

Globalization, Corruption and the Structural–Historical Perspective

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Corruption is an insidious plague that has a wide range of corrosive effects on societies. This evil phenomenon is found in all countries—big and small, rich and poor—but it is in the developing world that its effects are most destructive. Corruption hurts the poor disproportionately—by diverting funds intended for development, undermining a government's ability to provide basic services, feeding inequality and injustice, and discouraging foreign aid and investment. Corruption is a key element in economic underperformance, and a major obstacle to poverty alleviation and development.

Kofi Annan, Secretary General of the United Nations
Speech on UN Convention against Corruption, 2003

Corruption is one of the most salient issues currently affecting the Philippines. As a nation that experiences moderate economic advance in contrast to its rapid population growth, exploitation of what little exist only further denigrates Filipino livelihood. Corruption weakens the already limited capability of the bureaucracy to perform its duties efficiently according to established rules, hindering the possibility for political, economic and social progress. It is an endemic burden for the poor who must bear the brutal brunt of exploitation and marginalization, and provides for an unstable environment that typically benefits a select few while alienating the masses.

In the Philippines, it has been argued that corruption has metastasized from Malacañang Palace down to the barangay government.¹ (Coronel 1998: 11) According to this view, the Philippines has experienced total systematic affliction where practically all government offices and projects are prone to corruption. Exploiting the bureaucratic procedures in the Philippines, it is reported that under the Ramos administration, each member of the lower house of Congress is able to skim Php62.5 (US\$2) million per year from budgets allocated for the Departments of Public Works and Highways, (DPWH) Education, Culture and Sports (DECS), Interior and Local Government

(DILG) and Health. President Joseph Ejercito Estrada in January 2000 was impeached on plunder charges for allegedly embezzling over P4 billion, or US\$80 million. In 1986, records show that President Ferdinand Marcos was able to amass over US\$30 billion during his twenty years in office; these figures stand in stark contrast with the reality that the average Filipino makes around US\$500–\$1,000 per year (Philippine Census 2000).

In a study conducted by Transparency International among businessmen currently engaged in trade activities in countries throughout the world, the Philippines ranked 77th (with the first being the least corrupt).² Meanwhile, in a study by the Internet Center for Corruption Research on perceptions among citizens and businessmen on transparency and integrity in public office, the Philippines scored 92nd in a list of 133 (again with the first being the least corrupt).³ In both instances, the Philippines scored in the bottom quartile of the most corrupt countries on earth.

Moreover, corruption plays an important role in economic growth. The International Monetary Fund (IMF), in its study of growth rates in ASEAN found that between 1970 and 1996, the Philippines experienced the lowest level of economic growth in the region. In fact, between 1980 and 1996, this economic growth was lower than that of Sub-Saharan Africa (Hicklin et al., 2003:27). Therefore in conjunction with extremely high corruption rates relative to the rest of the world, we also see extremely low development rates. To many, the correlation between the two is undeniable.

However, to attribute all national problems to political elites who benefit from corrupt behavior would be missing the bigger picture. In order to understand the current phenomenon of corruption in the Philippines, one must first trace its roots to colonization. Without the construction of an entrenched political elite class that would constantly side with US policies during that crucial period, the American colonial experiment would have failed—especially since it was precisely this group of elites who posed the biggest threat to the newly formed empire. This type of relationship is continually sustained by global market forces of capitalism that need allies in order to maintain the conditions for the expansion of the system. This is especially in light of the fact that as this system expands, it tends to enhance poverty and inequality internationally. This paper argues, then, that corruption becomes part of the hegemonic global economic system, institutionalized by the history of colonization and sustained by the structural forces of capitalism.

Conveniently however, perhaps in attempts to mask this reality, current literature on corruption in the Philippines tends to focus on the act of the corruption and the 'culture of corruption.' Scholars such as Thompson (1995) and Hutchcroft (1998), who constitute a group of (self-described) 'talented new generation of scholars on Philippine politics,'⁴ although critical of older political models of the Philippines such as that of the 'patron-client' model pioneered by Carl Lande in the 1960s, tend to overlook their own criticism and continue to employ these

models anyway. In the process, they neglect to interrogate some of the cultural stereotypes of Filipinos embedded within such models that indelibly mark the Filipino as an 'other,' thereby 'orientalizing' the discourse.

This paper, therefore, aims to shed light on the issue of corruption from an alternative perspective, one that posits colonialism and later, neo-colonialism as now manifested by globalization, as the main perpetrator behind such 'corrupt' activities. The paper will first discuss the current scholarship on corruption in the Philippines from its cultural aspects to the 'patron-client' political model. It will then shed light on the historical background to the corrupt 'patron' as a product of colonial intervention. Finally, it will look at how, once constructed, this colonial legacy is nurtured and maintained by the contemporary structural system of transnational capitalism.

