

PHILIPPINE UNDERDEVELOPMENT AND DEPENDENCY THEORY

RANDOLF S. DAVID

University of the Philippines

Dependency theory takes off from the fundamental premises of the theory of imperialism and traces the roots of backwardness and underdevelopment to our country's increasing integration into the vicious circuit of foreign capital, technology and markets. In examining the relationship of domination and dependency between the advanced capitalist countries and the underdeveloped countries, the paper describes the situation in the Philippines. The social realities that we now confront in the country are that we are witnessing the growing and unstoppable domination of our national economy by transnational corporations, the impossibility of repaying our international indebtedness, the increasing pauperization of the rural masses, the total degradation of our marginalized urban poor, to name only a few. There is need then to develop a truly self-directing economy and we must articulate this critical knowledge in every conceivable forum.

Introduction

These are troubled times for many of our people. Certain values on which we have built our society are threatened: the values of economic security, of justice and equality, of freedom and the opportunity to participate in the building of our own communities, the value of peace and political stability.

Our countrymen feel the threat to these values at the individual level, and they experience a terrible uneasiness. Our leaders perceive the existence of a widespread malaise, and they declare that we need a crisis government.

In the past, we had experienced similar difficulties. Many of our people did not have enough to eat, there were not enough jobs for everyone, there was much corruption at all levels of the government bureaucracy, our currency was so unstable it was not honoured in international financial circles, and our national economy just managed to survive from year to year.

Yet we had always been assured by foreign experts that these were only temporary traumas that naturally accompanied our delivery into full independent nationhood. We

were told that we should wait, that we must be patient – for in aspiring for the value of independence, we were also giving up the imposed orderliness of colonial subordination. Having chosen freedom, we must, accordingly, now learn to solve our own national problems our own way – in short, to live as free men.

Today, however, decades after we have won our formal independence, we find the same problems plaguing us. The only difference is that they have become much more serious. So many of our people are still without regular employment, or decent housing over their heads, or even enough food for their families. Many continue to die without benefit of medical care.

At the societal level, the gap between the very rich, and the marginalized classes has widened, and the poor have become poorer not only in relation to the rich but in absolute terms. Galloping inflation has effectively eroded the purchasing power of the peso to only 25 centavos as compared to 1965. Thus, if a worker is getting 16 pesos today, that is really equivalent to 4 pesos in 1965, which is below the minimum wage for that year.

Yet signs of affluence are everywhere: the

palatial mansions in the exclusive subdivisions, the modern condominium houses that dot the Makati landscape, the ultra-modern shopping centres, the five-star hotels and country club houses that cater mainly to tourists, foreign investors, and the local elite. All of these have superficially given Metro Manila the skyline of a first world country. But behind these buildings, in the shadow of such affluence have arisen the slum colonies of the dispossessed Filipino — a grim testimony to the inequality of development. Outside of those continental restaurants where the genteel class leisurely finish a meal still with half-full plates, little children and old women busily scan the contents of garbage cans hoping to retrieve some food that can still be eaten. But the wealthy have learned to protect their conscience very well against the assault of so much poverty and so much inequality. They have tinted their airconditioned cars carefully so that they don't have to acknowledge the presence of beggars on the road; they choose their neighbors well so that the vista from their porches may not be marred by the sight of squatter shanties and hovels. They have even constructed their own exclusive places of worship so that their reflections may not be disturbed by the raw suffering that stares at them outside the churches of Quiapo and Baclaran.

In the past, the underdevelopment and poverty of Third World countries such as ours was explained as a function of their being traditional societies. According to this view, Third World societies are backward because they are predominantly agricultural societies that produce only a meager surplus if any. They are agricultural because they are late-comers in the development scene. And they have remained so because their people do not possess those modernizing entrepreneurial values that are widely to be found in the peoples of the economically advanced or industrialized countries.

Accordingly, if the backward countries of the Third World wish to develop and rescue

their people from persistence poverty, they must unlearn their culture of poverty and all the traits and values associated with it, and they must now embrace the culture of progress and the modernizing ethos associated with the industrial capitalist countries of the West. In addition, they must allow the industrial West to bring in the necessary capital, industrial technology, and expertise through TNC investments, loans, and aid. Such a formula promises to upgrade our traditional societies to at least the stage of "take-off" where they can nurture the resources necessary for a fully developed industrial society.

The point of view I have outlined here is justly going out of fashion. In its place, a framework that traces the roots of backwardness and underdevelopment to the pernicious effects of colonialism has been substituted. Today it is increasingly being realized that our salvation from perpetual underdevelopment does not lie — and never did — in allowing our societies to be further incorporated into the vicious circuit of foreign capital, technology and markets. More precisely, we are now beginning to understand how in a formally free country like ours, modern imperialism and its abiding agents — the transnational corporations and their local allies among the elites — have firmly established the disabling conditions and structures of poverty, inequality, repression and domination.

