

# ECONOMIC INTEREST GROUPS AND POWER POLITICS IN THE PHILIPPINES\*

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## 1. THE POLITICAL PROCESS

In studying the political process, we have to view it in terms of power. For politics is a power process, the process of who get what, when and how, to use Harold Lasswell's classic definition. And the power process is only "the political aspect of the social process in its entirety."<sup>1</sup> It must be emphasized that this Lasswellian view is merely descriptive and not prescriptive. There are also theoretical implications once we view the political process in terms of power and influence.

The view of politics as a power process relegates the individual as a political unit to the background and makes him negligible in terms of power. There may be some powerful individuals who may acquire power out of their family or friendly associations, but this does not diminish the validity of measuring political power by categoric groups, like by families or by economic groups. For in most countries, especially those in the Third World, the free individual envisioned by John Locke to be the basic political unit in democracy does not exist in large numbers. The concentration of wealth and property in a ruling elite has made it impossible to attain a level of power sharing that is seen to be a basic minimum of a working democracy.

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<sup>1</sup> LASSWELL, POWER AND SOCIETY: A FRAMEWORK FOR POLITICAL INQUIRY (1950) p. xvii.

## II. THE ECONOMIC BASIS OF THE POWER OF THE RULING CLASS: THE PHILIPPINE EXAMPLE

In every society, there is a "ruling class," a concept first clarified by Gaetano Mosca<sup>2</sup> and defined as "the class from which rulers are recruited and in whose interest they exercise power."<sup>3</sup>

Lasswell offers a hypothesis which to me is perfectly valid: that a class acquires supremacy in the degree that it contributes to the more intense values of society. In other words, "the class acquires a dominant position in the degree that the values which it shapes, creates, or produces are highly valued by the body politic."<sup>4</sup> Thus, for example, the hypothesis is confirmed in the case of societies ruled by a warrior class, or by a priestly class, where these classes owe their power to the value put upon the activities characteristic of the class, like fighting enemies in the case of warriors, or saving souls in the case of priests (assuming, of course, that the people in that society believe in souls).

Today we attach preponderant importance to wealth as a value as we know that it is the foundation of most other important values. It is no wonder, therefore, that we put such high premium on wealth, for it serves as a base for the other important values that we desire for ourselves and for our society. As Tawney observes, "since economic interests, if not the most intense, are the most generally operative and continuous in their operation, most forms of power have economic roots and produce, in turn, some economic consequences."<sup>5</sup>

For purposes of this paper, we will take the Philippines as the focus of this study to show the relationship between power, ideology, and law in a given social order.

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<sup>2</sup> MOSCA, *THE RULING CLASS* (1939).

<sup>3</sup> Lasswell, *id.* at p. 206.

<sup>4</sup> Lasswell, *id.* at p. 207.

<sup>5</sup> TAWNEY, *EQUALITY* (1931).

The ruling class in the Philippines has been founded on wealth as a base value. From the early Hispanic years up to the present, the economic basis of the power of the ruling class has been most consistent, continuous, and even systematic. Previously, land was the base on which economic power was founded such that the ruling class were the caciques. As observed by Malcolm, "the caciques are large landowners or persons of influence, small in number, but wealthy, well-educated and cultured, they constitute the ruling class."<sup>6</sup> Wurfel observes that to a larger extent than in any Southeast Asian country, the Philippine economic and political elite are coterminous.<sup>7</sup>

At present, we see how the business groups are taking over from the landowning interests as the ruling class in the country simply because they command the trading and productive institutions which are at the apex of our value system. We are trying to build a business civilization similar to kind of societies that they have in the countries of the West. The present symbol for this is the acronym, NIC, or newly industrialized country. Which of course is no surprise considering that when the US colonized the Philippines, it sought to build a society in its own image, as T. H. White had observed.<sup>8</sup> Thus, the most intense values that we hold today are economic values cherished by the merchant class, symbolized by concepts like globalization, balance of trade, gross national product, per capita income, and consumption indices.

The high concentration of property and wealth in the ruling elite in the Philippines has always made it impossible for us to lay the foundations of equality that is the premise of a democratic government. The gross inequality in economic power among our 67 million people is accentuated in the political arena as individuals in control of emerging economic institutions use their resources as well as recent technological innovations in their control to

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<sup>6</sup> MALCOLM, *FIRST MALAYAN REPUBLIC* (1951), p.36.