CURRENT SCHOLARSHIP ON CORRUPTION IN THE PHILIPPINES

Literature on the Philippines has a long history: from early works by colonial administrators, to 'nationalist' Filipino re-interpretations of Philippine-US relations.⁵ An excellent example of work from the former category is that of David Joel Steinberg in his notable book, *The Philippines: A Singular and Plural Place*. In this work, Steinberg documents many of the peculiar habits of Filipinos, particularly with regard to cultural norms. Once such observation was the kinship and fictive kinship relations which tend to dominate social relations in the Philippines:

Relationships in the Philippines are defined in a 'we-they' framework to a greater degree than in the West. The web of kinship and fictive kinship creates the social environment... extending beyond real and fictive family are bonds that tie an individual to others of the same town and province, linguistic group, and geographic area of the country (Steinberg 1990:2-4).

What is notable from this passage is that the analysis of this and many other early American authors on the Philippines demonstrates that these authors conducted their research in a manner which inextricably painted the Filipino as the indelible 'other'. Contrasting Filipino norms with those of 'the West,' they explore how and why Filipinos were different from Americans, and ultimately, how and why institutions set in place by the Americans eventually failed.

Another example of 'flawed' Filipino values that help contribute to the failure of some of these institutions is '*utang na loob*.' Literally translated to 'debt of the inside', the term is used to describe a relationship based on a debt of gratitude. When an individual provides services or any type of commendable act for another, the other is immediately placed in a relationship in which he or she must repay the act of kindness. According to Steinberg, "Filipinos are acutely sensitive to the burden of paying back those favors done for them by others. The accusation that an individual is insensitive and thoughtless is damning" (Steinberg 1990: 4). However, this cultural practice does

not simply manifest itself into social relationships. As Steinberg argues, it can be realized in international and bilateral arrangements as well:

The Filipinos felt that the United States owed them a massive amount of post-war support not merely because they had been allies but more essentially because they had fulfilled handsomely the obligations that cemented the 'special relationship'... Filipinos were crushed to discover that America seemed preoccupied and insensitive (Steinberg 1972:187).

Scholars on Philippine political science picked up where many of these early scholars left off by integrating these ideas about Filipino culture into their analyses of politics. According to Lande, a Yale University trained scholar,

Rural Filipinos, and to a certain extent, urban Filipinos as well, rely more heavily upon the help of their kinsmen in their various activities and less upon the cooperation of nonkinsmen than do inhabitants of modern Western countries... a major consequence of this Philippine kinship is that the typical Filipino community does not segment by vertical lines of cleavage into a series of discrete lineages...instead, [we see] an uninterrupted web of interwoven and overlapping kinship ties which directly or indirectly connect most or all of its inhabitants with one another (Lande 1965:16–18).

Therefore, Filipino social lives become dominated by a complex web of relations that are based on the cultural ideas of kinship and bonds of *utang na loob*. Furthermore, these 'web-like' associations become characterized by a 'patron-client' relationship where the rich tend to dish out favors to the poor who in return provide them with patronage. As a result, factions based on this patron-client model are often formed at the local level. These factions often take on the shape of family or regional rivalries. Ultimately, from these emerge national politics, which are plagued with acute infighting found at the local level.

According to Lande, this becomes a problem when local politics tends to create amorphous party lines at the national level. Because parties in the Philippines emerge from the bottom up instead of top down, politics is often guided more by personal relationship rather than national political directorates. In the Philippines, if a political party refuses to endorse a candidate that is backed by a powerful provincial leader, local factions can switch sides or form their own political party to challenge the original party. In order to reconcile for this, many parties are forced to enact 'free zone' rules, which allow for multiple candidates to run on one slate, therefore alleviating the problem of party switching (Lande 1965:56–58). Therefore, as local politics based on flawed Filipino culture infiltrates national politics, institutional problems become grounded in cultural explanations.

Mark R. Thompson in *The Anti-Marcos Struggle: Personalistic Rule and Democratic Transition* takes this argument even further by arguing that as these patron-client relations become intense, they begin to take the form of a singular 'patron' who then begins to dominate all institutions. As a result, we begin to see massive plundering of national assets. Thompson of Yale University drew very heavily from his supervisor's work on 'Sultanism.'⁶ Portraying Marcos as the ultimate 'Sultan,' he demonstrates how Marcos and many of his 'cronies' were able to take advantage of their position in government to dole out favors and rewards to those who sided with the Marcos administration.

Marcos' financial reach was extended furthest through 'crony capitalism,' a kind of subcontracting to his close friends important areas of the economy for plundering. Though production remained privately owned, Marcos allowed cronies to monopolize key commodities through special taxes, production privileges, or import-export licenses...even Marcos' elderly mother had her sphere of influence in the Rice and Corn Administration (Thompson 1995:53).

Therefore, as a result of patron-client relations, we see the emergence of 'crony-capitalism,' a concept that has been used to characterize the corrupt nature of many third world nations. As friends and families submit their support to the Marcos regime, they in return receive favors that expand their realm of control—all the while reiterating the centralized power of the main patron. Following the logic of Lande,

this interpretation of the Marcos regime reflects the underlying notion that politics in the Philippines is truly guided by a patron-client relationship, one that traces its roots to the Filipino value of kinship and *utang na loob*.

