

Class Formation and Filipino Nationalism: 1950-1970

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The purpose of this paper is to demonstrate the impact of class structure change on the content and direction of Filipino nationalism during the two decades leading to the imposition of Martial Law in September 1972. It will be argued that the structural change in the Philippine economy brought about by the launching of industrial promotion policies in 1950 produced a re-alignment of Filipino social class boundaries; in particular, it gave rise to an industrial bourgeoisie based on business enterprises whose growth was rapidly stimulated by industrialization through the route of import substitution in manufacturing. The ascendancy of this new industrial class in the context of the historical dominance of the landed gentry in the Philippines developed a differentiation in the composition of the Filipino socio-economic upper class, as well as of the interests within that class. Such a differentiation, which in effect broadened the economic base of the upper class, naturally had implications for Filipino politics.

Much economic literature has been written about the transformation of the economy in those two decades. But as far as I can survey, the study of the social and political implications of that transformation has been neglected. This study attempts to fill some of the gaps. The reason for the focus on the relationship between class transformation and nationalism is that the central issues over which the great nationalist debate of the 1950s and 1960s was fought were provoked by the divergence of interests between the competing segments of the upper class.

It is widely accepted that the post-war explosion of nationalism was a continuation of the Filipinos' historical struggle for independence — a continuity resonant in the emotive rhetoric of post-independence Filipino leaders, such as the call for completing the "unfinished revolution."¹ The nationalist revival was a response mainly to the humiliatingly large military and economic presence left by the United States under unequal treaties after the Filipinos had regained their independence in 1946, and secondly to their isolation from the more militant mainstream Asian nationalism against which the Philippines was seen as a pariah because of such a dominating neo-colonial relationship. It is in this context that post-

independence Filipino nationalism must be seen, if we are to understand the thrusts and goals of the nationalist movement. For, as Harrison has observed, in Asia nationalism "can be best understood as the aspiration for greater equity in relation to the West, reflected in a search for the most appropriate and workable vehicles of the Asian response to Western dominance". He adds that "independence heightens nationalist consciousness by bringing Asian countries face to face with global inequities and awakens an ever-growing desire for greater strength and adequacy in relation to the West. Nationalism thus becomes a visceral compulsion and is likely to assert and re-assert itself for at least as long as Asia continues to feel a sense of subordination in world affairs."²

From this perspective, it is easy to appreciate that the shift in the emphasis of the Filipino post-independence nationalist movement from political to economic goals runs parallel to the struggle to wrest control of the national economy from foreign hands in order to give substance to their political sovereignty. But an assessment of the nationalist movement would be unbalanced unless we take into account another important dimension. That element, quite often ignored, perhaps conveniently, is that economic nationalism involved as much a fight between segments of the Filipino upper class to grab the benefits of industrial growth as it was a campaign to break the non-nationals' grip on the economy. It would be utterly callous to ignore compelling evidence that in the distribution of benefits flowing from economic growth — a point which will be discussed later — gains hardly "trickled down" to the Filipino masses. A study therefore of the nationalist movement in the perspectives just outlined, the issues it provoked and the social cleavages it created could help us understand at least the process of disintegration of cohesion among the segments of the upper class and the collapse of consensus in the political system itself. Further, it would throw light on why the nationalist movement was an urban, mainly Metropolitan Manila, phenomenon, and why it failed to serve as an issue or symbol for mobilizing the rural electorate behind nationalist leaders and causes within the framework of the essentially conservative Philippine two-party system.

Areas of study

This study consists of three main parts. It examines, firstly, the nature of economic structural change produced by industrial promotion policies during the 1950s and 1960s, with emphasis on the distributional aspects of these policies; secondly, the dimensions of class structure change arising from economic transformation; and, thirdly, the issues connected with nationalism and the political and economic alignments that overlapped those issues.

A few words on definition. The term "elites", when used in this essay, should be seen in class terms. It refers to a group of people exercising significant influence, direct or indirect, in political decision making. In the context of wealth concentration in the Philippines, it is useful to consider the elites as composed of people associated with the upper socio-economic class, which owns and controls extensive means of production. Given the historical reality that the recruitment of Filipino political leadership during the pre-Martial Law era had been mediated by large landholding and/or business capitalists, we may envisage the elites to include top elective and bureaucratic office holders, as well as those competing for elective public offices and influential people in agriculture, business and industry. This definition, it is hoped, is broad and flexible enough to allow tracing the source of social power of members of the elite. It is somewhat close to Wurfel's conception of Philippine elite as having overlapping social bases from which they exercised influence or power,³ and that of Simbulan who has established the nexus between top power holders and their ownership or control of extensive economic resources, such as land and/or business enterprises.⁴

Catalyst of counter-revolution

The post-war economic transformation began in 1949 when the Philippine government introduced sweeping restrictions on the importation of luxury and non-essential goods in response to the critical deterioration of balance of payments. Import controls were reinforced in December 1949 by the imposition of foreign exchange controls. Although the immediate aim of these measures was to halt the hemorrhage of exchange reserves, they were gradually intensified in the 1950s and increasingly developed as an instrument to promote industrialization via import substitution.⁵

Despite their initially limited objective, the imposition of the system of import and exchange controls - to be referred hereafter merely as controls - is an important landmark in the post-war economic and political development of the Philippines. It had a profound impact in transforming the Philippine social and power structure. More than being merely a rear guard action to avert the economic and political collapse of a landlord dominated social order, the introduction of controls acted as the catalyst of a counter-revolution through which the Filipino oligarchy started to reverse the plunge towards economic-political disaster and then put the nation on the course of conservative economic development.