What is this new perspective of which I speak? It is known as Dependency Theory, and it is not really new. For it takes off from the fundamental premises of the theory of imperialism. What is new is that it speaks clearly and concretely about the periphery — the former colonies, specifically the Latin American societies that have come under the wing of American imperialist domination. The social and economic conditions that Dependency Theory speaks about bear an uncanny similarity with those that we confront in our own country and in the rest of Asia. Let me discuss very briefly some of the fundamental theses of this theory, and

then we can start looking at our own situation in the Philippines. Essentially, this perspective stresses the importance of examining the relationship of domination and dependency between the advanced capitalist countries (metropolitan countries) and the underdeveloped countries (also known as satellites or peripheral economies) as a way of accounting for the poor countries' continuing underdevelopment. This relationship is best described as one of dependency, which means concretely that:

1. our economy is massively shaped, distorted, and deformed by even the mildest twist or turn of the global capitalist order;

2. that precisely because of this incorporation into the world capitalist circuit, our economy remains preponderantly dependent on a few agricultural export crops like coconuts and bananas, metallic minerals like copper, and labor-intensive sweatshops like garment and electronic semi-conductor factories to generate foreign exchange;

3. that our local elite becomes subordinated to international capital, fulfilling a basically comprador and supervisory role, and raking in huge profits from being simply the bridgehead or extension of neo-colonialism in our country;

4. that as a logical precondition for sustaining a pattern of dependent and unequal development, a strong authoritarian and repressive regime is increasingly favored by international capital, and is locally justified as the only effective antidote against perpetual underdevelopment;

5. that while the local collaborating elites share in the gains of this dependent development, the peasants and the workers are permanently marginalized by the entire process;

6. that as a society caught in the frenzy of the international market, controlled by

powerful transnational conglomerates, we are experiencing the rapid erosion of our national culture as a direct result of the invasion by aggressive consumerist culture from the advanced capitalist countries.

These, in brief, are the focal points of Dependency Theory. Let us now look at our own situation at home.

Some Aspects of Dependency and Underdevelopment in the Philippines

The Philippines shares the basic reality of all Third World countries. This is the reality of dependent and unequal development — a form of development that fattens global corporations and their local partners while further impoverishing the poorer classes. The most abiding agent of this type of development is the ubiquitous TNC or transnational corporation.

Our government technocrats are convinced that the future of our economy lies in our capacity to ride on the coat-tails of the transnational corporations. The TNCs are seen as the bearers of capital, technology, and access to foreign markets — which, undisputably, are essential ingredients of any industrialization program.

Under the Martial Law government, therefore, we have dutifully amended our laws and introduced new legislation to create a conducive atmosphere for foreign investments. We have bought precious space in prestigious international business magazines to advertise our readiness to serve as a sanctuary for foreign corporations that are forced to move out of their home bases by spiralling wages, taxes, and stringent anti-pollution laws. One of the large TNCs which immediately responded to this invitation was the Kawasaki Sinter Corporation which set up the Sintering Plant in Villanueva, Misamis Oriental, the same plant that was strongly resisted by the Japanese residents of Chiba, and subsequently turned away by the Australian and Peruvian governments.

In Mariveles, Bataan, we have set up an industrial export enclave which offers some of the most generous investment terms to be found anywhere in the Third World. Here, in this enclave, we give tax exemptions for the imports and exports of TNCs, we allow them tax holidays for the first few years of their operation, and we give them the right to deduct from their subsequent taxable income the losses they may incur during the first five years of their operation. In both Misamis Oriental and Bataan, we have cleared our lands and driven our own people from their ancestral homes so that these global giants may have their industrial estates and export processing zones.

Having discovered that transnational corporations are animated by the constant search for cheap and docile labour, we have joined our Asian brothers in the debilitating race to keep our workers' wages down and to suppress the rights of organized labour. Consequently, our economy has become nothing more than the sweatshop of global corporations. This hysterical preoccupation with export-oriented industrialization has been thrust upon us by the realization that we could no longer rely on our traditional primary exports — like sugar, timber and copra — to generate our foreign exchange requirements. And foreign exchange we need in large steady amounts. For we have borrowed billions of dollars from international lending agencies and private financial consortia in order to keep our economy operational, as well as to meet our outstanding global accounts. Each year, our national deficit grows bigger, and we realize that we are barely able to meet even the interest payments, let alone the loans themselves. But we bravely plod on, even as we helplessly watch the rapid drain of our resources through the massive repatriation and remittance of profits by foreign capitalists, and also by our own local elites who keep deposits in Swiss bank accounts as a protection against expropriation or any sudden change of government.