It should be noted that although Thompson uses the patron-client model to understand Filipino politics, he also recognizes several failings of the model based on 'flawed' Filipino values. He argues "clientelist theory simplifies the messy reality of pre-martial law politics in the Philippines characterized by the near breakdown of Philippine democracy between 1949 and 1953... [Furthermore it] also overlooks the violence of pre-martial law elections." However, he adds, "like anomalies during normal science, these political phenomena do not severely undermine the clientelism's analytical effectiveness" (Thompson 1995:16). Finally, as politics become dominated by Filipino culture, it becomes inevitable then that the Philippine economy begins to suffer as well.

Paul Hutchcroft is another contemporary scholar who analyzes Philippine political issues through the use of the patron-client model. Instead of looking at the direct implication of the model on political relationships however, he applies this framework to the political backdrop behind the financial sector. Initially characterizing the Philippines as patrimonial oligarchic state, he makes the case that instead of the political factions within the government directing national development, it is the large 'oligarchic' business class, grounded in the local

familial dynasties that dictate matters of the state. This, he argues, differentiates the Philippines from countries like Thailand and Indonesia which can be characterized as bureaucratic capitalist states dominated by makers in the government as opposed to emerging from a powerful business class (Hutchcroft 1998:46–55).

This type of relationship applies the patron-client model by analyzing the internal processes behind the selection of certain banks that receive governmental subsidies and support to evade bankruptcy. This can be seen in the banking industry where many of the reforms that were implemented precisely to address the impending liquidation of many banks selectively benefited those with close relations with the men in power, who, in turn, often a vested interest in, if not *owned*, the banks that were able to avail of government support. One such man was Jose 'Jobo' Fernandez, a Harvard-trained businessman who made his claim to fame by establishing one of the nation largest private banks, Far East Bank. Hutchcroft showed how, upon Fernandez's arrival as the new head of the Philippine Central Banking Authority (as the Central Bank is officially referred to), and in the process of "cleaning up" the failing bank industry the three main banks that were selectively attacked for poor misconduct were those of his and his family's political rivals. Moreover, when time came to sell the shares of these new governmentally-acquired banks, the private bank which consistently made the most appropriate proposal was Far East Bank (Hutchcroft 1998:173–177).

From the works of Lande, Thompson and Hutchcroft, one can immediately recognize the prevailing political science model of the 'patron-client.' But as discussed earlier, part of the patron-client model is the entrenchment of essentialized notion of Filipino culture. As one proceeds through the development of the popular political science model, one finds that what the scholars either implicitly or explicitly argue is that Filipino values are at the core of some many of the Philippines' political and financial woes. According to Hutchcroft,

The case of the Philippines highlights important political underpinnings to the development of more advanced forms of capitalism. Not only is the Philippine state incapable of guiding the process as of late, it is even more fundamentally incapable of providing the administrative and legal apparatus necessary for the development of free-market capitalism. Without greater development of the state, oligarchic dominated booty capitalism will continue to stunt the development of the Philippine economy (Hutchcroft 1998:22–23).

From the cultural point of view, according to Steinberg:

Corruption, if that is the appropriate term, is endemic. But from the individual Filipino's point of view, it is the means by which an individual can work his way through the complexities of modern society. It is a system easily

abused. A near-sighted driver who has had his eye test fixed is a menace on the roads. A real estate developer who bribes the building inspector in order to use cheap cement puts his tenants at risk at the next earthquake. A defense attorney who buys a judge destroys justice, a sense of fairness in the system, and the integrity of the courts (Steinberg 1990:6-7).

Thus, at the core of some of the institutional problems of the Philippines are the flawed cultural values, some of which can be squarely accused of providing the foundation to some of the larger problems that persist today. The problem with these arguments, however, is that they are largely ahistorical and they often overlook, if not dismiss altogether, some of the prevailing structural circumstances that precede and maintain such problems. With this in mind, the paper can now proceed to shed light on some of the historical circumstances of colonialism that have contributed to the birth of such problems. It intends to look at some of the structural issues that make the historical legacy of colonialism persist to this day.

CHINESE MESTIZOS, THE RISE OF THE FILIPINO IDENTITY AND COLONIALISM

Owing to the Spanish colonial policy of simply using the Philippines as a port of transfer between China and Mexico as opposed to a colony from which it could exploit massive amounts of resources, the

Spanish engaged in a different type of colonial policy in the Philippines than had been seen in other parts of the Spanish empire. Whereas in Latin America many of the indigenous people were forced to learn Spanish to facilitate the utilization of labor necessary to grow crops or mine precious minerals, in the Philippines, most Filipinos, (since this was never necessary), were able to retain their native dialect (Anderson 1988:5). Because the Spanish government never fully developed the Philippine economy to one that would be economically self-sustaining, the Spanish colonial government had to rely on Chinese merchants and traders to maintain the necessary ties to the Chinese market as well as to continue benefiting from the trade that brought in some of the basic daily necessities that could not be found on the islands (Wickberg 1964:67-68).