<sup>7</sup> WURFEL, *The Philippines*, in *GOVERNMENTS AND POLITICS OF SOUTHEAST ASIA* (1961), p. 457.

<sup>8</sup> T. H. WHITE, *IN OUR IMAGE* (1989).

manipulate political consent. This is easily done since our people have neither the economic wherewithal nor the level of political maturity to withstand manipulation. The process of wealth creation that is engendered by the economic regime of trading and manufacturing tends to concentrate wealth in the hands of the capitalists, traders and investors, and vests the political components of power upon them. Political power is therefore drawn, as if by magnet, to the individuals who control the productive institutions or to those who control the distribution of goods in the global trading system. While wealth in our country used to be in the form of land, industrialization has shifted the base of wealth to those who command the institutions of trade and industry, the entrepreneurial and the rentier class.

Thus, some members of the elite of Filipino society that was gradually cultivated by the Spanish regime and assiduously courted and protected by the Americans, and who funded their political power on the basis of land ownership, are slowly being relegated to the background by the aggressive merchants and industrialists who would place the country in the center of the global trading system so as to benefit from the profits that go with it.

This development in the Philippines, however, does not necessarily mean a complete transformation in the composition of the ruling class. Because of the agglutinative nature of power forms, the members of the ruling class could easily acquire other base values of power and thus shift the base of their economic power from land to commerce and industry. A study of the Filipino entrepreneurial class by an American scholar shows that the top businessmen in fact came from the old landowning families.<sup>9</sup>

Of course, this is explained by the fact that both power and wealth are agglutinative, that is, that they tend to acquire other

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<sup>9</sup> Carroll, *The Filipino Manufacturing Entrepreneur: A Study of the Origins of Business Leadership in a Developing Country* (Ph.D. Thesis in Sociology submitted to Cornell University, 1962).

bases for power, like knowledge, skill, health, respect, etc. Thus, those who have wealth also tend to have knowledge, health, skill, and respect, and place them in a position to effectively translate their wealth into political power to protect their economic interests.

### III. THE BUSINESS CLASS AS A POLITICAL POWER SYSTEM

The fact is that the big business elite virtually monopolize and control access to political power in the Philippines. A serious student of the Philippine elite, Dante Simbulan, has identified the post war ruling class to be composed of the high bureaucrats, affluent party leaders, the landowning groups, the wholesale exporters and importers, alien businessmen, and big industrialists.<sup>10</sup> He draws the net a bit too widely, for the most consistent and continuous ruling elite has always been the wielders of economic power.

The exact contours of the business power elite can be gleaned from a Japanese scholar's study of Japanese-Filipino joint ventures in the Philippines. Mamoru Tsuda, a sociologist and former research associate at the University of the Philippines Law Center, listed the old elite families as the most frequent Filipino partners in joint ventures with 65 leading Japanese corporations.<sup>11</sup> To round out the contours of the economic elite, we should include the subjects of the case studies of Ricardo Manapat in his book, *Some Are Smarter Than Others: The History of Marcos Crony Capitalism* (1991). Manapat made case studies on how the members of the inner conclave of the Marcos regime used political power to acquire wealth, and vice versa. Several economics professors of the University of the Philippines made a similar study and came out with the conclusion that "the most damaging economic consequence of political monopoly (during the Marcos regime) is the potential abuse of the state machinery and its

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<sup>10</sup> Dante Simbulan, *A Study of the Socio-Economic Elite in Philippine Politics and Government, 1946-1963* (Ph.D. Dissertation submitted to the Australian National University in 1965).