Our technocrats have assured us that it is natural for developing countries to borrow money initially, and that we need not worry as long as our borrowings are rationally invested. Someone even suggested that huge borrowings are a sign that the economy is dynamic. Increasingly, however, we begin to doubt whether the national development program that our government has launched will ever rescue us from perpetual indebtedness, and indeed, we worry whether such loans have really been wisely used.

One thing is certain though — this type of development has severely hit the lower sectors of our population most. The landless urban poor are mercilessly evicted to make room for industrial sites. Whole communities are displaced from their ancestral lands to make way for export-processing zones, export crop plantations, industrial estates, and hydro-electric dams. Urban slum-dwellers are ruthlessly dumped into relocation sites away from the city as part of a massive beautification campaign aimed at attracting and accommodating the increasing number of foreign-exchange carrying tourists. Instead of housing programs and medical care for the poor, our government has embarked on a wanton expenditure of the national wealth in high-visibility international image building campaigns whose components typically include sponsoring international beauty pageants, international conferences, and international basketball, boxing and chess tournaments.

In 1975, for instance, in order to provide suitable accommodations to delegates to the IMF-WB Conference, we built 13 new 5-star hotels. Today, hotel managers rejoice when they can attain a 40% occupancy rate. These are very expensive hotels. Manila Hotel, for example, was re-built reportedly at a cost of 35,000 US dollars per room. Large amounts of public funds went into this madness. In particular, money that should have gone to the construction of low-cost housing went instead into the subsidy of tourist accommodations.

This is not the end of the story. Concerned economists have told us that such unabated government expenditure has contributed heavily to the terrific inflation rate that has eroded the value of the peso. Everyone knows that a devalued peso means simply high prices. Let me quote from a recent lecture of Dr. Gonzalo Jurado on this issue: "In money terms, the wage rate of skilled laborers in Metro Manila increased from about P7.30 in 1966 to approximately P15.40 in 1978, but the real value of this wage rate fell from P7.30 to P4.70, a decline of more than 35%, because of price increases. . . . To enable him to maintain a family of six right at the poverty threshold in Metro Manila in 1978, the skilled worker needed to have a wage of P26.18 per day, or 69% more than his actual wage."

In societies like ours, where the short-term and long-term targets do not go beyond assuring the country's capacity to pay the annual interests on foreign debts, while guaranteeing profits for the TNCs and the local business elites, the objective consequences of hardship and suffering are bound to be singularly absorbed by the already depressed populations. Their needs must be kept simple and at a minimum level in order that wages can be kept at a low competitive level. Since naked force and coercion always generate greater unrest in the long run, it is typical for governments like ours to resort to a soft-sell strategy.

This soft-sell approach may have several components. In the Philippines, we have seen the massive campaign to reduce family sizes through artificial contraception. While we have not resorted to outright coercive measures such as the compulsory vasectomy program launched in India by Mrs. Gandhi's son, our government has started to consider imposing penalties upon prolific families. Already, we cannot claim tax deductions for more than four children.

Another component of the strategy to keep subsistence levels down is the full-blown program to attain self-sufficiency in basic staple crops such as rice and corn. I would like to discuss this aspect in relation to the continuing underdevelopment of peasant communities. What is happening in the Philippines is typical for the rest of Asia. Here low wages and industrial peace — which are fundamental prerequisites of TNCs — are effectively maintained through a combination of political repression and price ceilings on subsistence items like rice and corn. Accordingly, a low ceiling on the price of rice is enforced via the intervention of government as a buying and selling agent. This is the role of the National Grains Authority. Together with this is a sustained effort to increase rice production through the use of the HYV technology. These High Yielding Varieties are heavily dependent on agricultural inputs such as chemical fertilizers and pesticides, tractors, and efficient irrigation systems — all of which have the net effect of multiplying the capital needs of the ordinary peasant.

Increasingly, the government calls upon the big corporations to go into rice production by compelling those that hire not less than 500 employees to supply the rice needs of their own workers. These corporations have no trouble generating the necessary capital and mobilizing managerial expertise to meet the demands of this type of capital intensive agriculture. In contrast, small farmers are not prepared to invest so much money in agricultural inputs because they would like to keep the cost of possible crop failures to a manageable minimum. Consequently, their scrimping on fertilizer, pesticide, and irrigation expenses produces for them less than the optimum yield. A Daily Express report, dated February 27, 1979, describes the financial proportions of this predicament: "It now takes P64.16 to produce one cavan of p̄alay... The production cost is P9.16 higher than the present government support price of P55 per cavan. Under this pricing set up, a farmer must now produce 81 cavans per hectare to

break even, as against the average yield of 56.9 cavans per hectare in irrigated land as reported by the BAE and the NEDA, agribusiness specialist V.L. Domingo said yesterday."