To appreciate the significance of the initiation of controls to the fortunes of the old political order, we must consider the background against which they were hurriedly installed. A larger political crisis was then threatening the survival of the post-war Philippine Republic. The Liberal Party administration of President Elpidio Quirino was in danger of being overthrown by the Huk peasant rebellion. Its legitimacy was seriously undermined by the rapid deterioration of the



economy and by widespread government corruption, and challenged by the opposition Nacionalista Party which had lost in an outrageously fraudulent presidential election in November 1949. In the face of the Communist triumph in China in October 1946, policy makers in Washington, who considered the Philippines as a strategic anchor of the United States alliance system in the Pacific to contain communism, were so alarmed at the Philippine developments that they concluded the Republic was on the brink of "disintegration".⁶ The implications of a Philippine collapse for the strategic security interests of the United States forced President Truman to agree with moves to impose exchange controls even though this measure was in the short term detrimental to the United States economic interests, especially to American businesses in the Philippines. Under the Bell Trade Act of 1946, the Philippines could not change the exchange rate between the peso and the U.S. dollar and could not impose restrictions on dollar remittances without the permission of the U.S. President.

The overriding consideration that made a strong dose of controls palatable in a free enterprise economy, albeit exhibiting impulses of government intervention since pre-independence days, was the perception of those within the Philippines and outside that their interests were bound up with the survival of the Republic. Within the Philippines, controls, according to the Bell Mission Report of 1950, "have been accepted by most of the business community as indispensable until the international payments position of the country can be improved".⁸ The business groups included the importers who stood to lose from import curbs. The government tried to cushion the inflationary effects of controls on low-income groups by establishing price control mechanisms in 1950, thus defusing possible unrest. There seems to have been no resolute opposition to the measures from the landlords who, themselves, were basically divided into the categories of grain producers (rice and corn) and cash crop producers (largely sugar and coconut). The rice landlords produced for the domestic market, and did not face loss of incomes from controls. On the

other hand, controls were a blow to the primary export producers whose foreign exchange earnings would now be regulated by the Central Bank. But given the spectre of the peasant rebellion in Central Luzon, it is reasonable to suggest that whatever the effects of the new policies on the incomes and standard of living of the landlords, it was not hard for them to realize that cutting their losses was preferable to the collapse of the Republic in which a Left revolutionary takeover seemed credible.

Moreover, since the Philippines had no previous experience in controls, and no one knew where the improvisations would lead to, the demoralized population appeared willing to give them a try. Thus, there developed a convergence of interests of external and internal forces which permitted the introduction of emergency economic measures the implications of which for social change were not immediately foreseen.

The dimensions of change

The industrialization programme that developed from the system of controls in force from 1950 to 1962 caused structural change in the economy through the transfer of significant resources and incomes away from the traditional primary export sector to the industrial sector. In social terms, this shift re-defined the Filipino social class structure along the following lines: (1) it produced an industrial entrepreneurial class which gained economic power from the protection and generous concessions afforded by industrial promotion policies. (2) it promoted the expansion of the urban middle class and working class based on the growth of the manufacturing and services sectors. The ascendancy of the industrial entrepreneurs in particular transformed the nature and composition of the upper class. The entry of the entrepreneurs into its ranks made its membership more diversified, and the competing interests represented by the new entrants made the class less homogeneous. One significant consequence of the broadening of this class was that it broke the monopoly of power of the landed gentry who, through patron-client structures, had dominated Filipino politics since the introduction of popular electoral processes in the early 1900s.

An examination of the effects of industrial promotion policies on the re-distribution of economic resources throws light on the process of class transformation, as well as the consequential re-distribution of power within the upper class. Industrialization was promoted by powerful incentives extended to domestic entrepreneurs seeking to establish "new and necessary" industries. The incentives included tax exemptions and cheap credit, all of which provided a high level of protection to locally manufactured goods. Those entrepreneurs who were given dollar allocations by the Central Bank gained windfall profits because of the overvalued peso exchange rate with the dollar.⁹

The implementation of industrial promotion policies built into the system of controls advantages for indigeneous entrepreneurs, thereby making controls also an instrument for strengthening the economic position of Filipino entrepreneurs in relation to established foreign interests in the country and, in general, for advancing the cause of economic nationalism.¹⁰

Filipino entrepreneurs, many of them coming from wealthy families based on land or trade and commerce, moved quickly into this highly protected business environment to diversify their interests, with some of them succeeding in building extensive enterprises. From most accounts, the bulk of the shift to industry came from the landed class. According to

Golay, this class had been the "major source of entrepreneurial recruitment".¹¹ Lindsey says that "given the non-elite's limited access to finances, the domestic initiative for industrialization is largely limited to the already affluent", adding that "it may well be that the agricultural — based elite has been the group to move into financial, commercial, and service activities and even into light manufacturing; but it is also true that historically they were the only significant group with sufficient resources to take up these activities on a large scale."¹²

During the time that controls were in force, the government took an increasingly interventionist role through the regulation of dollar allocation licences, the formulation of criteria for importation of goods which had to be curtailed, and the determination of who should get dollar licences, tax exemption and other concessions. That these functions were discharged by the Central Bank strengthened its position in giving direction to the economy. Since its founding in 1949, it had been the central bureaucratic institution responsible for the formulation and implementation of monetary and fiscal policies. The pivotal role played by the bank in giving shape to industrial policies foreshadowed the rise of modern technocracy in the Philippines. It may well be that the Central Bank is the cradle of Filipino technocracy with its first Governor, Miguel Cuaderno, the first Filipino technocrat for his unique role in giving the bank an extraordinary influence in decisions over the allocation of economic resources.