Although the Spanish could not live without the Chinese, they could also not live with them. As these Chinese traders began to profit from the relationship between themselves, the Spanish and the locals, their population began to grow both physically and economically. Given that the Spanish population was comparatively much smaller to the burgeoning Chinese trader community, in addition to the fact that this community was becoming highly dependent on the Chinese, the Spanish colonial government began to enact highly restrictive measures to curtail the growth of the Chinese community, which was perceived as a growing threat. The colonial government enacted extremely restraining geographic mobility

rights on Chinese communities, often sequestering Chinese merchants to certain communities within the immediate control of colonial authorities. Chinese merchants were unable to purchase and own land as a direct consequence of this restricted mobility. Lastly, in order to limit the realm of power to which these traders had access, the Chinese were refused the right to transform their economic power into political power and were denied participation in any part of the government (Wickberg 1964:70–75).

Coupled with anti-Chinese racial riots, these discriminatory practices made the situation for Chinese merchants in the Philippines far from an ideal situation. Therefore in 1762, when the British invaded the Philippines in response to the Spanish involvement in the Seven Years War, many of the local Chinese merchants immediately sided with the new colonial occupants. When the Spanish returned two years later, it was resolved that the Chinese were not to return to the Philippines given their potential to betray the Spanish if given the chance (Anderson 1988:7). Consequently, after 1762, Spanish colonial policy with regard the Chinese could be viewed as forced assimilation. Given the outright ban of Chinese immigration to the island along with the continuing necessity to maintain many of these traders to sustain the local economy, the Spanish colonial government, as a response, increased the pressure to have these Chinese merchants assimilated into the local culture. This was done through conversion to Catholicism and intermarriage. As a result of the latter solution to the Chinese problem, we begin

to see the meteoric rise of the Chinese mestizo (Anderson 1988:7–9, Wickberg 1964:71–75, Cullinane 1982:257–271).

With the ability to take advantage of their fathers' financial network and the ability to navigate local social relations, these Chinese mestizos, now without legal restriction, were able to amass a substantial amount of wealth. In Cebu⁷ for instance, it was argued, "the wealthiest of these Chinese mestizos probably exerted more influence over the urban area than did any of the colonial authorities" (Cullinane 1983:257). In addition, many of these wealthy Chinese mestizos began to receive an education abroad, contributing to the argument that the existence of these elites eventually led to the emergence of an indigenous intelligentsia (Anderson 1988:8–9).

THE RISE OF THE 'FILIPINO IDENTITY' AND RESISTANCE

It was from this intelligentsia that we begin to see resistance to Spanish colonial rule. As many Chinese mestizos became landed property owners or members of the social elite in the Philippines, and as their children became educated in some of the finest schools in Europe, it became very difficult for members of this elite group to accept their position as second class citizens within their own country. A result of this emerging identity was the 'Propaganda Movement'⁸ of elite Chinese mestizo children studying in Spain. While many of these students pursued professional careers, they noticed that despite their ascendant status, they remained vulnerable to harassment and unequal

treatment in the Philippines. In response, they began to publish articles and books criticizing the colonial administration for the injustices it represented. One such Chinese mestizo was Jose Rizal who in a letter to a friend talks about his and his friends' engagement in the movement as follows:

I have tried to do what no one else has been willing to do. I have tried to reply to the calumnies which for centuries has been heaped upon us and our country; I have unmasked the state of our society, our life, our beliefs, our hopes, our desires, our laments and our grievances; I have unmasked the hypocrisy, which, under the cloak of religion, came among us to impoverish us, to brutalize us. I have unveiled what lay hidden behind the deceptive and brilliant words of our government. The facts that I have related are all true and real; I can give proof of them (Schumacher 1973:75).

It was precisely this type of sentiment that gave rise to the Filipino identity that once developed, served as a counterpoint to the colonial government. Much like African Americans who developed a 'double consciousness' when they realized as a slave that no matter how far they had moved up, they would never attain the status of a master; or with Fanon, the realization that upon arrival in the 'civilized world' the color of one's skin would always render him as less of an equal, these moments of realization then become transformed into examples of cognitive liberation.⁹ According to Mignolo,

"the post-colonial begins when the third world intellectuals arrived in the first world academy" (Mignolo 1999:113–116). In understanding the politics of identity, Mignolo argued, the process of exploring such a topic usually involved those who had a vested interest in understanding its significance—namely, the marginalized themselves. An excellent example that Mignolo uses is the rise of the Frankfurt School of Critical Theory, a theoretical school dominated and initiated mainly by Jews.

