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The State in Development Theory: The Philippines Under Marcos

M. D. Litonjua

When Ferdinand Marcos of the Philippines imposed martial law and assumed dictatorial powers in September 1972, he did so, he proclaimed, not only to suppress insurrection and rebellion, but to build a "new society," presumably a society in which all Filipinos would equitably share in the benefits of economic development and progress. After he was toppled from power and driven into exile by "people power" in February 1986, it was evident that the Marcos dictatorship was a total failure according to the standards the dictator himself had set his regime to be judged.

Both Communist and Muslim insurgencies had grown in size, strength, and capability with Marcos himself, the abuses and corruption of his rule, as the best recruiter for their causes. More importantly, Philippine society was in dire economic straits. More than a quarter of the workforce was unemployed or underemployed, real per capita income had fallen drastically, and about sixty percent of all families were living below the poverty line. Add to these a foreign debt totaling US\$26 billion and government coffers cleaned out and bankrupt. The Philippines had become Asia's basket case, second only to Bangladesh.

One-man rule in the Philippines rode on the wave of authoritarianism that swept the Third World in the late 1960s. Because the promise of economic and political development was not forthcoming, it was thought that economic modernization could be better, faster, and more easily achieved via the path of authoritarianism even if it meant sacrificing the democratic ideal. By the late 1980s, authoritarian rule had come to be realized as worse than the disease it was meant to cure. Not only was it unable to solve the problems of poverty and underdevelopment, but it aggravated them. Besides, the cost it entailed

in terms of the violation of human rights was too high a price to pay. The 1986 "people power" revolt in the Philippines was the harbinger of the wave of democratization that swept the Third World and Eastern Europe with the collapse of the Soviet Union in 1991.

Recent empirical research and studies on development, however, point out that it is not simply a matter of a strong state that brings about economic development. More importantly, the general failure of authoritarian modernization does not invalidate the important role of the state in the processes of development. The economic success of Japan and the four "little dragons" of Asia—Taiwan, South Korea, Singapore, and Hongkong—demonstrate the crucial role that governments play in industrial transformation. This empirical comparative research further specifies the institutional characteristics of such a governmental role and the structural conditions under which it is best exercised. In the context of continuing and growing poverty in the Third World and of the increasing gap between rich and poor nations and between rich and poor sectors of nations, the point at issue has far-reaching significance.

With this comparative research on the role of the state in development as the background, the Philippines offers a further case of comparison. Why did authoritarian modernization in the Philippines under Marcos miserably fail? What light can the comparative institutional research on the state's role in economic development throw on the Philippine case? What were the institutional characteristics of the Philippine state, and the historical and structural conditions of Philippine society that foreshadowed this failure? This article seeks to answer these questions. Accordingly, this article will be divided into two main parts. The first part will deal with the state in development theory. The research findings regarding the developmental state in East Asia will be summarized. In the second part, the case of the Philippines will be analyzed. The important stages in the historical and structural process of state formation will be traced.

The Developmental State

The rise of Japan and the newly industrializing countries (NICs) of Asia—Taiwan, South Korea, Singapore, and Hongkong—focused attention on the role of the state in the developmental process. Johnson (1982; see also Johnson 1987) pioneered the effort with reference to Japan; Amsden (1979, 1985, 1989, 1992) referred to the *dirigisme* of

Taiwan and South Korea; Haggard (1990) emphasized the role of the state in solving collective action problems associated with economic policy reform; Wade (1990; see also Wade 1996) argued against his colleagues at the World Bank that Taiwan's economy is a "governed market;" and in a more popular vein, Fallows (1994) contrasted the state capitalism in East Asia with the economic principles that the West extols. Henderson and Appelbaum (1992, 23) sum it all up by asserting that "while the role of the state in Japan and the East Asian NICs must be contextualized both culturally and historically, state policy and influence should now be accepted as the single most important determinant of the East Asian economic miracle."

Evans (1992, 1995; see also Rueschemeyer and Evans 1985, Rueschemeyer and Putterman 1992) elaborated on the comparative institutional approach to the role of the state in industrial transformation by specifying the institutional determinants and characteristics of the state bureaucracy, and the historical and structural conditions that make for successful state intervention. We will present a summary and synthesis of the empirical findings of such an approach because it will be the background of comparison with the Philippine case.

At the outset, a distinction has to be made between a predatory state and a developmental state. With Zaire as the archetype, the predatory state "preys on its citizenry, terrorizing them, despoiling their common patrimony, and providing little in the way of services in return" (Evans 1995, 45). It was an instrument for the personal aggrandizement of Mobutu, his family and relatives, with his henchmen occupying the most sensitive and lucrative positions of the state bureaucracy. The predatory state is the ultimate expression of neo-utilitarian rent-seeking.

The term "developmental state" is taken from Johnson's (1982) characterization of what he considered to be the central element responsible for Japan's economic miracle in the post-World War II period. The defining feature of a developmental state is "the existence of a developmentally oriented political elite for whom economic growth is a fundamental goal" (Johnson 1987, 140). The economic success of the "little dragons" of Asia, especially of Taiwan and South Korea, came to be attributed also to their developmental states. These developmental states made the crucial difference in Japan becoming the only non-Western nation to attain First-World status, and for the NICs of Asia to become the fastest growing economies of the world, outperforming even the industrialized countries of the West (Litorjua 1994). What is

even more remarkable is that their phenomenal rates of growth have been achieved not with growing inequality as it was in the West, but with relatively egalitarian income distributions (Litonjua 1994, 4-7).

Two characteristics have been attached to these developmental states of Asia: effective and autonomous. By "efficacy" is meant the state's capacity to lay down developmental goals and paths, to draw up policies and programs aimed at industrial transformation, to follow through on them, and bring them to developmental fruition. It refers to the effectiveness of the state bureaucracy to successfully intervene in the operations of the market to make the private sector more effective, efficient, successful, and profitable. It connotes the power and the strength of the state apparatus to discipline and direct both the market and private industries toward the goal of the entire nation's industrial transformation and economic development. Such state efficacy requires and depends on a competent and committed, a coherent and cohesive staff who are consistent and coordinated on their goals, their policies and programs, and their actions.