Shift of resources

Industrial policies caused a sectoral shift of resources away from agriculture to manufacturing. They also stimulated rapid economic growth during most of the 1950s. The result of the resources shift is reflected in various statistics. For example, the annual growth rate of agriculture dropped to 3 per cent during 1956-1960, from 7.2 per cent during 1951-1955. On the other hand, the growth rate of manufacturing was 12.1 per cent during 1951-1955 (4.9 percentage points



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higher than agriculture's), slowing to 7.7 per cent in 1956-1960. Agriculture accounted for 71.5 per cent of the labor force. The agricultural growth rate fell behind, and the manufacturing growth rate surged ahead, of the annual Gross National Product growth rate which averaged 8.1 per cent during 1951-1955 and 5 per cent during 1956-1960. Manufacturing increased its share of the Net Domestic Product from 10.7 per cent in 1948 to 17.9 per cent in 1960. On the other hand, the share of agriculture, fishing and forestry in the Net Domestic Product fell from 38.2 per cent in 1948 to 31.4 per cent in 1960. Agriculture accounted for 71.5 per cent of the labor force in 1948, dropping to 56 per cent in 1971, while manufacturing accounted for 6.6 per cent of the labor force in 1948, rising to 11 per cent in 1971.¹³

In another set of figures indicating priorities in credit extension, loans from the Development Bank of the Philippines in 1961 were distributed 41 per cent to industry and 29 per cent to agriculture. Of loans from all banks other than the Central Bank, 39 per cent went to commerce, 32 per cent to manufacturing and 18 per cent to agriculture.¹⁴ Although the growth rate of agriculture declined as a result of the disincentives, exports, largely from agriculture, continued through most of the 1950s to finance about 80 per cent of imports.¹⁵ Agricultural exports thus subsidized the import substitution industrialization.

It is important to note, for the purpose of locating the locus of economic power, that seven of ten leading exports during the 1950s and 1960s were agricultural products - mainly sugar and coconut.¹⁶ It is not mere coincidence that what was seen as the most powerful economic pressure group, the Sugar Bloc, was based on the sugar industry, which was estimated to have generated before World War II about 30 per cent of gross national income and more than half of the total value of exports. However, its contribution to national income declined in 1968 to less than 4 per cent and export earnings to under 18 per cent.¹⁷

An assessment of the results of import substitution as a strategy for economic growth in terms of winners and losers indicates that until the early 1970s, economic development "was accompanied by high rates of unemployment and underdevelopment, a regionally concentrated production structure, and wide disparities in income distribution".¹⁸ The industrialization policy's bias towards capital intensive industries was significantly responsible for a growth pattern in the manufacturing sector what was adverse to labor absorption.¹⁹

Two other consequences of industrial promotion policies must be mentioned because they are relevant to an attempt, in another section of this paper, to explain the distribution of social power and the pattern of nationalism as a largely urban movement. These are the regional concentration of industries and the underdevelopment of small and medium scale industries. About 60 per cent of manufacturing value added in 1969 originated from industries in the greater Manila area. The primate city became the magnet of industrial concentration because entrepreneurs found it expedient to locate their plants close to the source of supply of their imported materials and equipment. Moreover credit institutions and government offices which had to do with granting of concessions were centered on greater Manila. Industrial policies also discriminated against small and medium scale industries. One form of discrimination was that "windfall gains from the operation of controls went to the big businesses which had both economic and political power to influence the granting of import licenses and allocation of foreign exchange".²⁰

What these consequences suggest is that industrialization provided the platform for the replication in industry of the oligarchic pattern which has characterized land ownership. In regard to income distribution across classes, industrialization "contributed to the observed persistence of wide income disparities". The income share of the bottom 40 per cent of families fell from 12.6 per cent in 1956 to 12.1 per cent in 1961 and to 11.9 per cent in 1971. The share of wages in total value added fell from 38.6 per cent in 1960 to 30.1 per cent in 1970.²¹

In another study of the distributional effects of industrialization, it was found that in the last half of the 1950s real wages fell, although they began to rise near the end of the 1960s. The upward movement was sharply reversed by the peso devaluation in 1970. The study concludes that the "major beneficiaries of the government developmental policies have been those who own or control businesses in the industrial sector. Exchange control as well as related import-substitution policies created enormous windfall gains and profit opportunities in the industrial sector, which were then exploited by a vigorous Philippine entrepreneurial group."²²

What emerges from the discussion so far is the picture that, although industrial growth began to stagnate in the late 1950s, (1) a robust industrial entrepreneurial class had been established by the time controls were lifted in 1962; (2) industrialization policies had re-distributed economic resources away from primary producers, thereby weakening their political power; (3) the benefits of industrialization did not filter down to the working class, much less the peasantry; (4) industrialization policies gave opportunities for the diversification of interests to those who had accumulated surplus from land or the previously limited business and trade sector. That being said, we may now examine how this transformation translates into class composition change.

Class profile of power

Several studies on elite composition in the 1950s and 1960s support the view that the social background of the elites became more diversified as the economy underwent industrial transition. Abueva, in his 1963 study of the social background of members of Congress, the seat of power rivaling the Presidency, notes that "new elements gain entry into the political elite via the bureaucracy, in addition to local politics, and through success in commerce, industry and the professions".²³ Carroll, writing in 1965, notes that over two generations, there has been a "movement from agriculture into commerce and manufacturing, and thence to entrepreneurship in manufacturing".²⁴ The same study on Filipino entrepreneurs indicates that the "old elite remains, in proportion to its size, the most fruitful single source of manufacturing entrepreneurs".²⁵

This growing diversity of interests within the upper class is reflected in a study by Stauffer on the changing socio-economic backgrounds of legislators over time (1920-1962). Some of his findings are that (1) more people who considered themselves businessmen were getting into Congress and fewer people classified as agriculturists were sitting in Congress, especially over the period from 1946-1962;²⁶ and (2) commercial and manufacturing interests, during the same period, gained an increasing number of senators and congressmen speaking on behalf of their interests.²⁷ In a later study, Stauffer finds that in 1946, "less than 10 percent of the members of each house were identified as businessmen, while in



1970 about 30 percent of congressmen and 20 percent of senators could be classified as businessmen.²⁸

In addition to the diversity in upper class composition another pattern emerged — that of wealth concentration. Wurfel has established the connection between political power and economic wealth in a 1979 study which identifies elite Filipino families in the 1950s and 1960s in terms of their extensive landholdings, business and corporate interests and occupation of high political offices. The study shows the overlapping interests of several top political leaders in business and landholding, and suggests the extent of concentration of wealth and power by the various categories of elites Wurfel has described.²⁹ Nowak and Synder support this evidence of concentration with the finding that in the years preceding Martial Law “the top 5 per cent of important stockholding families control 57.3 per cent and the top 15 per cent control 72.5 per cent” of corporate assets in chartered cities they have surveyed.³⁰ The above set of evidence indicates that *industrialization was paralleled by the growth of oligarchic formation.*

The pattern of diversity of upper class interests and of oligarchic formation are being emphasized because they are important to support the argument that newly emergent Filipino economic groups have gained significant resources to be able to mount a sustained economic nationalism campaign. They also can give insights into the divisions within the upper class over issues that sparked nationalist controversies. Let us now turn to how this transformation in the economy and upper class composition influenced the shape of Filipino nationalism.