The difficulties of the small farmer typically compel him to sell his land to bigger agricultural entrepreneurs who may use the land to plant the same crop, or to convert it into a real state subdivision, or to make way for a factory site. In any case, after selling his land, the peasant, now landless, is compelled to move into the city to become a worker — that is, if he can find a job. He is likely to be joined in this exodus by the thousands of workers in the Visayan sugar haciendas who have been displaced as early as 1975 as a consequence of the crash in sugar prices in the international market.

Meanwhile, as the national economic pie becomes smaller as a result of the sustained repatriation of the profits of foreign corporations, social tensions within the society are aggravated. When prices go up, and wages are kept down, when jobs are not easily obtainable and public facilities and social services deteriorate — that is the time when the worst in each one of us begins to surface. In self-seeking orgies of profiteering, hoarding, short-selling and robbery, we pounce on each other in an effort to assure individual and family survival.

Ironically, in situations such as this, government by a strong-willed dictator acquires a particular appeal. The poor have always suffered and have never enjoyed the rights of the bourgeoisie in any case, so they would have nothing to lose by supporting an authoritarian regime that expresses itself in populist rhetoric. Once again, the State comes to be perceived as a neutral referee rather than as a protagonist in the social struggles of the society. Typically, the call for sobriety, patience, and unity is sounded, while a stern warning is issued against anyone who discusses the structural causes of the existing social

crisis. The official line is that internal hardships are externally induced. Fine, if that is the case, the logical solution should be to disarticulate ourselves from the external sources of our national troubles. Yet judging from the hysterical manner in which we continue to sell the country to foreign investors and the manner in which we systematically place ourselves in a position of utter dependency upon agents of the international capitalist order, it would appear that on the contrary our increasing incorporation into the circuit of global imperialism has been beneficial to some sectors of Philippine society. It is these factors that continue to be favoured by present government policy.

In the meantime, our country's increasing integration into the world capitalist market has been wreaking havoc on our cultural system. The high-pressure peddling of multinational commodities is drastically transforming lifestyles both in the cities and the countryside. In the cities, as also to a certain extent in the rural areas, the ready-made denim pants of the blue-jean TNCs like Levi's and Amco are putting local tailors out of commission. Canned food and junk foods have captivated the palate of villagers who have become dependent on these, also as a logical consequence of the spread of wage labour.

American and Japanese TNCs have also invaded television and radio lines. While Mickey Mouse continues to sell the all-time junk, Pepsi Cola, our children have recently become mesmerized by the heroism of the Japanese space robots — Voltes V, Mazinger Z, Mekanda Robot, and the like — which are now used to sell sausages and luncheon meat for an American multinational food company.

Our failure to develop a truly self-directing economy is further reflected in our inability to promote a national language. As our economy deteriorates into an appendage of global monopoly capital, it becomes increasingly logical for Filipinos to learn the

language of international business and commerce. It is largely because our economy has remained heavily a captive of the American economy that English continues to dominate in our society. That Japan has surpassed America as our number one trading partner is also concretely reflected in the growing popularity of Nippongo. Interestingly — and perhaps as an indication of the nature of our economic ties — the first to master Nippongo are our travel agents and the prostitutes of Mabini and M. H. del Pilar. In other countries, the presence of a viable and meaningful national market constitutes the fundamental ground for the growth of a national language. We hardly even have a shred of a truly pervasive national market. That is why while our commercial and business élites transact business in English or Nippongo, Filipino peasants and workers deal with each other in their own regional languages.

In the foregoing, I have tried to depict in capsule form the social realities that we now confront in our country. Let me attempt to summarize in one long sentence what I have tried to describe to you. In the Philippines today, as perhaps in the rest of Third World Asia — we are witnessing the growing and unstoppable domination of our national economy by transnational corporations, the

impossibility of repaying our national indebtedness, the increasing pauperization of the rural masses, the total degradation of our marginalised urban poor, the intensification of political coercion as our economy increasingly fails to provide for the needs of the poor majority, the intensifying participation of the military in our national life, and more aggressive intervention by the United States and Japan in our national affairs as a result of the greater need to secure and protect their investments from possible expropriation under another regime.

If I paint a bleak picture of the national situation we confront today, it is not to indulge in academic pessimism. It is rather to suggest that those who have the time to comprehend the complexity of our national troubles have a singular obligation to share their understanding with the rest of our people. This does not mean junking university education in favor of immediately going into communities to conscientize and organize people. Perhaps it means above all transforming university education first by freeing it from market determination. Concretely, it means spending precious university time to deepen our understanding of how our society works, and articulating this critical knowledge in every conceivable forum.

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