This newfound consciousness that the Chinese mestizo experienced translated into what can now be considered the 'Filipino' identity (Anderson 1988:7–8). These nationalistic Filipinos helped fuel the revolution against the Spanish in many ways. Firstly, it was through the original works of the 'propagandists' such as *Noli Me Tangere* by Jose Rizal that helped trigger nationalist sentiment that served as the common bond that united the resistance effort¹⁰ (Schumacher 1973:73–96). Secondly, many of these elite Chinese mestizos helped fuel the revolution by providing the necessary economic base. Thirdly, it was amongst this group of Filipinos that we see the rise of the leadership to the resistance effort (Hunt 1979: 536–540). In fact, according to Michael Hunt, "the primary impetus for the resistance effort came from the elite, and without their active participation, there would be relatively little opposition to the American occupation" (Hunt 1979:539).

Therefore, contrary to the idea that many of these elites served as 'patrons,' or central figures whose self-interest

made ill practices and corruption run rampant, many of this class played an important role in the resistance effort not just for themselves but also for their country. It was through their cognitive liberation, financial base, and leadership that a viable resistance movement was able to pressure the Spanish government to relinquish its control over the archipelago and eventually sell the island to the US. Ironically, it was during the American occupation that we begin to see a dramatic turn in terms of the role these elites played in society.

US COLONIZATION AND THE 'POLICY OF ATTRACTION'

After the United States forcefully gained control of the islands and slaughtering nearly 1/6 of the population,¹¹ the US government embarked upon a campaign to win the 'hearts and minds' of the population by enacting a 'policy of attraction.'¹² An obvious attempt to win over the hostile Filipinos was by pronouncing 'benevolent assimilation' as the intent of the US colonial adventure. According to then US President McKinley,

It will be the duty of the commander of the forces of occupation to announce and proclaim in the most public manner that we come not as invaders of conquerors, but as friends, to protect the natives in their homes, in their employment and in their personal religious rights. All people who, either by active aid or by honest submission, cooperate with the government of the United States to give effect the

beneficent purposes will receive the reward of its support and protection...¹³

As a product of this 'benevolence,' the Americans engaged upon one of the largest infrastructure projects in the region, building roads, schools and institutions such as post offices and telegraph services. One of the most important projects the American colonialists embarked on was land reform.

When the Americans arrived in the Philippines they encountered two major issues, 1) the unequal distribution of land due to Spanish concentration of land within the church and 2) a hostile and scheming elite class that had the potential to destabilize the newly forming colony. In order to address both issues, the US colonial administration transferred nearly 400,000 acres of land from the churches to the elites. By doing so, not only did the colonial government address the large plots of idle lands under the old setup of the church, but also placated the group of individuals that posed the greatest threat to the administration. Secondly, in order to provide these Filipino elites with some incentive to develop these large tracts of land, the Payne Aldrich Act was passed in 1909 to allow these Filipino elites free and untaxed access to the US market, one of the largest markets of the world at that time (Anderson 1988:8-9).

A second policy that pacified potentially hostile elites was the construction of a liberal democracy. Unlike other colonies throughout the world such as in Hong Kong or Singapore, nearly 99 percent of the colonial admin-

istration in the Philippines was run by the colonial subjects themselves (Anderson 1988:9–10). This served as a perfect opportunity not only to provide these elites with economic benefits but also with political power since according to the law, only those who owned property and were educated were able to vote (Thompson 1995:15–32, Hutchcroft 1998:13–21, Anderson 1988:10). Providing the elites with even more benefits, this Act also made it so that for the first time in the history of the Philippines we see the rise of a ‘national oligarchy.’ According to Anderson,

There more than at any previous time, they got to know one another well in a civilized “ring” sternly refereed by the Americans. They might dislike one another, but they went to the same receptions, attended the same churches, lived in the same residential areas, shopped on the same fashionable streets, had affairs with each other’s wives, and arranged marriages between each other’s children. They were for the first time forming a self-conscious *ruling* class (Anderson 1988:9).

Lastly, it should not be ignored that main flaws inherent to the Philippines democratic system were in fact imported from the United States. Instances of election fraud, according to Nakano Satoshi, “could simply be explained as an outgrowth of the Americanization of political institutions rather than stemming from indigenous culture or Spanish influence” (Nakano 2003:10). In his revealing essay entitled *A Tale of Two*

Democracies: Scenes from Bilateral Philippines-US History of Electoral Democracy, Nakano argues that it was precisely this ‘policy of accommodation’ that left lasting effects onto the practice of politics in the Philippine context. One is the legacy of the elites which the United States both nurtured and exploited for their compliance with American policies (Nakano 2003:2). Secondly, Nakano argues that many of the electoral problems that persist to this day in the Philippines can be traced to similar problems in the West when democracy was constructed in the Philippines. An example of this is the fact that while the US sponsored and supported candidates they believed represented their best interests, much of the fraud that accompanied their ascension to power reflected the same type of fraud that existed in the West at that time. Therefore, if the US implanted the system of democracy, how can it be that the flaws of this implanted system be solely attributed to those who availed of it?

As seen in the preceding section, if it were not for US colonial intervention in the Philippines, many of the ‘patron-client’ issues American scholars tend to analyze may never have existed. History has shown how US colonial policies took what had originally been a class of liberated Filipinos whose sole purpose was to release the islands from the Spanish colonial stronghold and transformed it into an oligarchic class of leaders who used their position in society to aggrandize both their political and economic supremacy. The remaining section of the paper looks at how

relationships that exist as legacies of the Philippines' colonial past became integrated and maintained by current capitalist structures.