Changing of the guard

The transformation just discussed contributed significantly to the characteristics of resurgent post-independence

nationalism. *As industrialization proceeded, the accent of nationalism shifted from political to economic.* And as the agenda of public debate became increasingly dominated by economic issues, new spokesmen for nationalist causes emerged to articulate the interests of the rising industrial bourgeoisie. Indeed, the late 1950s marked the changing of the guard in the nationalist movement. Leadership of the movement passed to the hands of economic nationalists who asserted narrower sectoral interests, from the intellectual and ideological nationalists cast in the *ilustrado* (the educated elite of the gentry class) tradition identified with the pre-war parliamentary campaign for political independence. But the fact must be stressed that despite this change, the leadership of the movement remained largely in the hands of the upper class, albeit now more differentiated in composition. The larger intellectual framework for the industrial bourgeoisie nationalist movement in fact owes its elitist inspiration to the most brilliant spokesman of post-independence nationalism, Claro M. Recto, who said:³¹

... Nationalism in the economic field is the control of the resources of a country by its own people to insure its utilization primarily for their own interest and enjoyment. Its political expression is independence and sovereignty, the desire to be treated with respect by all other nations, and to decide, without bowing to outside pressure, the most advantageous course of action for a country vis-a-vis these powers.

The wide acceptance by Filipino nationalists of different hues of Recto's creed as the guiding principle for the nationalist campaign did not, however, ensure the attainment of economic independence. The fractious interests within the upper class, which opened fissures within the na-

tionalist movement, the durable structure of neo-colonial arrangements with the U.S. and the penetration of international capitalism in the Philippines are all too familiar themes seeking to explain the continuing intervention of foreign interests in the economic and political life of the nation.³² The contribution of these factors in inhibiting the autonomous development of the national economy is, of course, important. But "foreign devils" are not the only cause of underdevelopment or crippling dependency of former colonies to the metropolitan powers. Nor are they the only forces responsible for fostering widespread poverty and widening the chasm between the rich and the poor. It is not widely off the mark to say that the indigenous elite, to which State power has been transferred in the decolonization process, is equally responsible for the situation. Given this context, the following discussion will try to explain why the upper class-led Filipino nationalist movement failed to mobilize the lower classes behind the nationalist banner, and why such a failure deprived the campaign of a powerful potential which could be used to mount pressure to force a more rapid pace of redistribution of economic resources away from foreign interests and in favor of Filipinos.

An examination of the issues over which nationalist controversies flared could help us understand the factors behind these issues. One pattern is evident in the evolution of issues: political issues related to nationalism were salient during most of the 1950s, with economic issues gaining precedence during the 1960s. This shift of emphasis reflected the structural change in the economy and the growing strength of the industrial bourgeoisie.

As Agoncillo has pointed out, essentially two important factors contributed to the post-independence nationalist resurgence: (1) the military agreements between the Philippines and the U.S., especially the 1947 Military Bases Agreement and the 1951 Mutual Defence Treaty; and (2) the American dominance of the Philippine economy represented in its most offending form by the Bell Trade Act of 1946 establishing the framework of unequal economic relations between the two countries.³³

Retention of American military bases in the Philippines after independence was a continuing source of tension over criminal jurisdiction of Philippine laws and, together with the Mutual Defence Treaty, over their role in supporting America's military interventions in Asia. The large American military presence represented to many Filipinos an infringement of their national sovereignty and a symbol of American imperialism. It also provoked derisive attitudes by other Asian nations over the authenticity of Philippine independence during a period of heightened anti-Western nationalism engulfing the Afro-Asian world.

On the economic arrangements, the features of the Bell Trade Act which caused deepest resentment were its notorious "parity" provisions which gave Americans equal rights with Filipinos in the access to natural resources and public utilities, and provisions which prohibited the Philippines from changing the peso exchange rate with the US dollar without permission from the US President. That the Filipinos had to amend their Constitution - in the process of which representatives of the peasantry and of the Left were expelled from Congress to assure the vote - to accommodate U.S. parity demands in exchange for war rehabilitation fund left bitterness among the people. Filipino nationalist also attacked the provision on currency as a symbol of economic subjugation. Other issue were to develop later over the parity issue, in particular, and economic relations, in general, such as the

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role of foreign investment in Philippine economic development - all of which served to bedevil the relationship until the declaration of martial law in 1972 and even beyond.

Recto's nationalism

The salience of political issues associated with nationalism in most of the 1950s was largely a function of the response of Filipino leaders to the problems that arose from the previously-mentioned security and economic arrangements. Although part of the elite, Recto, then senator of the Nacionalista Party, called into question the assumption that the so-called "special relationship" with the U.S. served Filipino interests, precipitating a split within the elite over nationalist issues. The first target of his attack was President Quirino's foreign policy which he criticized as "mendicant", Recto eventually widened the focus of his critiques to include the question of ownership rights over the US bases, criminal jurisdiction over American servicemen, the inadequacy of the Mutual Defence Treaty to provide for automatic U.S. retaliation in case of an attack on the Philippines, the "Asia for the Asians" element of foreign policy, and the dangers posed to the Philippines by the bases which he said could serve as a magnet for retaliation by America's enemies.³⁴

Recto did not limit his concerns to foreign policy issues. He also criticized the colonial pattern of the economy and



offered industrialization as the solution to underdevelopment and poverty. But in all his public pronouncements, Recto revealed his conservative bourgeois outlook. For example, although he believed that industrialization rather than agriculture, should be the engine of economic development, he accepted the need for foreign participation, but he stipulated that industrialization should be financed by loans, not by direct investment. He criticized President Ramon Magsaysay's conservative land reform legislation from a nationalist perspective by calling it an "ignoble brainchild" of the US embassy.³⁶ Nationalist rhetoric notwithstanding, Recto's position on land reform aligned him with the feudal landlords, although it must be stressed that landlord opposition was based on the selfish grounds of defending the source of their political and economic power.