The second determinant of the developmental state is autonomy, not absolute but relative. By "autonomy" is meant insulation of the state apparatus from vested interests in society, independence of the state bureaucracy to pursue goals and courses of action. As Rueschemeyer and Evans (1985, 47) point out, the state is an instrument of domination. The interrelations between the different parts of the state bureaucracy and the most powerful classes or class fractions in society determine the pact of domination. The state, therefore, first of all, becomes an arena of conflict. Various groups, dominant and subordinate, will try to use, if not capture, the state as a means to realize their particular interests. But the state, in the second place, is also a corporate actor. The state is not only the expression of class interests; it is an organization that has its own logic and its own interests to protect and pursue. There is a gradation, therefore, between the state as a captive of vested interests, on the one hand, and the state as an independent corporate actor, on the other. The degrees of freedom in this continuum allow for the relative autonomy of the state.

The relative autonomy of the developmental state is not, however, a free-floating autonomy. It is in Evans' (1995) words, an "embedded autonomy." It is, first, embedded in the informal networks of the state bureaucracy, that result from similarities in social background, graduation from the same elite schools, longstanding work relationships, a common *esprit de corps*, and consensus on goals and policies, and that

give the bureaucracy uncommon cohesion and coherence. This is "a kind of 'reinforced Weberianism' in which the 'nonbureaucratic elements of bureaucracy' reinforce formal organizational structures in the same way that Durkheim's 'noncontractual elements of contract' reinforce the market" (Evans 1995, 49). Second, it is embedded in the external networks that connect the state apparatus with important segments of civil society which in the case of Japan, Taiwan, and South Korea is with business. For one thing, the state bureaucracy is not omniscient nor is it omnipotent. External networks provide a two-way channel, as it were, in which state bureaucrats gain and gather information about national and international economies and their environments, and through which in turn policies and programs flow to be implemented, thus facilitating the state's ability to intervene in the cause of industrial transformation and economic development.

Embedded autonomy gives efficacy to the developmental state. Evans (1995, 12) writes:

A state that was only autonomous would lack both sources of intelligence and the ability to rely on decentralized private implementation. Dense connecting networks without a robust internal structure would leave the state incapable of resolving 'collective action' problems, of transcending the individual interests of its private counterparts. Only when embeddedness and autonomy are joined together can a state be called developmental.

Two other conclusions reached by Evans (1995) need to be mentioned. First, the success of the developmental state in industrial transformation serves to undermine the state itself. Recall Marx's vision of the bourgeoisie calling forth its own gravedigger in the person of the proletariat. In the case of the developmental state, successful transformation also produces gravediggers (Evans 1995, 229–34), especially those who have borne the brunt of the changes, who, for example, call for democratization of the polity. Industrial transformation also leads capital to demand more freedom and less interference from the state. Changed economic conditions and world competitive factors might demand new strategies of market liberalization instead of protection, of freer trade, more mobile financial flows, and easier allocation and reallocation of resources.

The second conclusion is that the embedded autonomy that prevails in the East Asian developmental states is not the only possible version. Kerala and Austria offer variations of embedded autonomy (Evans 1995, 234–43). The result of the state's embedded autonomy in Kerala

is measured in welfare terms such as infant mortality, life expectancy, birth rates, and literacy. "In short, Kerala's success in welfare is no less striking than that of the East Asian NICs in terms of industrial transformation" (Evans 1995, 236; see also Franke and Chasin 1994). Austria, on the other hand, shows a state apparatus that has intimate ties to both capital and labor. Embedded autonomy is not necessarily only to one group, nor does it entail the marginalization of subordinate groups. Because the Austrian state is connected to all major social actors, its embedded autonomy means a strong mediating function and an independent influence in balancing the forces in civil society. The all-important point is: "looking at variations on the theme of embedded autonomy should remind intermediate states that they cannot allow their visions of reconstruction to become transfixed by East Asian models" (Evans 1995, 243). Nor by an American-style version of a weak, politicized, and lowly-regarded civil service.

The Philippine Case

The nature of the state is historically evolved and culturally rooted. State capacity and autonomy are historically and structurally constructed. Different countries have different historical heritages that favor or obstruct, facilitate or hamper the emergence of a developmental state. It is of utmost importance, therefore, to trace the historical process of state formation in order to arrive at an understanding of the character of the state apparatus. And the starting point for such an understanding of the dependent Third World state is the history of colonialism that countries of the Third World share as their common history. Against the background of the comparative institutional framework of the developmental state, we will analyze the characteristics of the Philippine state as they emerged and were cast during the crucial formative periods of Philippine history and society.

The Spanish Colonial State

Ferdinand Magellan arrived in the Philippines in 1521, but before he could return to Spain, he was killed by Lapu-lapu, a local chieftain. The expedition of Miguel Lopez de Legazpi and the Augustinian friar Andres de Urdaneta in 1565 started in earnest the pursuit of the twin aims of the Spanish Crown: the colonization of the islands and the Christianization of their inhabitants. Three hundred and fifty years of Spanish colonialism followed by half a century of American colonial

rule largely set the parameters in which the interactions between colonizer and colonized, elite and mass, leaders and people, patrons and clients would determine the nature of the Philippine state.

For the first two hundred years of Spanish colonialism, the Philippines remained a largely undeveloped economic colony. The primary economic activity, the colony's "economic lifeline" (Phelan 1959, 11) was the lucrative galleon trade between China and Mexico in which Manila acted as a transshipment port. Goods brought in by Chinese junks were loaded on the galleons and sent to Acapulco. The returning galleons brought back silver (Schurz 1939).

The Spaniards launched a program of *reducciones*, settlements in which the friars congregated the scattered native population *bajo las campanas*, underneath the church bells. These gave rise to a string of major colonial capitals which functioned as governmental, religious, and commercial nerve centers in a politically discrete dependency on Manila. The Spaniards also established *encomiendas*, administrative units awarded to deserving Spaniards which entitled them to receive annual tributes from the native settlement. They were not land grants, but they were nonetheless tools for personal enrichment for they were meant to provide for the material support of deserving Spaniards. Thus, the power of the Spanish colonial state did not reach into the hinterlands. It was the friars who lorded over the peasants.