<sup>11</sup> TSUDA, *A PRELIMINARY STUDY OF JAPANESE FILIPINO JOINT VENTURES* (1978).

functions to dispense economic privileges and positions to certain private entities."<sup>12</sup>

This, of course, is not new in the Philippine context; the only new element is the actual composition of the ruling elite. From the first years of the Commonwealth, Manuel Quezon protected a group of wealthy businessmen who financed his political campaigns, and even his independence missions to the United States. These friends who were his top advisers belonged to the elite who came from the landed families, especially the sugar interests from Negros and Central Luzon.<sup>13</sup> John Gunther reported in the *Atlantic Monthly* how the sugar interests delivered payments to Quezon of as much as P50,000 at a time.<sup>14</sup> These interests, which were ardent proponents of Philippine independence at the outset of the American commonwealth regime, suddenly reversed their position when they realized that the sugar and copra industries would not be able to survive the transition to independence without a guarantee of export quotas.<sup>15</sup> This made Quezon and the other political leaders realize that severance of ties to the US would disrupt the Philippine economy, which prompted them to lobby for trading preferences, and tied the Philippine economy to their own interests.<sup>16</sup>

The Japanese occupation of the Philippines did not really diminish very much the political power of the business elite. As Abe Fortas, who was then the lawyer for Department of Interior Secretary Harold Ickes, wrote his boss in 1943, "it is only the very wealthy class, the landlords, the usurers, the top-drawer Quezon politicians, and the Spanish party in the Philippines (which is part of

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<sup>12</sup> DE DIOS, et al., *AN ANALYSIS OF THE PHILIPPINE ECONOMIC CRISIS: A WORKSHOP REPORT* (1984) p.61.

<sup>13</sup> Caoili, *Quezon and His Business Friends: Notes on the Origins of Philippine National Capitalism*, 33 *PHIL. J. OF PUBLIC ADM.* 65 (1987).

<sup>14</sup> Gunther, *Manuel Quezon*, 163 *ATLANTIC MONTHLY* (1939), 59 - 70, cited in BRANDS, *BOUND TO THE EMPIRE: THE UNITED STATES AND THE PHILIPPINES* (1992) p. 162.

<sup>15</sup> Brands, *op. cit. supra*, at 171.

<sup>16</sup> *Ibid.*

the top-drawer), and the remaining Spanish subjects, who have become traitorous and seditious,"<sup>17</sup> that is, they collaborated with the Japanese military rulers to be able to remain in power. The world war was not able to destroy the structure of the ruling class in the Philippines.

The situation did not change with the grant of political independence in 1946. The only changes were the symbols of democracy that Filipinos displayed to the world -- the regular elections, the two-party system, carnival atmosphere mass rallies, and the changing of palace guards every four years. yet behind all these trappings of democracy the whole country remains beholden to an elite group which decided on them as basis political and economic issues. For example, when trade and economic issues were being discussed in 1946 in both the American and Philippine legislatures, and the Americans insisted on linking the payment of war damage claims and trading preferences for Filipino exporters to the military bases and parity rights issue, it was the business elite which decided the question for 30 million Filipinos, because they wanted the absolute quotas, not simply duty-free quotas, for sugar, cordage, rice, tobacco, and coconut oil.<sup>18</sup> The Filipinos were manipulated by the top political leaders to reciprocate in terms of the Parity Agreement and the Military Bases Agreement imposed by the Americans. Actually, while the trading preferences given to the landed elite who exported sugar, copra, hemp, tobacco, and other products, favored their agricultural enterprises, these retarded Philippine economy as a whole and set back the industrialization of the country by several decades. The Philippines remained an exporter of sugar and other agricultural products and lagged behind its neighbors in the race to industrialization because of the grip held by the landowning class on its economic policies.

Both the Roxas and Quirino administrations cultivated the interests of the ruling class at the expense of the Filipino people.

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<sup>17</sup> Quoted in Brands, *id.*, at 214.

<sup>18</sup> Grunder and Livezey, *The Philippines and the United States*, pp. 260 - 261, cited in Brands, *id.*, at 220 - 221.

They did this, according to historians, by manipulating the legislative process to the advantage of the power elite, by shifting the tax burden to the poor through more regressive rates and imaginative loopholes, siphoning funds intended for the payment of war veterans, black-marketing war surplus materials, and engaging in a variety of activities providing private profit at public expense.<sup>19</sup> The governmental policies of Quirino reflected a fundamental skewing of politics in favor of the wealthy and the well-connected.<sup>20</sup> In fact, the CIA in a 1950 secret report to Truman blamed the ruling class for the primary problems of the country; it stated that "at the base of these problems is an irresponsible ruling class which exercises economic and political power almost exclusively in its own interest."<sup>21</sup> While this is the American point of view, we have to give credit to the Quirino administration which convinced Truman that we should impose import and exchange controls to stem the tide of the incoming economic crisis, which laid the foundation for industrialization of the country based on import substitution. But this, again, was to favor the vested interests who cornered import quotas as well as dollar allocations. This saw the beginnings of a new ruling class based on entrepreneurship and on rentiering.