There was in Recto, as in most bourgeois nationalists, an incredibly blind faith in economic nationalism as a panacea for social and economic ills. "Only economic nationalism", Recto said, "will enable us to achieve basic and lasting solutions to our problems of mass poverty, unemployment, underproduction perennial trade imbalance, and misery and backwardness in the midst of rich natural resources and manpower."³⁷ One has to search in vain for prescriptions for wealth redistribution which would make the upper class less powerful.

There is little doubt that the intellectual quality of Recto's

"crusade" tapped a large reservoir of nationalist sentiment in the largely middle class urban centers, putting pressure on the pro-American administration to seek less disadvantageous terms in the military and economic relationship with the US. Recto's criticism certainly sharpened the definition of issues over the Bell Act and the security arrangements. On the political scene, the foreign policy differences led to the split within the Nacionalista Party in 1955 between Magsaysay and Recto.³⁸

Shift to economic issues

The relatively higher profile of economic issues in the agenda of nationalist debate during the late 1950s and continuing into the 1960s is a consequence of several developments. Firstly, the military success of the Magsaysay administration's campaign against the Huk insurgency in 1955 and the improvement of the economy after introduction of economic controls shifted the Filipino leadership's attention away from the security concerns towards efforts to accelerate economic development. Secondly, the growing economic power of the new industrial and commercial entrepreneurs put them in collision with the agricultural exporting interests, and the clash of interests sparked new issues over economic policy; and thirdly, the negotiations in the mid-1950s to examine the Bell Act and the 1947 Military Bases Agreement served to channel nationalist grievances into the negotiating table. The wider involvement of elite Filipino nationalist leaders – Senator Jose P. Laurel was chairman of the Philippine panel in the Bell Act revision negotiations – and the nationalists in the business sector in the effort to change its aspects that were an affront to Filipino sovereignty put the spotlight on the economic issues.

That the initiative to revise the economic and military arrangements took place during the administration of Magsaysay, who was seen as "America's boy",³⁹ is a paradox which may be explained by examining the compromises that were amalgamated in the Laurel-Langley Agreement to replace the Bell Act. Of the amendments produced by the new agreement, three were especially significant to Filipino nationalism: those eliminating Bell Act provisions tying the peso to the dollar, altering the tariff schedule of the Bell Act, and establishing reciprocity in "parity" rights.⁴⁰

US authorities, having long perceived that the restrictions on the peso exchange rate had lent fuel to nationalism and that, in fact, they were no longer necessary because the Philippines could not change the par value of the peso until it had consulted the International Monetary Fund, agreed to Filipino demands for their removal. This was clearly a concession to mollify nationalists. Under the Bell Act, the duty-free entry of Philippine products into the U.S. would end on July 4 1954, to be followed by gradually increasing duties on both sides until 1973 when full duties would apply. Filipino exporting interests (especially the sugar industry) – wanted these tariffs reduced and ran into opposition from U.S. domestic producers. But U.S. Government support for the Magsaysay Government as a dependable ally produced a compromise. The Laurel-Langley pact altered the tariff schedule of the Bell Act by providing that graduated tariffs on US exports to the Philippines were to be applied at an accelerated rate, and tariffs on Philippine exports to the U.S. were to be applied at a decreased rate, with both reaching full duties by 1974. The amendment represents a significant concession to the Filipino upper class in the sense that manufacturers were given some tariff

protection and exporters gained greater access to the protected U.S. market. The Laurel-Langley pact did not eliminate the onerous "parity" provision. However, it provided for reciprocity of parity rights - a balm for nationalists although not a substantive concession, because Filipinos were unlikely to invest large-scale in the US. The more significant change was that "parity" was extended to cover all American business activity in the Philippines, ensuring non-discriminatory treatment of American nationals in the manufacturing sector, which they had already won in natural resources and public utilities.⁴¹ This would cause problems to Filipino entrepreneurs.

Magsaysay himself lent his weight behind the sectoral interests of the primary exporters and the manufacturers because such a posture was politically advantageous. By supporting exporting interests in the negotiations, he was paying an electoral debt for their switch to him in the 1953 election against President Quirino. By accommodating the manufacturers, he was seen to be promoting the cause of industrialization. His accommodation of both interests—both used nationalist rhetoric to promote their interests in the Laurel-Langley negotiations—gave him the argument to answer Recto's attacks on his policies.

Against all this trade-off, in which upper class interests were beneficiaries, the interests of the lower classes were neglected. For example, Shalom points out, "in 1956, after ten years of free trade, sugar workers in Negros Occidental were paid an average wage of 1.94 pesos - less than \$1 - a day, even though the minimum wage was 2.50 pesos. Six years later, the daily wage was still less than the minimum wage."⁴²

Nationalization of the Retail Trade

The first alien-controlled economic sector breached by the nationalist wave of the 1950s was retail trade historically dominated by the Chinese. The breakthrough came in 1954 when the Magsaysay Administration, with a Nacionalista-controlled Congress, passed the Retail Trade Nationalization Act. The law provides that only Filipino citizens or business firms wholly owned by them could engage in the retail trade. It gave aliens ten years within which to dispose of their holdings.