By the eighteenth century, the Industrial Revolution had transformed England into the foremost capitalist nation of the world. Spain for its part had been in decline ever since the defeat of the Spanish armada in 1588. England had subordinated Spain into the former's capitalist structures and made her into a dependent empire, penetrating the latter's colonies by exporting goods to and trading with them. The British penetrated Manila, and the Chinese who had initially been attracted to the Philippines by the opportunities presented by the galleon trade penetrated the interior of the islands with their buying and selling. In effect, the Philippines became, as one contemporary historian put it (Recur 1879, 110), an "Anglo-Chinese colony flying a Spanish flag."

The Philippine economy was transformed. The export picture radically changed with the rapid development of cash crops, such as sugar, indigo, tobacco, hemp, rice, and coffee. To meet the urgent demands for agricultural production, the Royal Decree of 13 February 1894, gave landholders one year within which to secure legal title to their lands. The result was the expansion of landholdings and the re-

duction of at least 400,000 people to tenancy. Many small landowners did not know of the decree, but soon found their lands included in the titles of big landowners (Douglas 1970). These large tracts of land given to agricultural production were the *haciendas*. The hacienda system was the product of capitalist development, but was feudal in character with absentee landlords residing in the Manila and engaged in commercial export. Together with the extensive landholdings granted to religious orders by the Spanish Crown, the "friar estates" (Roth 1977), the hacienda system is the progenitor of the land tenure system in the Philippines, which has been and continues to be the root cause of agrarian problems in the country.

The capitalist economic transformation of the country, specifically the hacienda system devoted to agricultural production for export, also gave rise to a distinct class of landowners who were at the same time engaged in commercial export. The descendants of this landed elite will constitute the *ilustrado* (educated) class who after their studies in Europe would agitate for reforms in the colony, wrest the leadership of the Philippine Revolution, collaborate with American imperialism, the Japanese occupation, and the Marcos dictatorship, having ensconced themselves as the economic and political power elite of Philippine society.

The Spanish colonial state was a classic colonial state: it controlled patronage and the exclusive use of force, but it needed native allies who in the late nineteenth century and on the municipal level were selected by a rigidly restricted electoral process. In the words of May (1989, 13):

Lacking a sufficiently large colonial bureaucracy, the Spaniards ruled the Philippines with the assistance of tens of thousands of indigenous intermediaries (collaborators, really, in the sense that the word is used by students of British imperialism), foremost of whom was the *gobernadorcillo*, the ranking municipal official who was selected by a complicated process that began with the election. Among other things, the *gobernadorcillo* was obligated by law to collect a wide variety of taxes; supervise road and bridge maintenance and construction of schools and other public buildings; keep the municipal hall and the public jail in a clean condition; try minor civil and criminal cases; initiate proceedings and assemble evidence in more serious criminal cases; issue licenses for firearms; and make sure that the residents of his town attended church, raised their crops, did not drink excessively or play prohibited games, and observed all the ordinances and decrees issued by the central administration. In a real sense, the electoral ritual served

the function of dignifying and legitimizing—or, more correctly, attempting to dignify and legitimize—the position of these valuable indigenous intermediaries.

For the Spaniards, the elections and political office concerned the right to serve; for Filipinos, they were surrogates for struggles to survive, to manipulate patron-client relations, to advance economically, and to wield a measure of power in a situation in which they were inherently subordinate and subservient. Thus, at the most fundamental level, the Filipino bureaucrat was being schooled in the art of using, manipulating, and exploiting government, not in the ethos of public service, the honesty and integrity of public administration. This was the structural flaw of Philippine colonial democracy (see Paredes 1989a), which would widen and deepen under American colonialism, and would remain a permanent fixture in Philippine political and electoral life.

Thus, the results of Spanish colonialism in the Philippines were different from those of Japanese colonialism in Taiwan and South Korea: a small landed elite who held the economic power, and a weak and incompetent state bureaucracy mired in the politics of patronage and clientelism.

The Philippine Revolutionary State

The Philippine Revolution broke out in 1896. It had two phases. The first phase covered the “revolt of the masses” instigated by Andres Bonifacio on 23 August, its spread to eight of the nearby provinces around Manila, his court martial and execution, the assumption of the leadership by Emilio Aguinaldo, the declaration of the Biak-na-bato Constitution, the pact signed by the Spanish administration and Aguinaldo which called for the cessation of hostilities, and Aguinaldo’s exile to Hongkong on 27 December 1897.

The second phase started with the return of Aguinaldo to the Philippines on 19 May, 1898, after war had been declared on Spain by the United States over Cuba, and after Commodore George Dewey had destroyed the Spanish fleet at Manila Bay. Philippine Independence was declared on 12 June. On 15 September, a congress was convened to promulgate the Malolos Constitution, and the Philippine Republic with Aguinaldo as President was inaugurated on 23 January 1899. But before the government could function, hostilities broke out between Filipino and American troops on 4 February. The Philippine Revolution gave way to the Philippine-American War.

Agoncillo (1960, 644–45; see also Agoncillo 1956) assesses “the two epochs” or phases of the Philippine Revolution:

In the first epoch, the middle class as a group betrayed the Revolution by a negative attitude: they refused to lift a finger to support the mass-based movement because they did not believe that it would succeed. This group was composed of “natives” and *mestizos*. In the second epoch, the betrayal was consummated by positive action: they [i.e. the *mestizos*] now entered the government by the front door and tried to sabotage it by the back door. . . . The effect in both instances was the same in that the people, that is, the masses, who had a stake in the Revolution and who forged it with a massive faith in their just cause, were the victims of the betrayal . . .

The betrayal in the first epoch may be forgiven, but that of the second cannot.

The ilustrado class having wrested the leadership of the Revolution from the plebeian class triumphed at Malolos. Constantino (1975, 216) writes:

Perhaps the worst betrayal of the people’s interests was the action the Malolos government took on friar lands. For the majority of peasants who fought and died for the Revolution, independence meant an end to friar estates and the hope of owning a piece of land. The Revolutionary Government did confiscate the friar estates but not for distribution to the oppressed masses. Instead, the republic passed a law giving “men of means” and “local chiefs” the opportunity to administer these estates upon presentation of security in cash or in bond. The drift toward enfeudalization of the countryside which had been definitely established during the last century of Spanish rule was thus continued with legal sanction during the Revolution. The elite were rewarding themselves with the first fruits of the Revolution.