STRUCTURAL FORCES: TRANSNATIONAL CAPITALISM

According to Robin Broad (1988), the World Bank and the IMF emerged during the 1950s in response to two important factors. Firstly, with the decolonization of the world, and as bilateral ties between countries became severed, the IMF and the World Bank emerged as multi-lateral lenders—institutions that did not represent any type of direct colonial obligation between countries as had been experienced in the past. Secondly, as many countries of Western Europe began to experience economic growth, the United States was able to engage its former aid recipients, such as those who benefited from the Martial Plan, to contribute to the development of many of these newly independent nations (Broad 1988 30–35). It was through these two conditions that we see the emergence of multilateralism over bilateralism.

By the 1970s, two other conditions helped thrust the IMF and the World Bank into further prominence. The first of these conditions was the decline of US supremacy, witnessed worldwide by its failure to contain Vietnamese nationalist sentiment. After close to a decade of unrestrained military spending, the US dollar was struck by its first devaluation in 1971. Coupled with the psychological effects of a drawn-out battle and

eventual loss in Vietnam, the US stepped down from being the world's strongest economic powerhouse to one at par with its allied competitors Japan and Western Europe. Secondly, with the rise of alternative fronts such as OPEC, the US could no longer unilaterally determine the direction of international markets. These alternative fronts demanded a reorganization of the international economic order that had once been dominated by the US. Therefore, these two added conditions helped contribute to the recasting of the policy role taken by the IMF and the World Bank in its relations with member and borrowing states (Broad 1988:37–41). Whereas in the past, the US had direct power to pressure states to adopt positions in line with its interests, because of these two factors, the World Bank and the IMF had to assume these new roles.

With this new role in place, the World Bank and the IMF began to push for "Structural Adjustment Programs" or SAPs along with the loans it disbursed. The adjustment programs were meant to pressure many of the newly emerging economies to adopt policies in tangent with the needs of the international capitalist system (Bello 1994:27–29, Broad 1988:50–51). The purpose of this increased role was to ensure that policies that facilitated the international transfer of goods and services across boundaries were unrestricted—thereby posing a threat to nations espousing nationalistic or communist leanings. Although both the World Bank and the IMF deny the political nature of their programs, according to

Stephen Shalom “the World Bank, as already noted, refuses to make funds available to countries that nationalize foreign assets without compensation” (Shalom 1986:141). Reverberating this sentiment is Joseph Stiglitz, former Chief economist of the IMF and former member of the Council of Economic Advisors under the Clinton Administration, who, in the preface to his book *Globalization and its Discontents* says “ideology guided policy prescription and countries were expected to follow the IMF guidelines without debate” (Stiglitz 2002:14). As the IMF and the World Bank gained a larger role in policy decision-making with regard to the adjustment policies that accompanied its loans, this role reflected the interests of beneficiaries of the transnational capitalist system.

In order to play to the needs of the international economic system, the politics of these adjustment programs rarely deviated from the three-point policy prescriptions required by all loan participants. The lowering of tariffs was the first of these policy prescriptions. The rationale behind such a recommendation was that through the influx of international competition, many of the poorly performing national industries would be forced to reform their inept and inefficient business habits to adjust to the more competitive environment (Broad 1988: 67). In order to address the problem of an overvalued, protected currency rate, a second policy prescription was removing controls on the currency, thereby devaluing its parity. By doing so, the local currency becomes attractive to foreign investment searching for cheaper

production costs. The higher purchasing parity promotes foreign investment and rapid industrial growth (Broad 1988:69). Thirdly, by promoting a policy of export promotion, state-led ‘export processing zones’ provided foreign investors with subsidized sites for labor-intensive activities. With factories equipped for labor-intensive industries in addition to the lax tariff restriction on imports, the devalued local currency and subsidized sites of export production, according to the Philippine Trade Ministry, under the advice of the IMF, “if this works, we’ll have foreign exporters knocking on our doors’ (Broad 1988:95).

In contrast to such hopeful statements by the IMF and their representatives, the situation deteriorated very quickly under such conditions. While many of the larger Filipino-owned corporations were able to withstand the changes in the domestic market, many of the small-scale national industries were faced with the dilemma of competing against an ever strengthening local competition and growing multi-national corporation intervention.

According to Broad,

As far as the national entrepreneurs were concerned, the World Bank’s power to influence economic policies that in the end effected their survival was ominous. Shattering national entrepreneurs’ dreams of domestically-owned and oriented basic industries in the face of exigencies of a government that needed the Bank’s seal of approval was only a first step. It coincided with

increasing numbers of national entrepreneurs falling into bankruptcy as a result of Bank-prompted reforms that opened the door to foreign investment and goods (Broad 1988:111).

