing**



**Center for Integrative and Development Studies (CIDS)
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FOREWORD

Since the end of the Second World War, the Philippines has slipped behind neighbors it once surpassed economically. The promise of modernization in the 1960s and the 1970s which shored the hopes of the generation that survived the war, has remained unfulfilled. By examining the formation and composition of the fraction of the capitalist class at the forefront of the postwar state's import substitution industrialization strategy, Temario Rivera's **Landlords and Capitalists** provides a significant part of the explanation.

The import substituting fraction of the capitalist class, the key agent of economic transformation from 1950 to 1986, was unable to lay the necessary groundwork for capitalist industrialization. As Rivera argued persuasively on the basis of empirical data, the substantial control over the manufacturing sector by a fraction of the capitalist class whose economic power was rooted in land ownership and export commercial agriculture undermined the usually contentious politics between a conservative landowning class and a more progressive capitalist class. Thus, basic structural reforms like land redistribution which were essential for the economic development of other nations were often blocked by the very class which could have benefited from the expansion of the internal market.

Quite apart from its analysis of the economic base and politics of different fractions of the manufacturing class and their links to foreign capital and the weak Philippine state, the book is a contribution to the growing literature on Filipino elite families and their networks. With his macro-level analysis of the families who controlled manufacturing in the postwar decades, Rivera complements the detailed and incisive accounts of powerful Filipino families in the recently published compilation, **An Anarchy of Families** which Alfred McCoy edited.

Landlords and Capitalists could not have come at a better time. Half a century since the Philippine economy ranked second only to Japan in Asia, government officials and businessmen have strengthened their resolve to address the country's unfulfilled potential and bid more vigorously for NIChood. As the rest of the population enviously watches other Asian neighbors pull out of their underdevelopment, the country's policy makers and the private sector could very well learn from the lessons implicit in the cogent arguments of **Landlords and Capitalists**.

The University of the Philippines-Center for Integrative and Development Studies (UP-CIDS) is proud to launch this book as a contribution to academe and the general public. We wish to acknowledge the Philippine Center for Policy Studies for their cooperation: Prof. Jose Y. Dalisay, Jr. for editing the manuscript; Dr. Maria Luisa Doronila for copy reading; June Mercy Dalisay for designing the book cover; and Bella Lucas, Stretch Payawal and Joy Aparis for seeing the book through its final publication.

As in all our publications, the views expressed in this book are those of the author whose academic freedom is upheld by the University.

Maria Cynthia Rose Banzon Bautista, PhD
Executive Director
University of the Philippines
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PREFACE

In this book I engage one critical dimension of a problem that has long puzzled analysts, policymakers, and reformers of various persuasions. Why has the process of industrialization been such a protracted and problematic one for the Philippines when the country seemed to have enjoyed an initial edge in this route to modernity compared with most of its Asian neighbors in the postwar (World War II) years?

In addressing this problem, I examine the historical and social formation of the local capitalist class, particularly its segment that was engaged primarily in import substituting industries. For almost three decades after the Second World War, the import substituting bourgeoisie seemed the most promising agency for the country's push for capitalist industrialization. However, a systematic study of the structure and formation of this class segment and its articulation with the state and foreign capital shows the inherent weakness of this putative agency for industrial change.

Dominated at least up to the mid-eighties by the landed elites who took advantage of protectionist policies in the industrial sector, the import substituting bourgeoisie engaged in a contradictory set of interests that undermined its potential as an agency for industrial transformation. By further identifying the leading families within each segment of this class, I point out the need to understand better the important role and implications of the family and family networks as an enduring edifice of economic and social change in the country.

On the whole, I stress the confluence of interests between the local and foreign proponents of import substitution at critical periods in the country's postwar history that undercut the alternative options to industrializing the country. Finally, I underscore the absence of a relatively autonomous state as a crucial factor in the country's inability to construct a social coalition firmly committed to sustainable industrial growth and development.

The intellectual roots of this book go back to the political and academic debates sparked by the resurgent nationalist movement of the 1960s. I owe much of the initial theoretical insights to the problem of understanding the structure and formation of the local capitalist class from a long-time friend and colleague, Professor Ricardo D. Ferrer of the University of the Philippines-School of

Economics. My own thoughts and research on the subject took on a more systematic turn when I wrote my dissertation at the University of Wisconsin-Madison. Here I had long stimulating discussions with Professors Alfred W. McCoy, Russell Middleton, Daniel F. Doeppers and William Thiesenhusen, who shared their insights on the problem. I also acknowledge the help of Professor David Wurfel who generously shared his data base on landownership in the Philippines.

For this study, I received various kinds of assistance and material support from the following institutions and offices: the Fulbright graduate scholarship grants, the Center for Southeast Asian Studies of the University of Wisconsin-Madison, the University of the Philippines (UP) through its Ford-Mellon grants, the UP Department of Political Science, the UP Center for Integrative and Development Studies, and the Philippine Center for Policy Studies (PCPS).

While working on the book manuscript, I benefited immensely from many enlightening discussions on the subject and related issues with colleagues at the Philippine Center for Policy Studies (PCPS), particularly with Professors Ricardo D. Ferrer, Emmanuel S. de Dios, Joseph Y. Lim, Manuel F. Montes, Emmanuel F. Esguerra, and Orville C. Solon. Moreover, the PCPS through Lorna G. Villamil, Tibo P. Lopez, and Lot R. Santos supported me wholeheartedly in finishing the manuscript.

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May I acknowledge my lasting gratitude to Dr. Carol Mitchell whose all-sided support during the most trying years of this project enabled me to finish writing the manuscript. Finally, I dedicate this book to my dearest Lorena whose generation will one day reap the victories of an empowered people.