In a couple of important respects, therefore, the Philippine revolutionary state was not in marked contrast with the preceding Spanish colonial state: its capacity was enfeebled and its autonomy compromised by vested interests.

The American Colonial State

The decision to hold on to the Philippines, which became the focal point of the bitter debate on American imperialism, was attributed by President William McKinley to the divine voice of “Manifest Destiny” he heard while he was on his knees in prayer, although others discerned “the carnal larynx of Theodore Roosevelt” (Hofstadter 1955,

66), or "the soft but weighty words of financiers and industrialists or the screaming headlines of William Randolph Hearst" (Greene 1955, vii). At any rate, after a brutal pacification campaign, the United States launched a policy of "benevolent assimilation" whose ultimate aim was the height of social engineering presumptuousness: to remake the Philippines, to use Karnow's (1989; see also May 1980) concrete imagery, borrowed from Genesis, "in our image."

The specific policies included the establishment of a public educational system with English as the medium of instruction; the institution of free trade permitting American goods to enter the country free of duty and in unlimited quantities, but with quotas imposed on the entry of Philippine goods to the American market; the grant of Commonwealth status to the colony, a ten-year transition period before full independence, during which U.S. presidents would control the currency and the conduct of foreign affairs, non-reciprocal free trade would continue, and the U.S. would retain land indefinitely for military and other purposes.

As far as its impact on the capacity and autonomy of the Philippine state, American colonial rule aggravated the structural flaws that have begun to set in under Spanish colonialism.

First, the system of land ownership biased against small farmers, a plantation economy based on vast landholdings, the hacienda system for export agriculture were strengthened. A telling example was the acquisition and disposition of the infamous "friar lands." Some were purchased by Americans and rich corporations; others were sold at prices that were beyond the reach of most tenants, there being no credit facilities made available to people with modest means. Thus, the supposed redistribution benefited big landowners who had the funds to buy, further increasing their landholdings. Constantino (1975, 300) points out that the Americans had a two-fold interest in strengthening the Filipino landed elite. Economically, it was the landholdings of the elite that provided the agricultural crops for export, the raw materials that the Americans required. Politically, the landed elite constituted the most stable allies the Americans needed in the colonization of the islands, prosperity having given them a stake in the colonial set-up.

Second, as a result of American economic policies, an upper class of economic and political elite coalesced. Based on extensive landholdings given to the production of agricultural exports, aided by free trade and tariff agreements, the members of this elite controlled commerce and industry. Using their economic wealth, they attained politi-

cal positions of power which they parlayed in the construction and ownership of commercial buildings and banking houses, in the development of commercial centers and budding industrial enterprises. Part of this elite was the *ilustrado* class who had been coopted by the Americans, and part was newly minted via the electoral process in the provinces, like the most famous Filipino politicians of the period, Manuel Quezon and Sergio Osmeña, and all would constitute the "anarchy of families" (McCoy 1993a) that would make a mess of Philippine elite democracy.

Third, American colonial rule was supposed to be a tutelage in Western-style democracy. But Paredes (1989b, 65–66) writes with powerful clarity:

The whole American effort to develop democracy under colonialism was flawed by an organic contradiction. . . . In short, sovereignty is external to the colonized territory and in such a circumstance, there can be no democracy. Any attempt at the development of democratic institutions in circumstances so constitutionally antithetical to their prosperity can only produce a distorted experience for the colonized. . . . Not only are institutions distorted but political leadership is inevitably compromised. Elections and public service do not create titans legendary for their bold, commanding leadership, but pygmies stunted by the constraints of collaboration. . . . [N]ative politicians are forced to operate within assigned political boundaries and, more importantly, to curry favor with colonial officials to win their patronage. . . . [N]ative leaders quickly learn a duplicitous political craft of manipulation and dissimulation.

Filipino politics has often been described as enmeshed in patron-client networks (Lande 1965), lacking therefore the structural differentiation and functional specialization of American politics. But this is not unrelated to the "compadre colonialism" (Owen 1971) of the American period, a model of clientelist politics in which "a senior American colonial official like Cameron Forbes is simultaneously a client of a Washington bureaucrat, perhaps a client or competitor of the incumbent American Governor General, an ally or competitor of another American colonial official, the patron or rival of senior Filipino politicians in Manila, and the patron of American provincial officials with their Filipino clients" (Paredes 1989b, 45). In fact, clientelist politics constituted what Stanley (1984, 5) calls "the cynically manipulative underside of the collaborative empire," with the following consequence:

For the Philippines and the Filipinos, the cost has been substantial. Not in terms of lives, to be sure, and not really in economic terms, either, but in terms of the integrity of the polity and the social fabric. Once in office, conservative Filipino politicians became, in effect, the fulcrum of Filipino-American relations and used their position between the two major power blocs, the Americans and the mass of their own people, for narrow self-serving ends. On the one hand, they arrested the few significant reform programs contemplated by the American government that might have narrowed the gap between rich and poor. On the other, as the political leaders of the country, they took over the campaign for Philippine independence and used nationalist fervor to deflect criticism of their social and economic power.

Fourth, American colonial rule did not only leave the Philippines an economic neo-colony, but also a political dependency. Sure, there were the formal trappings of independence and democracy, but because of the so-called "special relationship" between the two countries, the United States became a crutch of Filipino politics. Not only would candidates for the Philippine presidency vie with one another in being anointed "America's boy," but once elected they would resist confronting the problems of the country because "America will always come to the rescue," "America will not let the Philippines down." It would only be in 1992 that the umbilical cord of the American military bases in the Philippines would be cut.

Thus, Smith (1994) maintains that the American experiment in democracy in the Philippines had effects similar to those in the south after reconstruction: the United States handed control of the state to the oligarchs who had control of society.

The Japanese Puppet Regime

During the Second World War, the Japanese occupied the Philippines for three years, intending the country to be a link in their Greater East Asian Co-Prosperity Sphere. It was a harsh and cruel occupation, but it was not for lack of collaborators. A puppet Filipino regime was set up, one of whose prominent members was Manuel Roxas, the future first president of the Philippine Republic.