The passage of the legislation culminated five decades of agitation to end Chinese grip on the retail distribution system and the import trade. The force behind the the agitation was the cumulative resentment by Filipinos over extensive Chinese commercial presence reaching up to the countryside—a hostility reinforced by cultural differences. Efforts had been made to legislate the Chinese out of the retail sector since the days of the pre-war colonial legislature, and renewed in the immediate post-war years, but nationalization bills were vetoed by all Presidents from Sergio Osmena up to Quirino. The nationalization campaign had wide support, especially from the middle class Filipino shopkeepers in the towns. This was indicated by the fact that in pre-war years the campaign was pushed by such diverse groups as the Philippine Chamber of Commerce, founded in 1903 to represent the interests of elite Filipino businessmen, the National Economic Protectionism Associa-



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tion and several organizations of small retailers.⁴³ The 79-1 vote in the House of Representatives and the unanimous vote in the Senate on the bill reflected overwhelming Filipino sentiment over the issue.⁴⁴

Magsaysay signed the bill into law (Republic Act 1180) in response to powerful nationalist pressure. The breakthrough may be accounted for by the fact that (1) of all the peaceful nationalist campaigns, that on the retail trade had the widest middle and lower class support; 2) the Chinese minority was politically weak to overcome pressure coming from the grassroots; and 3) politicians, apart from feeling the pulse of the electorate, saw in the legislation political dividends at virtually no cost. If there is one point to emphasize in the passage of the bill, it is that it was one issue on which the interests of the masses and the upper class converged. It was one issue relevant to the masses. Such a convergence was not to be seen again. Although the legislation was at first aimed at the Chinese, it developed as an important source of tension between Filipinos and Americans who, over the years, nursed anxieties that nationalist interpretation of the law would put their businesses at risk.

Economic policy debate and upper class split

During the Magsaysay presidency, the controversy over economic policy underpinned by the exchange and import controls erupted in the highest levels of Government, including the Cabinet and Congress. Agricultural export interests, led by the Sugar Bloc, mounted an attack on the Government's

conservative monetary and fiscal policies. They called for an expansionary policy, claiming it would stimulate economic activity and create jobs, and advocated for the devaluation of the peso. Their policy alternative failed to disguise the sectoral advantage that would be gained from devaluation. A devaluation would benefit the exporters because they would be able to sell their products at the free exchange rate which was higher than the official rate, and thus gain windfall profits from the transaction.

The clash within the Magsaysay Cabinet over economic policy disclosed the sharp outlines of two powerful configurations. On one side was the bureaucracy represented by Cuaderno, the governor of the Central Bank, whose stand found support among importers and industrial entrepreneurs favored by the system of controls. It stood for a tight rein on monetary and fiscal policies. On the other side was the expansionary school - the so-called "Keynesians" - led by three Cabinet members representing agricultural exporting interests. Magsaysay resolved the "Great Debate" in favor of economic orthodoxy after Cuaderno had demonstrated that the "cheap money" scheme was inflationary and devaluation would benefit mainly the narrow interests of the exporters. Magsaysay rejected their devaluation plan, despite the fact that he owed political debts to the Sugar Bloc and he was aware that the primary agricultural exporters were the main earners of foreign exchange which subsidized the industrialization programme. There is every reason to believe that Cuaderno's stand was based on the ground of bureaucratic interests.⁴⁵ In rejecting devaluation the President said "the most compelling

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reason is the welfare of the great majority of our people, the wage earners. Any reduction in the value of the peso would be a cruel and disastrous blow to the very people who can least stand it . . .⁴⁶ Clearly, the decision was also electorally profitable - especially at a time when his foreign and domestic policies were under scathing nationalist attack.

There was in the Cabinet controversy an implicit nationalist issue in the argument put by opponents of devaluation that because, in effect, it would dismantle the system of controls, devaluation would wipe out industrialization gains and make the new industries vulnerable to non-nationalists' competition. This essentially protectionist argument was explicitly linked to nationalism in policy debates after Magsaysay's administration.

Filipino First Policy

The link between economic protection and nationalism found official expression in 1958 when Magsaysay's successor, President Carlos Garcia, proclaimed "Filipino First" as the most important policy orientation of his administration. Filipino First was concretely expressed in the National Economic Council resolution of August 21 1958 declaring that the allocation of foreign exchange was the most effective instrument to win Filipino control of the economy. It established guidelines giving preference to Filipino entrepreneurs in the allocation of dollars.⁴⁷ The proclamation of Filipino First marked for the first time in Philippine post-independence history that an administration had officially sponsored the promotion of nationalism.

Filipino First policy accelerated the process of expanding the share of Filipinos in the economy, a process that had been

promoted by a series of legislation and administrative measures since pre-war years. In the post-war period, the system of controls, while promoting industrialization, was the principal instrument which facilitated the rapid growth of indigenous enterprises, the transfer of wealth from foreign interests, mainly American and Chinese, to Filipinos, and the expansion of Filipino participation in the economy. For built into the controls were policies and administrative measures which increasingly reduced the role of foreigners in the economy and favored Filipino entrepreneurs in the access to new economic opportunities opened by industrialization.⁴⁸ The cumulative result of this continuing push for Filipinization is reflected in statistics showing that from 1949 to 1961 (Garcia was President from 1957 to 1961) there was a considerable expansion of Filipinos' share in economic activity.⁴⁹

But the credibility of Garcia's nationalist posture was diminished by his use of Filipino First as a political campaign issue, especially in the 1961 presidential election, in response to Liberal Party charges of corruption arising from the administration of controls. He was accused of favoritism in the distribution of dollar allocation licences,⁵⁰ and these charges undermined public confidence in the controls system itself. His opponent, Diosdado Macapagal, hammered at the issue of corruption and high prices, saying that corruption contributed to rising prices.⁵¹ The Nacionalistas replied, rather lamely, that corruption was an outgrowth of colonialism and that it would disappear once the Filipinos gained control of their economy.⁵²

Linked to the issue of nationalism was the question over whether to retain or dismantle economic controls. The issue over controls was not, however, sharply defined. The Nacionalistas, who were committed to rapid Filipinization, favored gradual decontrol which, in fact, had already been under way with the launching in 1960 of the four-year decontrol programme by the Central Bank. On the other hand, Macapagal, who had a strong commitment to free enterprise, advocated immediate lifting of controls.⁵³ The important characteristic of that campaign is that it had a relatively larger economic element than previous presidential campaigns. The corruption issue hurt the Garcia campaign. It was an issue clearly understood by the voters. Moreover, corruption alienated part of Garcia's natural constituency - those Filipino businessmen who, while approving the nationalist accent of his Administration, resented their being disadvantaged by the discrimination over the allocation of foreign exchange licences.⁵⁴ This caused a political realignment within the entrepreneurs.