With regard the textile industry, one of the Philippines' strongest industries in the past, "no one denied that the restructuring was intended to buttress the handful of the largest, most modern mills and to weed out the rest quickly" (Broad 1988:113). Secondly, Shalom contends that with the devaluation of the local currency, "81 percent of the population suffered hardship as a result" (Shalom 1986:143). He argued this was because real wage rates in the industrial establishments throughout the country declined by 19 percent for skilled workers and 13 percent for unskilled workers. In addition, due to the devaluation of the local currency, the external debt increased 2.5 times its original figure within a span of five years. It was stressed that with the implementation of such policies, "sufficient economic growth increases the demand for labor and ultimately to raise real incomes" (Broad 1988:121). In reality, this never took place. As real wages declined, so did the capacity of the average Filipino to meet daily subsistence levels. According to a social worker in Manila,

Right now its questionable whether low-skilled industrial workers' wages are even up to the Marxian level of "self-reproduction." Look at the workers in the export processing zones...we're seeing lots more protein

deficiency...malnutrition among these families. What food they can buy with their daily wage keeps shrinking... Stomachs are no longer full...And we're very afraid of the mental capacity of the next generation...We just can't live and reproduce at these wages levels (Broad 1988: 122).

The question is how and why such dismal situations, widely acknowledged to be a product of the policy prescriptions, can be perpetuated and accepted by the Filipino government. Surely, the nation's leaders can witness the detrimental effects of such policies, not just locally but worldwide. According to Filipino sociologist Walden Bello, among 24 countries that underwent stabilization and adjustment programs, capital accumulation slowed in 20 countries, the share of manufacturing in the GDP declined in 18 countries and export volumes decreased in 13 countries while countries which underwent export volume increases also experience 'negligible' balance of payments (Bello 1994:33). Oxford's specialist in structural adjustment Frances Stewart, observed, "the stabilization and adjustment policies advocated by the IMF and the World Bank and widely adopted in Africa have not succeeded in restoring growth in most countries; indeed, they have often been accompanied by continued economic deterioration" (Bello 1994:26). Therefore, as can be witnessed inside and outside the Philippines, structural adjustment programs have caused more harm than good; yet how can they continue to be included as part of national devel-

opment plans? Why are these IMF and World Bank loans not outrightly rejected?

STRUCTURAL MAINTENANCE OF COLONIAL RELATIONSHIPS

Beyond the simple reality that countries entrenched in debt are now caught in a situation where they have become dependent on these loans, is the fact that local actors often benefit from the implementation of such policies. Furthermore, it cannot be denied that many times there are nationalist leaders who do resist the imposition of such policies. In addressing both these issues, Broad has constructed the conceptual relationship of the triple alliance to discuss how these nationalist leaders are subverted and why local leaders who benefit from the relationship of the World Bank continue to advocate for such policies (Broad 1988:172–177).

As demonstrated in the preceding section in which the US colonial government constructed and nurtured an elite class of individuals to facilitate the implementation of a colonial government, we again see this with the IMF and the World Bank in their attempts to aid the development of the global capitalist system. For instance, as seen in the first policy recommendation of the structural adjustment program, not all national industries were liquidated. Corporations that had enough economic and political power to dominate the market actually benefited from the lowering of tariffs. In discussing the distributive effects of policy, Broad uses the idea of “separating the men from the boys” to highlight the unequal

benefits from such a policy (Broad 1988:163–167). Using the financial sector to highlight this phenomenon, Broad found that of the 2,653 financial institutions existing prior to the structural adjustment, only the tiny rural banks, thrift banks and investment houses faced liquidation while the leading 31 banks (which accounted for nearly 72% of the total financial assets) emerged unscathed and stronger (Broad 1988:165). One of the major benefits of such a policy was the effective liquidation of competition to what could have been considered the economically (and perhaps politically) elite.

Through the implementation of such policies, domestic banks that could withstand the fluctuations of the market were able to pair up with foreign partners. An influx of foreign partners expanded the realm of services these banks could offer, thereby also increasing their strength and competitiveness against their local rivals. Furthermore, as these banks grew in size and stature, they also began to limit their clientele. By 1980, after nearly a decade of such reforms, three-quarters of the loans made by these banks were distributed to transnational corporations and *not* to small-time local entrepreneurs. Moreover, this partnership was not identified solely in the financial sector but also in the food and agribusiness sector as well. For instance, as the case with some of the larger banks, some of the larger food distributors such as San Miguel Beer paired up with transnational corporations such as Coca-Cola to expand product distribution and reach. In both cases, such policies benefited the local economic

elites, the transnational corporation and obviously the state, which is now caught in a desperate predicament where the loans become central to its survival.

CONCLUSION

Therefore, as seen in past colonial policies that had helped construct and benefit off a group of elites, the structural forces of transnational capitalism make it so that these historical relationships become indispensable. Whereas in the past, bilateral relations between the US and the Philippines was fairly direct, this relationship has currently become more complex as demonstrated by the triple alliance of transnational corporations, the state and the local elites. A simple bilateral relationship has become multilateral while benefits to the local elites transcend direct access to the US market to global cooperation.