While a segment of the traditional Filipino elite collaborated with the Japanese, others of the same class found new economic opportunities to amass wealth by supplying strategic materials and other items badly needed by the Japanese war effort. Meanwhile the bulk of the Filipino population resisted and suffered severe deprivation.

The war years marked the end of innocence for many Filipinos. Writes Steinberg (1990, 104–5):

The years 1941–1945, therefore, were traumatic in ways far more lasting than the physical death and destruction, dreadful though those were. If the society's wounds in a metaphorical sense simply damaged the flesh and bone of the nation, then eventually, after the pain, the healing process would begin and scar tissue would form. If, on the other hand, as with the wounds caused by atomic weapons, a cancer develops, then the society may have to deal with metastasis as the disease spreads throughout the body politic.

The issue of collaboration with the Japanese was especially painful and shameful. Asks Steinberg (1990, 101–2):

How could a nation unquestionably believe that through resistance it had achieved national dignity, when its own elite was accused of treason? How could the suffering of Filipinos during the war serve as a model for future generations, if those charged with the defense of national ideals not only seemingly violated those ideals but retained power after the war?

But it was only the most egregious instance of elite betrayal and collaboration, the most blatant example of elite manipulation of politics to further their interests. It had happened earlier during the Philippine Revolution; it would happen again during the Marcos dictatorship.

The Independent Elite Democracy

The Philippine Republic was inaugurated on 4 July 1946. Two actions of General Douglas MacArthur, however, compromised the integrity of the new state, and would result in the biggest challenge to its legitimacy. First, he personally absolved Roxas, his former Bataan aide, of collaboration, thus defusing but not resolving the issue. Instead his action demeaned wartime sacrifice and sowed cynicism toward public officials of the fledgling democracy. Second, he refused to recognize the largest resistance movement whose members then would resort to armed insurgency after their duly elected representatives were not allowed their seats in Congress by the Roxas administration.

The socio-economic and political structures of the new republic would largely be determined by four measures passed by the U.S. Congress before independence. The Philippine Rehabilitation Act promised funds for rehabilitation and compensation on condition that the Philippine Trade Act would be accepted by the Philippines. The

latter provided for continued non-reciprocal trade between the two countries, and contained a "parity clause" which invested U.S. citizens with the same rights as Filipinos to the natural resources and business enterprises in the country. The Military Bases Agreement allowed for the retention of American military bases, while the Military Assistance Pact insured the dependency of the Philippine military. Thus, the American writers Jenkins (1954), Taylor (1964), Friend (1965), and Shalom (1981) agree that the United States left the Philippines in a neo-colonial status.

The Philippine Republic lasted until 1972, and was accurately described as an "elite democracy," a quintessential postcolonial state (Alavi 1972). It was dominated and controlled by the country's elite who held economic and political power in their tight grip. Specifically, this elite, in the words of the late Senator Benigno Aquino, himself a charter member, is "an entrenched plutocracy" of about sixty dynastic families whose wealth originally emerged during the Spanish colonial era, who constitute one-fifth of the population but receive half the country's income (Karnow 1989, 177, 22). It was to them that the U.S. handed control of the state which they then used to perpetuate their economic and political hold on Filipino society.

Their wealth is based on vast landholdings, although they have branched out into industrial and commercial enterprises. One indication of their clout has been the failure of any meaningful agrarian reform. In the 1950s, Robert Hardie was commissioned by the U.S. government to study the tenancy problems in the Philippines, as a result of which he proposed a land reform program that included all the essential components of the model implemented in Japan. Hardie shared the outlook of Wolf Ladejinsky who was the brains behind the successful land reforms in Japan, Taiwan, and Korea that widespread land redistribution was the only solution to agrarian unrest. Hardie's report, however, fell victim to the opposition of the Filipino landed elite and the animosity toward reform of U.S. policy-makers and corporate interests (Monk 1990, Putzel 1992). All subsequent efforts at land reform have been half-hearted. Thus, 20 percent of the population of the country, according to conservative estimates of land ownership by the Philippine Department of Agrarian Reform, own 80 percent of the land. And tenancy problems continue to plague the country as the root cause of much social unrest.

Philippine elite democracy had all the trappings of formal democracy. The political system, patterned after that of the United States, had

regular elections and political parties. But unlike that of the United States, the government was more centralized: power and patronage emanated from the national center, Manila, to the provinces and municipalities. But it was also weaker and more dependent: client loyalty from the rural areas and electoral support at local levels flowed in the reverse direction to national patrons. Thus, the aftermath of national elections saw the spectacle of elected officials rushing to affiliate themselves with the party of the victorious presidential candidate because the president had a stranglehold on patronage. It was, therefore, a system of almost mechanical elite party alternation. Most Filipino politicians were members of both the Nacionalista and the Liberal Parties at one time or another. Political parties did not aggregate ideological or principled or even partisan interests, but were alliances forged by political families and their networks of clients which at any moment could shift and assume another configuration.

The Philippines was not only a captive society, the state was also a captive of the elite. "The decision made in 1913 to place Filipinos in charge of the civil bureaucracy, intended to train local people in self-government, in effect allowed the oligarchy access to the execution of policy," Smith (1994, 55) writes. "By 1916, with the powers of the Filipino legislature expanded, the bureaucracy became a source of political patronage. Thus in 1918, the Philippine National Bank went into bankruptcy, the result of massive lending for fraudulent or ill-conceived purposes to large landowners." The state bureaucracy is not only an object of popular disdain, but is the haven of incompetency and inefficiency. Because it lies at the heart of the spoils system of politics, it is infested with nepotism, bribery, and corruption (see Corpuz 1957, Cariño 1986).

Similar to Latin America in the effect Spanish colonialism had on its landownership system, the Philippines also shares with Latin America the political phenomenon of a weak state and powerful oligarchic families, which paradoxical combination opens the state apparatus to predatory rent-seeking. Not only is it the primary unit of capital accumulation and corporate control, "the Filipino family is the most enduring political unit and the one into which, failing some wider principle of organization, all other units dissolve" (Fegan 1993, 51).