The issue of elimination of controls not only aided Macapagal's corruption theme. It also brought into play powerful interests, including the American Chamber of Commerce which was antagonistic to Filipino First, the chamber being the pressure group for American business interests in the Philippines.⁵⁵ That the Sugar Bloc supported Garcia, despite the compatibility of its position with Macapagal's commitment to the immediate lifting of controls, may be explained by these factors: (1) Garcia had already launched a gradual decontrol programme; (2) it had been an ally of the Nacionalistas since Magsaysay's Administration, and was more at ease with them than with the Liberals; and (3) it had succeeded, in 1955, in pushing a No-dollar Import Law through Congress, where

agricultural interests had a powerful base. The legislation allowed exporters to barter part of their products with luxury and non-essential goods, opening the door for the exporters to evade controls and make large profits,⁵⁶ and softening the effects of controls on their interests.

Macapagal defeated Garcia. It is not central to this study to discuss the factors behind the defeat, which have been analyzed elsewhere.⁵⁷ What is relevant to us is the implications for Filipino nationalism of the implicit rejection of Garcia's nationalist appeal by the voters. This leads us to what I may call as the "Rural Graveyard" phenomenon as a curse of Filipino nationalism.

The "Rural Graveyard Curse"

In the post-independence period, only two bourgeois Filipino politicians used nationalism as their major campaign issue for the presidency - President Garcia in 1961 and Senator Recto in 1957. Recto, after his break with Magsaysay in 1955, launched his presidential candidacy in the 1957 election on the vehicle of a newly formed third party, the Nationalist-Citizens Party, campaigning on a nationalist programme. His opponents were Garcia, the Nacionalistas' candidate after Magsaysay's death in an airplane crash on Marcy 17, 1957, the Liberals' Jose Yulo, a conservative Old Guard politician of pre-war vintage, and Manuel Manahan, who led another new party, the Progressive Party of the Philippines. The PPP leaders regarded themselves as the heirs of Magsaysay and campaigned on his reformist issues.

Yulo raised the overexercised corruption issue against Garcia, who as Vice-President took over Magsaysay's unexpired term. Manahan attacked Recto as a communist. Garcia, at the time, had not yet raised the nationalist issue.⁵⁸ In the Nacionalista victory in that election, Recto came in fourth, winning only eight per cent of the national vote. But he made a strong showing in southern Luzon, his regional base, and in Manila.⁵⁹ Constantino attributed Recto's poor overall poll showing to these factors: (1) Recto had no political machine and had little money and (2) Magsaysay's death blunted the impact of Recto's nationalist crusade. The death removed "the one target who symbolized pro-Americanism."⁶⁰ In the 1961 election, Garcia's nationalist issue failed to bite. According to Constantino, the nationalist stance "had not rallied sufficient electoral support" and "too many voters had preferred to vote against the corruption in his administration."⁶¹ According to a pre-election survey of households in four barrios of a town in Laguna, a province close to Manila, Filipino First was mentioned only once as a reason for voting preference.⁶²

Constantino's explanation is valid but inadequate. It does not tell us much about why in both elections, the nationalist issue failed to mobilize popular support. In the context of patron-client structures on which major political parties had been organized, issues alone are not decisive in winning elections. In the case of Recto, particularly, the much larger proportion of the vote obtained by the Nacionalista Party and Liberal Party demonstrated the strength of the patron-client system sustained by substantial patronage distribution to the rural population which constituted about 70 per cent of the total population. It was to the rural population that Macapagal addressed his grassroots saturation campaign.⁶³

It is also important to consider that Recto's strong showing in Manila suggests that nationalism, and, consequently issue politics, are more effective in the greater Manila area and large urban centers than in the barrios. This may be explained by the heavy concentration in greater Manila of industries, national income, political and bureaucratic nerve centers, information media (TV, radio and newspapers), universities and colleges, students, industrial and white collar workers and the elites themselves. In that milieu of concentration, the clash of upper class interests involved in the nationalism debate was relevant to urban residents because they were well publicized, the symbols of conflicting interests were visible and the outcomes of the battle affected them more directly. On the other hand, these issues were irrelevant to the underdeveloped rural areas. The issues that excited their urban brethren were remote to their wretched living conditions. Thus, when Manila-based politicians went to them to preach the message of the elite game called nationalism, the message passed over the heads of the rural voters. It may well be that the bourgeois-led nationalism has created its own rural graveyard curse from its failure to break out of its elitist concerns.

Decontrols: The flow of power reverses

The lifting of controls by President Macapagal in 1962 after winning the election aroused nationalism to greater intensity. The policy change caused a redistribution of resources in terms of significant transfer of incomes away from the entrepreneurs towards the exporters. It transferred incomes away from the working class because of the fall of wages in real terms, a consequence of the inflation that followed the de facto devaluation of the peso. Its significance to nationalism is that, despite the establishment of tariffs as a substitute for the protective canopy offered by controls, full decontrol led to the bankruptcy of hundreds of manufacturing enterprises in the face of competition from foreign interests.





mainly American, which had superior financing resources.⁶⁴ Another consequence was that many Filipino businesses were driven into the embrace of transnational corporations in joint ventures⁶⁵ — the form of attracting foreign investment favored by Macapagal and, after him, by President Ferdinand Marcos.