The election of Magsaysay, who was "America's boy" in the words of Time magazine<sup>22</sup> was engineered by the CIA and the sugar interests. This event underscored the strength of the American business lobby working hand in hand with domestic interests through the use of economic power. So even when Quirino was defeated, the vested interests were even more entrenched in power. That is why, even with his pro-people outlook, Magsaysay could not implement his land redistribution program as this was directed at the very foundation of the economic power of the elite. When the Bell Trade Act was renegotiated, the sugar producers managed to have their way by insisting on the extension of free

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<sup>19</sup> Brands, *id.*, at 234.

<sup>20</sup> *Ibid.*

<sup>21</sup> CIA Report ORE 33 - 50, 8/10/50, cited in Brands, *id.*, at 236.

<sup>22</sup> Time, Nov. 23, 1953, p.37.



trade provisions of the Act, which overwhelmed the other claims being pressed by the Philippine panel, like larger payments for war damages, interest charges on Philippine gold stored in Fort Knox, arrears due Filipinos who had enlisted in the American army, and American assistance for collecting reparations from Japan.<sup>23</sup>

Garcia's "Filipino First" policy was a reflection of the political power of the emerging manufacturing interests who had pushed for a policy of import-substitution. He vetoed an import liberalization measure passed by Congress, which earned him the ire of American businessmen in the Philippines, except perhaps for some aliens who were involved in a "web of corruption" with top officials of the Garcia administration. To mitigate American distress, Garcia declared an all-out war against communism and caused the passage of the Anti-Subversion law. Garcia was also held responsible for channeling the Japanese war reparations goods to some favored friends in business; out of \$105 million in capital goods from Japanese reparations, only \$33 million worth of goods went to the government, while \$72 million went to the private sector<sup>24</sup>, that is, to friends and relations close to the administration.

Macapagal, who was a CIA informant when he was Vice-President,<sup>25</sup> reversed Garcia's Filipino First policy and instituted import liberalization measures, to the delight of importers, enabling the ruling class to maintain their lavish lifestyle even if everyone else had to suffer. His decontrol program which abolished foreign exchange controls actually started IMF diktat over our economic policies, as our foreign debt grew four times from US\$150 million in 1962 to US\$600 million three years after. But the reparations issue did not subside with the defeat of Garcia, for Macapagal himself was charged with favoring his cronies in the allocation of cargo liners and vessels from Japan.

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<sup>23</sup> Brands, *id.*, at 263.

<sup>24</sup> CENTRAL BANK 13TH ANNUAL REPORT FOR 1961 (1962), p.100.

<sup>25</sup> SMITH, PORTRAIT OF A COLD WARRIOR (1976 pb.) 302 *passim*.

The Marcos regime started what the Americans called "crony capitalism" and sometimes "state capitalism" characterized by favoritism of monopolies controlled by a new elite, namely, his friends and relatives.<sup>26</sup> Marcos mustered enough political will to undermine the economic power of some of the ruling oligarchs before his martial rule, but he installed his own set of favored friends, dubbed as his "cronies." This earned the enduring hatred of the ruling class that was tightly integrated with the transnational political economy and they initiated a series of destabilizing moves against his regime. This shows that the ruling class, if it wants to, can successfully plot a palace revolution. The Philippine revolution of 1986 was the culmination of the confrontation between Marcos and the business power bloc composed of transnational corporate executives and their domestic businessmen allies based in the enclaves of the city of Makati, who played a substantial role behind the scenes in trying to keep the opposition parties and the cause-oriented groups in line in getting rid of Marcos.<sup>27</sup>

The installation of Cory Aquino as president brought back the pre-Marcos oligarchs into the corridors of political power. "When the dust settled, the downfall of Marcos appeared to have brought little more than a "shake in the kaleidoscope of oligarchic power," laments James Boyce.<sup>28</sup> As Aquino's Vice-President, Salvador Laurel, who saw what was happening from inside, put it, "the scrounging for spoils was more vicious; Joker Arroyo fought tooth and nail with corporate vanguards like Jaime Ongpin and Jose Concepcion; he complained that members of the business community were continuously badgering Malacanang for concessions, sometimes bypassing the secretary in order to strike secret deals with Cory."<sup>29</sup>

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<sup>26</sup> Stauffer, *The Marcos Legacy*, 30 PHIL. JOURNAL OF PUBLIC ADM. 184 (1986).