The Philippine state's weakness was especially manifest in its loss of control over the instruments of coercion. Not only are provincial contingents of the Philippine army beholden to local politicians, their coercive power paled before those of the private armies of local politi-

cal warlords. Thus, Filipino elections were marred by systematic fraud, armed thuggery, violence, and murder, or, in the alliterative phrase of Filipino politics, by "guns, goons, and gold." Filipino political families being "entrepreneurs in votes and violence," (Fegan 1993), Filipino society and politics were aptly described by the anthropologist Robert Fox as "an anarchy of families" (McCoy 1993a).

By the late 1960s, Filipino elite democracy was in crisis. The Philippine economy was stagnant, the Communist insurgency was revitalized, unrest among the Muslims in the south was afoot, the violence of provincial political warlords was rampant, and student activism was in full swing. The crisis was aggravated during the 1969 elections when Marcos went on a spending spree to become the only Philippine president to be reelected. The solution to the crisis was seen to reside in a constitutional convention convoked to replace the 1935 constitution drafted under colonial rule. It was a crisis that Marcos contributed to and took advantage of to declare martial law.

The Marcos Dictatorship

Martial law presented a rupture in the historical process of state formation in the Philippines. The rupture in turn offered opportunities for building a strong state apparatus committed to development goals with a corps of competent officials insulated from the influence of vested interests. That is how Marcos' proclamation of a "new society" could be interpreted within the framework of the comparative institutional approach to the role of the state in development. This does not sound so incredible if we remember that one of the initial acts taken by Marcos in his "revolution from above" was to launch a program of agrarian reform. Presidential Decree No. 2 of 26 September 1972, proclaimed "the whole country as a land reform area," the implementation of which would abolish sharecropping, transform tenants into landowners, increase agricultural productivity, create a market for industry, and undermine the cause of rural rebellion. The fate of land reform is therefore a good place to start the analysis of the failure of authoritarian reform under Marcos.

Land reform under martial law may be labeled as a "historical moment of choice," especially because, as Putzel (1992, 34, 127) notes, "the language and objectives that Marcos employed in his initial decrees on reform were clearly borrowed from the radical liberal models of reform introduced in Japan, South Korea and Taiwan." In 1986, in the end, after Marcos was gone from power, the National Economic

and Development Authority reported that only about three percent of those targeted had actually received official titles covering a mere 1.5 percent of the area under land reform (Putzel 1992, 138). Worse, under Marcos, land was lost to agribusiness interests and corporate farming in a perverse "reverse land reform" (Wurfel 1988, 154–76). Some of the reasons adduced are, first, that talk of land reform by Marcos was not sincere but merely a counterinsurgency ploy (Kerkvliet 1979); second, that Marcos manipulated the program to award military, oligarchic, and corporate interests in exchange for their support; and, third, that Marcos himself was a large landowner and he used martial law to increase his and his extended family's landholdings. Thus, the American land-reform adviser Ray Prosterman can still conclude that "the Philippines has one of the worst land-tenure problems still found on the planet" (Broad and Cavanagh 1993, 8).

The martial law regime was supposed to be run by "technocrats," a term implying a staff known for their competence and expertise, and, most of all, for their autonomy and independence from vested interests. Martial law was supposed to give them free rein in the development and implementation of policies, committed as they were to the state and to the collective goal of national development. What happened, it is usually explained in some postmortem accounts of the regime, was that the technocrats were marginalized, were shoved aside. Who gained the upper hand in the coalition supporting martial law was Mrs. Marcos and her coterie of spendthrift sycophants, the politicized military brass and Marcos' business cronies, the traditional elite and corporate interests that allied themselves with Marcos. Thus, Timberman (1991, 107, 86) traces the politicization and corruption of economic policymaking under martial law to the demise of the power of the technocrats, signaled by the sacking in November 1975 of Executive Secretary Alejandro Melchor whom he considers one, if not the foremost, of the "Western-educated economists and managers who were without independent political bases and political ambitions."

Putzel (1992, 144, 143), however, rightly points out that "the term 'technocrat' should be restricted to describe those individuals, based either in academic or bureaucratic institutions, rather than in political networks or the business community, who have arrived in government and remain there primarily by virtue of their technical expertise. It has too often been used to refer to businessmen in government who may at times assume a 'technocratic posture' (i.e. the view that society and economy should be organized on principles established by technical

experts). . . . In fact, many of those portrayed as 'technocrats' were no more than representatives of the vested interests of the business community, and are better understood as a group within the oligarchy than a class part." Their most prominent example was Cesar Virata, Marcos' Finance Minister to the end of the regime. These mislabeled technocrats gave the fig leaf of legitimacy to Marcos' dictatorship in its dealings with multilateral lending institutions and foreign banks.

But even if we grant that a significant number of authentic technocrats existed in Marcos' dictatorship, it is doubtful that they would have constituted an efficacious and autonomous staff of a Philippine developmental state. Such a state is structurally constructed in a long historical process so unlike the historical foundations on which the colonial and postcolonial Philippine state was built. Besides, whatever state capacity and autonomy were generated by martial law were prostituted by the conjugal dictatorship of Ferdinand and Imelda Marcos in the pursuit of their delusions of grandeur and wealth, of ambition and power (see Mijares 1986, Seagrave 1988).

The power of martial law was also supposed to unshackle the economic and political life of Filipinos from the fetters imposed on them by the oligarchy. True, it loosened the grip of selected oligarchs, like the Lopezes and the Jacintos, but Marcos soon confined Philippine society in more onerous shackles. He subordinated the entire apparatus of the state, particularly the military, to his personal command. He dismantled all countervailing institutions, demobilized, and disarmed the opposition, and jailed those whom he could not coopt. He ruled with all the coercive power of the state for his benefit and those of his family and clique. Thus, Marcos' regime fits Linz's (1975, 259; see Thompson 1998) definition of sultanism as "personal rulership . . . with loyalty to the ruler based not on tradition, or on his embodying an ideology, or on a unique personal mission, or on charismatic qualities, but on a mixture of fear and rewards to his collaborators. The ruler exercises his power without restraint at his own discretion and above all unencumbered by rules or by any commitment to an ideology or value system."