At this point it should be clear that while much of the work of contemporary scholars on Philippine politics largely ignore some very important issues in their analysis, the intent of the paper is not to discredit their work. In fact, the scholarly work that emerged from the Yale school of political science demonstrate some of the most complex and sophisticated analysis of Philippine political science, and has been described as contributing to the "new generation of scholars on Philippine politics." Many of the interviews conducted and primary data gathered by the scholars from this school are out of reach to most researchers. As sophisticated and important as their

research is, however, these scholars contribute to two very important prevailing problems. Firstly, they tend to 'orientalize' or construct an 'other' inextricably different from themselves. As a result, a second problem arises, which is the tendency to blame many of the structural faults on the actors themselves rather than the structural problems that underlie many of these prevailing issues. In the process, knowingly or unknowingly, their research then tends to mask some of the negative implications of the capitalist system. According to Hutchcroft,

In conclusion, it is interesting to note that both the World Bank and the IMF and their strongest critics had one thing in common: they did not fully appreciate the deeply familial basis of the political economy, and as a result their analysis went astray...it is the familial structure that undermined the intent of reforms and ensured that the banks neither took advantage of their new power nor merged in any systematic way (Hutchcroft 1998:160).

As seen throughout the world, the policy recommendations of the IMF and the World Bank has failed miserably. If this is the case, perhaps we need a huge contingent of Yale scholars to interrogate the 'internal' issues of every state in which these policy recommendations have failed to justify their failure. Was it flawed kinship and *utang na loob* values that led to the problems of the privatization campaigns of the Former Soviet Union or the debt default of

IMF's star pupil Argentina in 2001? According to Thompson, in reference to Hutchcroft's work,

Under Martial Law, several ministries were run by so-called technocrats whose expertise and integrity won international respect for the regime; however, the thesis that the technocrats, in alliance with the International Monetary fund (IMF) and the World Bank, dominated policymaking has been discredited (Hutchcroft 1985:55).

Therefore, not only are the countries suffering under these policies to blame, the relationship between these policies and this suffering is largely 'discredited.' Perhaps this new generation of scholars are a 'web-like' society of cronies who

merely support and reproduce similar arguments.

The purpose of this paper, therefore, was to illustrate how corruption played an important role in perpetuating and expanding the global capitalist system. Through the US colonial 'policy of attraction' to the existence of a triple alliance, works such as those of Hutchcroft and Thompson, although important, help mystify the larger issues and effectively place the blame for structural problems such as poverty and stagnant growth rates on the victims themselves. Much like with every picture, both sides of the coin must be presented. If works such as those of the 'patron-client cronies' begin to dominate the literature, the only coin that will exist is the coin that sits squarely in the capitalist's pocket.

NOTES

¹The lowest branch of the government in Philippines

²<http://www.transparency.org/cpi/2002/cpi2002.en.html>

³http://wwwuser.gwdg.de/~uwvw/corruption.cpi_2003_data.html

⁴See the preface of Mark Thompson's *The Anti Marcos Struggle: Personalistic Rule and Democratic Transition in the Philippines*, pp. xi-xii.

⁵This is particularly the case in Mindanao, where many colonial administrators were sent with the specific purpose of understanding and documenting the activities of the people they ruled over. See the works of Najeeb Saleeby and Edward Kuder. With regards to 'nationalist' Filipinos, see the works of Teodoro Agoncillo and Renato Constantino.

⁶See Juan J. Linz, *Sultanistic Regimes*. Baltimore, London: Johns Hopkins University Press, pp. 3-25.

⁷Cebu is an island located in the central region of the Philippines. It is in the island grouping called the Visayas. This island served as an entrepot and center for trade and development in the region south of Manila.

⁸See *The Propaganda Movement: 1880-1895* by John N. Schumaker.

⁹See *The Souls of Black Folk* by W.E. Dubois or *Black Skin White Masks* by Franz Fanon.

¹⁰It should be noted that this is a generalized statement because in fact there was a diversity of opinion and response to the Spanish and US colonial rule. The role of the elite in resistance was most strongly felt in Luzon and certain regions of the Visayas but not necessarily the whole archipelago. See "Resistance and Collaboration in the American Empire" by Michael Hunt and "Filipino Resistance to American Occupation: Batangas 1899-1902" both in the November 1979 issue of *Pacific Historical Review*. Also look at "The Provincial and Municipal Elites of Luzon During the Revolution" by Milagros Guerrero and "The Changing Nature of the Cebu Urban Elite in the 19th Century" by Michael Cullinane, both in *Philippine Social History: Global Trade and Local Transformations*.

¹¹This percentage is highly disputed. The damage however, is undeniable. The damage caused during this first phase of American colonization was dubbed "the first Vietnam war" by several scholars.

¹²See *The U.S. Army and Counter-Insurgency and Contingency Operations Doctrine 1860-1941* by Andrew Birtle.

¹³"Benevolent Assimilation Proclamation" by President William McKinley, December 21, 1898.

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