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FOR LORENA

CONTENTS

Foreword

Preface

Landlords and Capitalists: Class, Family and State in Philippine Manufacturing

Chapter one

Industrial Growth and the Philippine Puzzle	1
<i>The ISI Manufacturers: Contested Images</i>	3
<i>The Capitalist Class in Developing Societies</i>	4
<i>Philippine Capitalists and Development Theory</i>	6
<i>The ISI Manufacturers and National Capitalist Industrialization</i>	8
<i>The Philippine Left and the National Bourgeoisie</i>	11
<i>Critique of the ISI Bourgeoisie</i>	14
<i>The ISI Bourgeoisie: Resilience and Resistance</i>	19

Chapter two

The Local Manufacturing Elites: Historical Roots and Class Formation 23

*Landlords, Merchants
and Capitalists:
The Colonial Milieu 23*

*The Post-Colonial ISI
Manufacturing Bourgeoisie 27*

*Dominant Class and Families
in Manufacturing:
Data Base of the Study 28*

*Concentration and Continuity:
Landlords and Capitalists 31*

Chapter three

Landlords, Capitalists and Elite Families in Manufacturing 44

*Landed and Corporate Elites
in Manufacturing 44*

*Landed Capitalist Families
and the Banking Sector 50*

*The Hegemonic Segment
of the Bourgeoisie 50*

*The Non-Landed
Manufacturing Bourgeoisie 53*

*The Chinese-Filipino Capitalists
in Manufacturing 62*

Conclusion 71

Chapter four

Foreign and National Capital: Class and Family Alliances	77
<i>Foreign Investment in the Economy</i>	77
<i>Foreign Direct Investments and Local Capital in Manufacturing</i>	80
<i>National and Foreign Capital: Class and Family Linkages</i>	86
<i>Foreign Linkages and the Local Manufacturing Class</i>	89
<i>The Landed-Capitalists and Foreign Linkages</i>	94
<i>The Non-Landed Capitalists and Foreign Linkages</i>	95
<i>The Chinese-Filipino Capitalists and Foreign Linkages</i>	99
<i>Foreign Linkages and Development Strategy</i>	106

Chapter five

The State and Industrial Transformation	110
<i>The Philippine State and Economic Development</i>	112
<i>State Bureaucracy and Policy-Making</i>	116
<i>The State and the Authoritarian Regime Under Marcos</i>	117
<i>The State, the ISI Bourgeoisie and the Cronies</i>	121

Chapter six

Summary and Conclusions	125
<i>Toward a Policy Agenda: Constructing a Growth Coalition</i>	130
<i>List of Persons Interviewed</i>	133
<i>Bibliography</i>	136
<i>Index</i>	159

List of Tables

	<i>page</i>
Table 1 Comparison of Lands Owned by Family Groups in Negros Occidental Province, 1897 and 1953 (landholdings shown in hectares)	34
Table 2 Leading Landed Capitalist Families in Manufacturing in the 1970s with Roots in the 19th Century Iloilo-Negros Occidental Planter Elites (landholdings shown in hectares)	36
Table 3 Provincial Elite Landholdings, Negros Occidental Province, 1897 and 1953, and Corporate Directorships of Top Domestic Manufacturing Firms, 1976 (landholdings shown in hectares)	37
Table 4 Leading Landed Capitalist Families in the Top 120 Private, Domestic Manufacturing Corporations: A Consolidated List, 1950 - 1986	45
Table 5 The Leading Non-Landed Capitalists in the Top 120 Private, Domestic Manufacturing Corporations: A Consolidated List, 1950 - 1986	60
Table 6 Leading Chinese-Filipino Capitalists in the Top 120 Private, Domestic Manufacturing Corporations: A Consolidated List, 1950-1986	66
Table 7 Ownership of Economic Assets by Sector, 1948 (in percent)	78
Table 8 Percentage Distribution of Equity in the Major Non-Financial Corporate Sector by Citizenship of Ownership and Type of Economic Activity, 1965	78

List of Tables (continued)

Table 9 Distribution of Foreign Direct Investment by Industrial Sector and Nationality of Ownership, 1970 (in percent)	79
Table 10 Direct Foreign Investment by Industry, February 21, 1970 to March 31, 1982 (in US\$ million)	81
Table 11 Industry Distribution of Foreign Investments in Manufacturing, February 1970 to December 31, 1985 (in US\$ million)	83
Table 12 Distribution of Foreign and Local Capital in Selected Manufacturing Sectors, 1986	84
Table 13 Foreign Direct Investments, Philippines, by Nationality, February 21, 1970 to December 31, 1985 (in US\$ million)	85
Table 14 Gross Domestic Investment and Net Inflow of Foreign Capital, 1946-1969 (million pesos at current prices)	86
Table 15 Amount of Investments in Firms Approved by the Board of Investments Under Republic Act Nos. 5186, 6135, and 5455 from 1968-1978 (in thousand pesos)	88
Table 16 Equity Investments in Manufacturing Approved by the Board of Investments, 1982-1986 (in thousand pesos)	89
Table 17 Manufacturing Industry: Selected Indicators of Structure and Performance, 1979-1983	92

List of Tables (continued)

Table 18	96
Foreign Linkages of Landed-Capitalist Families in the Top 120 Domestic Manufacturing Firms, 1986	
Table 19	100
Foreign Linkages of the Non-Landed Capitalists in the Top 120 Domestic Manufacturing Corporations, 1986	
Table 20	104
Foreign Linkages of the Chinese-Filipino Capitalists in the Top 120 Domestic Manufacturing Corporations, 1986	