But Marcos also needed support to maintain his dictatorial rule. He allowed, therefore, his military collaborators, his allies among the traditional elite, and, most of all, his business associates to share in his politics of plunder. State power and private wealth have always been connected in the Philippines with oligarchical families using political patronage to secure subsidized government funding and to dominate

state-regulated industries. The Philippine state, in other words, has substantial financial resources and broad regulatory authority which the executive branch dispenses as "rents" to reward retainers, instead of using them to promote development and transformation. McCoy (1993b, 436) writes that "rather than breaking this system of rent-seeking, Marcos' martial-law regime represented its apogee. His major achievement, and ultimate failure, lay in his attempt to restructure the national elite, replacing established families with a coterie of his own."

This kind of subcontracting through which his business associates monopolized important areas of the economy for plundering by means of special taxes, production privileges, and import-export licenses came to be known as "crony capitalism" (see Doherty 1982, Manapat 1991), which resulted in a kind of "ersatz capitalism" (Kunio 1988) of the economy. According to Thompson (1995, 54), "each crony had his kingdom: Benedicto was the sugar king, Cojuangco the coconut king, Floirendo the banana king, Campos the drug king, and, according to the buttons on the intercom system at Malacañang Palace, Ferdinand Marcos was simply the King." Thus whatever autonomy from traditional elite interests the state gained through martial law was immediately embedded in more pernicious and predatory interests.

Hutchcroft (1993, 167; see also Hutchcroft 1991) puts a twist into Philippine predation when he points out that "the Philippine state is more often plundered than plunderer; we find not a predatory state but rather a predatory oligarchy. The primary direction of rent extraction is not toward a bureaucratic elite based inside the state but rather toward oligarchic forces with a firm independent base outside the state." But with the change from a system of elite party alternation to sultanistic dictatorship of plunder, the Philippine state under Marcos was in truth and in fact a predatory state. He controlled the levers of power and coercion, he monopolized the dispensation of patronage and privilege, his was a personal rule without ideological and institutional constraints. Marcos was the Philippine state under martial law. He owned it and he used it for his personal aggrandizement.

Hawes (1987) and Broad (1988) write that the ruling coalition under Marcos was segmented: one favored state capitalism, another was composed of Marcos' relatives and associates, a third segment was constituted by economic nationalists oriented toward the domestic market, and a fourth segment wanted export industrialization to the world market. The impression given is that there was basic disagreement and genuine discussion on policies and programs. The reality

was that whatever policy and program was adopted, whatever course of action implemented, the largesse shared, the patronage doled out, the referendum manipulated, the coercion exercised had to contribute to one overriding goal: the consolidation of power and the security of tenure of the Marcoses. Even the World Bank and the International Monetary Fund were obviated in the conditions of economic liberalization and the dismantling of monopolies they laid down for credit agreements and debt rescheduling. Marcos did not tell the U.S. and foreign visitors that he intended to use the snap elections he called precisely to avoid what they were asking for and expecting, although he finally grossly miscalculated.

Most of the traditional Filipino elite, even those who did not openly ally themselves with Marcos, did not directly oppose the regime. They could live with him, even collaborate with him, as they were always able to with past usurpers. The assassination of former Senator Benigno Aquino, however, shattered their self-assurance. Not only were their material resources and financial assets being drained, but their very physical security was threatened, their class immunity blatantly breached. Elite anger finally coalesced with middle class deprivation against the brutality and corruption of the regime, the extravagance and ostentatiousness of Mrs. Marcos, the growing misery of the populace, and the economic decline of the country to topple Marcos from power.

The Aquino Restoration

The "people power" revolution was actually an elite restoration. For one thing, Mrs. Corazon Aquino did not see her ascension to the Philippine presidency as a mandate to restructure Filipino society nor to reform Filipino politics; it was simply to rebuild the democratic institutions and processes that were obliterated by Marcos. For another, with the economic and political mess that Marcos left the country in, with the natural disasters that unbelievably followed one after the other, with seven coup attempts by a politicized military that wanted a hand in governance, with political squabbling and jockeying for position among her fractious coalition partners, the mere fact of restoring democratic rule, however fragile, was accomplishment enough.

With the restoration of formal democracy, however, came the restoration of the traditional Filipino elite who simply wanted the status quo *ante* Marcos. They simply claimed their wealth and power, their position and privileges back, considering the episode of martial law as

an aberration best forgotten. Similar, therefore, to the betrayal of the Philippine Revolution at the turn of the century, to collaboration with the Japanese Occupation during the Second World War, the issue of accountability during the Marcos dictatorship was swept under the rug of Philippine history.

The assassinated Senator Aquino predicted that two of the worst effects of martial would be a powerful Mrs. Marcos and a politicized military. The second prediction turned out to be true. Marcos played favorites with the military, and used it as his personal instrument of repression. But because of their role in peacefully bringing down Marcos, two of the top people in Marcos' military, Juan Ponce Enrile and Fidel Ramos, were given cabinet posts in Aquino's administration. The politicized military became the most serious threat to the fragile democracy. They wanted a role in government to the extent that when their wishes were not granted, elements of the military attempted to grab power for themselves. Philippine society has not yet come to terms with the legacy of martial law primarily because no public accounting has been made, similar to those made in Argentina and El Salvador, of the corruption and abuses, the torture and murders committed under the regime.

The character of the state under the restored elite democracy can best be understood by looking at what happened to land reform under Aquino. With the power of a revolutionary constitution still in her hands, Mrs. Aquino was urged to launch a land reform program that would once and for all solve the most persistent social problem of the nation. It was another "historical moment of choice," but she opted to wait for a new congress to be convened, most of whose members represented landed interests, who then passed a gutted bill. Even if Mrs. Aquino wanted to, and it is doubtful if she really wanted to, her family being the biggest landowner in the land, "there was virtually no tradition of state action independent of the powerful political clans in society upon which the Aquino government could draw" (Putzel 1992, 249). It is true that the advent of Aquino provided "democratic space" to the legal left whose high point was the 1987 elections, the same elections that reconstituted the Philippine Congress. But by the end of 1987, the democratic space had contracted, the left was in decline, and the elite had consolidated their hold (Timberman 1991, 310-17).

Thus, the Aquino restoration did not break with history, but is in continuity with the past. And the Philippine state continues to be the milking cow of the elite, having neither the capacity to tame oligarchic

greed, nor the autonomy to rise above narrow elite interests (see Ocampo 1991).