<sup>27</sup> *Id.*

<sup>28</sup> BOYCE, *THE POLITICAL ECONOMY OF GROWTH AND IMPOVERISHMENT IN THE MARCOS ERA* (1993) p. 351.

<sup>29</sup> LAUREL, *NEITHER TRUMPETS NOR DRUMS* (1992) 139.

For the present Ramos dispensation, we can see the undisputed dominance not only of the business class but also of the transnational group that has been put up as the vehicle for rapid industrialization. It is this group, composed of Chinese taipans and foreign investors, that dictates economic policy today.

#### IV. FACTORS THAT PRESERVE BUSINESS POWER

What factors make the business elite the ruling class in the Philippines today?

A political scientist, David Truman<sup>30</sup> lists a number of interdependent complex factors which gives the ruling class in a given society effective access to political power: first, are the factors relating to a group's strategic position in society; second, are the factors associated with the internal characteristics of the group; and third are the factors peculiar to government institutions.<sup>31</sup>

Looking at the first category of factors, we can see how high and mighty are the status and prestige of the business class in our present Philippine society. Our leaders' favorable predisposition towards members of this class makes it possible for the business ideology to be equated with the public good. The greatest good for the greatest number nowadays is manufacturing, exporting, trading and investing, for this is the path that will lead to a newly-industrialized economy. This is the vision of the new world order. So business groups have emphasized how the private investments have led to rising standards of living and alleviating the plight of the unemployed, and free enterprise has become the dominant ideology in our political economy. The congruence of the business ideology with the prevailing public opinion is so perfect that it now represents the dominant cultural theme in our social life. Thus, businessmen ride the crest of public predisposition and are able to advance their causes more effectively in the political arena at the expense of economically weaker classes. The business

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<sup>30</sup> TRUMAN, *THE GOVERNMENT PROCESS* (1951).

<sup>31</sup> *Id.*, at 506.

class maintains its power position through successful propaganda which are very effective because it rests on a sound ideological structure. For each system of power is also a system of predispositions, as Robert Dahl had observed.<sup>32</sup>

Recruitment of the ruling elite seems to favor the business class. As sociologists have noted, that there is a general relationship between business classes and the nature of the ruling elite is an observable uniformity in every capitalist society. This is true in the Philippines and elsewhere. Contemporary studies by noted political scientists note how recruitment of the political elite came to be monopolized increasingly by the economic elite. In his 1963 study, the former president of the University of the Philippines, Jose Abueva, noted how the political elite captured positions in Congress through success in commerce, industry, and in the professions.<sup>33</sup> A Filipino investigative reporter, Eric Gutierrez, last year published a book on a survey of the vested interests of the members of the Lower House, entitled "The Ties That Bind," which shows that the most prominent legislators are also business tycoons and industry leaders, demonstrating that the link between wealth and political power remain strong.<sup>34</sup> The author observes that in 1940, only 10% of the members of congress of the Philippines were entrepreneurs; by 1970 the number had risen to 30%; in the present Congress, 36% were full-time businessmen or corporate executives while 15% were involved in various business concerns even as they held public office.<sup>35</sup>

In the executive branch of the government, there is the practice of appointing businessmen to the Cabinet and to important government positions. This consistent frequency in the recruitment of bureaucrats from corporate circles, who are called "technocrats,"

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<sup>32</sup> Dahl, *Hierarchy, Democracy, and Bargaining in Politics and Economics*, in EULAU, *POLITICAL BEHAVIOR* (1956) 88.

<sup>33</sup> Abueva, *Social Backgrounds and Recruitment of Legislators and Administrators*, in ABUEVA AND DE GUZMAN, *FOUNDATIONS AND DYNAMICS OF FILIPINO GOVERNMENT AND POLITICS* (1969) 281.