The reversal of nationalist policies on economic activity strengthened the position of the agricultural exporters relative to the entrepreneurs and weakened that of the nationalist bourgeoisie relative to foreign capitalists.

The Macapagal policy of encouraging foreign investment was continued by President Marcos, who took office in 1966, culminating in the passage in 1967 of the Investment Incentives Law defining the terms under which venture capital would participate with Filipinos in accelerating economic development.⁶⁶ Regardless of whether the legislation adequately safeguarded Filipino interests or provided powerful incentives to invite foreign investment, the point to emphasize is that it put an official seal on the open door policy as a

mode of achieving development goals. The issue of the role of foreign capital in the Philippines has been an important focus of nationalist controversy. It was just one in a cluster of issues over which nationalism raged during its resurgence in the mid-1960s.

The nationalist revival was highlighted by the appearance of a new element — the series of anti-American demonstrations beginning in 1964 provoked by issues associated with the entire range of sensitive spots in Philippine-US relations: security, trade and investment. The demonstrations arose from such events as the role of the bases in the Vietnam war, killings of Filipinos in the bases, the continuing irritation caused by the Laurel Langley Agreement, especially the "parity" provisions, the application of retail trade nationalization law on American firms. Indeed, the entire "imperialist" framework (as the students would call it) of that relationship was called into question. The significance of the spilling of the nationalist wave into the streets, as Meadows put it, was that "the potential support for nationalism on the part of certain key sectors of urban, middle-and-upper class Filipino society for perhaps the first time was activated on behalf of the nationalist cause. Those sectors included business, labor, students and intellectuals."⁶⁷

This new coalescence emerged despite revisions made on the trade act by the Laurel Langley Agreement in 1955 and continuing negotiations from 1956 until 1969 to eliminate the more contentious aspects of security agreements. This more broadly-based nationalist outburst reopened old wounds and even opened new gashes. This was a response to uncertainties over such issues as the so-called "vested" rights of American assets after the end of the Laurel Langley Agreement in 1974, what economic arrangements will replace it, and the rising fear of nationalist entrepreneurs over the increasing presence of transnationals in the economy, with its potential for political intervention by these interests in domestic politics.⁶⁸ Without going into details, suffice it to say that the broadened nationalist movement was now seeking other outlets of expression including the Constitutional Convention of 1971. The Convention was intended to rewrite the 1935 fundamental law, promulgated during the period of colonial rule, to make it responsive to social change over the past five decades.

All this heightened tension between the two countries. One area which provoked the most protests in the streets was that involving the sending of Filipino civic-action troops to Vietnam in 1966 by Marcos, just fresh after the 1965 election campaign in which, in trying to win nationalists support in his electoral fight with President Macapagal of the Liberal Party, he promised not to send troops to Vietnam. The let down felt by the nationalists was worsened by later revelations that behind the Vietnam turnaround was a trade-off involving US aid.⁶⁹

Within the Constitutional Convention itself, Filipino nationalists had introduced concepts of social ownership of property which alarmed the more conservative interests in society.⁷⁰ The variety of social philosophies submitted to the Convention made preparations for new negotiations of the Laurel-Langley Agreement tentative. It was in the midst of these signs of impending crisis that the new nationalist alliance was taking place.

The New Nationalist Alliance

The coalition proclaimed its existence at the founding congress of the Movement for the Advancement of Nationalism on February 7 and 8, 1967. The coalition comprised representatives of business, students, peasants, academics, professionals, labor, politicians (from both political parties), journalists and writers. One of its principles was "nationalist industrialization and basic agrarian reform." Two of its important objectives were to "organize the patriotic efforts of the citizenry into a united nationalist movement" and "take concrete steps towards the achievement of national freedom in the economic, political, cultural and security aspects of our national life."¹

There is no more striking portrayal of the emergence of a united front linking people coming from different social backgrounds than the membership list which includes such bourgeois nationalists as Senators Lorenzo Tanada and Jose Diokno, Recto's leading heirs of the 1960s (Recto had died in the late 1950s), and leaders of the student Left represented by Kabataang Makabayan (Nationalist Youth).

In his general report, the KM leader, Jose Ma. Sison, declared that "their ultimate goal is to muster the support of the masses for nationalist movement. By their strength, national freedom and democracy shall be fully achieved."²

It is also significant that for the first time since independence, the nationalist movement explicitly set out social

objectives, although they were expressed in moderate language in the documents produced by the M.A.N. Obviously, this was a product of compromise between the Left and the bourgeois elements. The congress documents, however stopped short of spelling out the egalitarian programme³ of the new nationalism, an ambiguity that may have been made for a tactical purpose, possibly to avoid a conservative backlash.

Conclusion

The unrest of the late 1960s going on to the early 1970s - a social turbulence which had strong nationalist impulse - was seized by President Marcos as one of the reasons for declaring martial law in 1972. The Marcos seizure of extraordinary powers arrested the growth of the new alliance. The suspension of constitutional liberties deprived the movement of a peaceful arena in which to work for social change, and more specifically, the drastic reorientation of the basis of relationship between the Philippines and the US. Against this setback for the nationalist movement, it is perhaps a good question to ask whether the imposition of martial law was a response by the alliance between Marcos, foreign interests and conservative forces in Philippine society to the new multi-class nationalist coalition that had sought to tap the dynamic potential of the masses in the cause of a radical redistribution of resources and power. Or was it an act by Marcos and his allies to abort the movement from making a historic linkage with the masses. **K**

NOTES:

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⁶Stephen Rosskamm Shalom, *The United States and the Philippines: A Study of Neocolonialism*, 9 (Philadelphia: Institute for the Study of Human Issues, 1981), p. 72.

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²⁰*Ibid.*, p. 10.

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⁵⁵*Ibid.*, p. 62.

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⁶³Meadows, "Political Parties", pp. 198-99.

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