Conclusion

The comparative institutional approach to the role of the state in development argues that the state plays an important, if not critical, role in late industrial transformation. This is especially evidenced in the cases of Japan and the "little dragons" of Asia whose sector-specific industrial policies played a crucial role in their economic success. It is not simply a matter of government intervention, however. Government intervention in the Philippines allowed Marcos to make the Guinness Book of World Records as the world's biggest thief. "The institutional context," the World Bank (1993, vi) grudgingly admits, "within which policies are implemented is as important to their success or failure as the policies themselves."

The institutional context for successful government intervention in the economy calls for a state apparatus that is both efficacious and autonomous. State efficacy is brought about by a competent staff committed to developmental goals. State autonomy requires that the state bureaucracy is insulated from and rises above narrow vested interests. Evans (1995) further specifies that it must be an "embedded autonomy" which in the case of Japan, Taiwan, and South Korea meant a partnership between government and business.

The institutional context necessary for the state to be developmental is precisely what is lacking in the Philippines. The Philippine state as historically constructed through the crucial periods of Spanish and American colonialism was gravely deficient in capacity and autonomy. Structurally, positions in the state bureaucracy became plums in the political patronage system where political clients rented out the material resources and regulatory powers of the state to the highest bidder among the economic and political oligarchy. With Marcos the state became predatory, pure and simple. Predation, if it were not the original deceitful purpose, spelled the failure of authoritarian modernization.

"State strength and autonomy . . . are not necessarily at odds with democracy," Rueschemeyer and Putterman (1992, 256) note, "nor does authoritarianism ensure the required independence." This is clear from the Philippine case: neither in the elite democracy nor in Marcos' dictatorship was the state developmental. Is democracy, therefore, irrelevant to development? Must we concentrate our efforts, first, on

constructing a developmental state, efficacious and autonomous, and then, after industrial transformation has been achieved and a middle class created, worry about democratizing the polity? Does democracy, in other words, have no inherent meaning and value apart from, or even prior to, development?

From the study of the Philippine state, a couple of conclusions are in order regarding democracy and development. First, authoritarianism or democracy are misplaced polarities in the sociology of development. The appropriate opposition is between a developmental state and a non-developmental/predatory state, both of which can be authoritarian or democratic. Between an authoritarian developmental state and a democratic non-developmental state, the former is preferred. But between a weak democratic state and a weak authoritarian state, both of which are captive of narrow vested interests, the weak democratic state is the lesser evil. A weak authoritarian state can easily become predatory, not only a drag on economic development but a danger to the lives of its citizens.

Second, a democratic state, even a weak one, affords "democratic space," however constricted, to subordinate groups. The model of capital-intensive and export-oriented industrial transformation of Japan and the NICs of Asia is not viable for the rest of the Third World (see Bello and Rosenfeld 1990). Economic growth and industrial transformation must be balanced with the imperatives of ecological sustainability and equitable distribution which balance can only be arrived at by popular political participation. Development must be sustainable, equitable, and participatory (Broad, Cavanagh, and Bello 1990). A democratic state, however weak and lacking in autonomy, provides democratic space, not necessarily to leftist groups, but to non-governmental and popular organizations whose members bear the brunt of poverty, inequality, and environmental degradation (see Broad and Cavanagh 1993).

The fact is, to take a longer historical view, the rise of democracy in the modern era had its origins in the struggle for protection against the historic alliance of state and capital. Through the exercise of political rights, democracy represented to common people the solution to the economic grievances that accompanied the emergence of industrial capitalism. Laws that protected the rights of labor, the expansion of the bargaining power of workers and employees, the income-maintenance programs of the welfare state came about not as favors freely bestowed by the powerful and wealthy, but as concrete results of popu-

lar struggles and democratic mobilization. The exercise of political rights, rather than a hindrance, constituted the historically viable means for promoting economic rights.

To put it in the language of the comparative historical and institutional analysis on states and development, democracy can provide the viable means of rethinking state-society relations, of reconstructing a more encompassing embedded autonomy (Evans 1995, 234–47) such that the kind of development the developmental state pursues is characterized by participation, equity, and sustainability, not simply economic growth in aggregate numbers, but in terms of the welfare of all in society and of the planet as well.

As this article was being finished, financial turmoil erupted in and swept across Asia, causing depreciation of currencies, bankruptcies of firms, and layoffs of workers. In the mainstream American press, the turmoil is usually seen through the lens of an unfettered market ideology and is therefore attributed to the close ties between governments and businesses which with their attendant corruption and favoritism have resulted in the misallocation of investment. Funds were funneled to chosen enterprises, firms became saddled with high debts which they could not repay, and banks were squeezed with nonperforming loans. Thus, the financial crisis.

It is curious that the very same people and institutions, including the International Monetary Fund, who were cheering the impressive economic achievements of the region now claim to be shocked by the corrupt and inefficient “crony capitalism”—a label extrapolated from Marcos’ notorious economic regime—that allegedly prevails in the region. A more complete picture has to situate the financial turmoil in Asia within the context of the globalization process, an issue that is not centrally addressed in the article, that is sweeping across the world, steamrolling economies, societies, and cultures to fit the requirements of an unfettered capitalism (see, e.g., Ross and Trachte 1990; Greider 1997; Litonjua, 1999).

To mention but two points. First, in the market that has become global, there is now a disjuncture between the financial market and the economy of goods and services. Thriving on speculation and debt, finance capital—Greider (1997, 250) has dubbed it “the Robespierre of this revolution”—has become totally unfettered and completely mobile, detached from real economic activity. As finance capital was first attracted to and then withdrawn in droves from Asia, economies whose fundamentals were sound and which were even growing were

undone, wreaking havoc on their societies and peoples because the values of their currencies have been decimated. Second, the nation-state has become less and less of an actor in the global economy. Governments have become powerless before the onslaught of global capital, their best efforts to control or regulate it rendered puny and useless. Worse, governments in order to compete to attract finance capital, actually make their economies and societies subservient to the remorseless demands of an unfettered market. In the post-Cold War period, *laissez-faire* capitalism is undermining all other forms of capitalism. This raises the question of the future of the developmental state in this new stage of global capitalism. Has success undermined it, has it outgrown its usefulness? Does it need to be embedded in new and wider networks?

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