<sup>34</sup> GUTIERREZ, *THE TIES THAT BIND* (1994) p. 4.

<sup>35</sup> *Ibid.*

can be explained by such factors as the use of important appointments to repay campaign contributions, the prevailing belief that business skills are required for government decision-making, public identification of labor union leaders but not businessmen as partisan, and the traditional distrust of the capabilities of career civil servants. In his study of the Philippine elite, a Filipino political scientist, Dante Simbulan, observes the consistency with which bankers, lawyers, industrialists, business magnates, and prominent landowners have been appointed to the Cabinet or to key government corporations.<sup>36</sup> Important executive and legislative advisory councils are never organized without representatives of the private sector as leading members. Among Filipinos, the appointment of technocrats during the martial law regime of President Marcos is of public notice. An American professor notes how the technocrats' economic policies plunged the Philippines into what he calls "immiserizing growth" because while the technocrats could erect personal shields against political cronies, in case of conflict, the latter would prevail.<sup>37</sup>

The appointment of high government bureaucrats from the ruling economic elite is not surprising, since political supremacy in any society is determined in the degree to which a class contributes to the more intense values that such society enshrines, and since economic ends occupy a central value position, "so long as the system of satisfaction in a society is generally accepted, one must expect people to look for political leadership toward those who have met the current definition of success and hence are considered worthy individuals," writes sociologist Donald Matthews.<sup>38</sup>

This practice has enabled the members of the ruling elite to use their political power to acquire more wealth and other power bases. This is facilitated by the fact that legislators and Cabinet officials choose public positions which may directly or indirectly

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<sup>36</sup> Simbulan, *op. cit.* *supra* note 10 at 367-370.

<sup>37</sup> Boyce, *op. cit.* *supra* note 28 at 350.

<sup>38</sup> Matthew, *US Senators and Class Structure*, in EULAU, *POLITICAL BEHAVIOR*, at 184.

affect the fate of their economic interests. Data culled by Eric Gutierrez from the statements of assets and liabilities of Filipino congressmen show that 132 have interests in land and agriculture, 45 in real estate companies, 50 in trading companies, 17 in logging, 14 in mining and 18 in construction.<sup>39</sup> "Very real conflicts of interests therefore exist in the House among members who must deliberate and decide on issues that touch their proprietary interests," laments Gutierrez, "yet it is not unusual for landowners to be members of the agrarian reform committee, for businessmen to sit on the trade and industry committee, and for loggers to be on the committee for natural resources."<sup>40</sup> "Free from the restraints of a more equitable distribution of wealth and power, the Philippine ruling elite single-mindedly followed the maxim of the orthodox economist: they pursued their self-interest," economist James Boyce notes.<sup>41</sup>

The experience of the Philippines in the implementation of "conflicts of interest" law is most disappointing. It shows that "conflict of interest" laws are ineffective in curbing the practice of appointing businessmen to public positions which impinge on their economic interests. The prosecution of the high officials in the Philippines who were found to have favored their private interests, like a former banker who became Governor of the Central Bank or the big businessman who was appointed Secretary of Trade and Industry, while sensationalized in the newspapers, later withered on the vine of legal technicalities.

Aside from possible conflicts of interests, the appointing powers overlook the inarticulate intellectual baggage that is carried over by such business people in governmental decision-making and the hidden danger behind this system of recruitment of high government officials of similar background, interests, and social outlook. Such danger is pointed out by Philip Selznick:

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<sup>39</sup> Gutierrez, *op. cit. supra* note 34 at 4-5.

<sup>40</sup> *Id.* at 5.

<sup>41</sup> Boyce, *op. cit. supra* note 28 at 350.

The human tools of action come to an organization shaped in special but systematic ways. Levels of aspiration and training, social ideals, class interests --- these and similar factors will have molded the character of the personnel. This will make staff members resistant to demands which are inconsistent with their accustomed views and habits.<sup>42</sup>

The point is that the business identification of many government officials, that is, their values, opinions, and predispositions, prevent them from adopting needed changes when this is necessary if such change impinges on their perceived interests. In other words, this system of recruitment favors the status quo. The opinion of government officials on the feasibility of any proposal is necessarily colored by their political outlook and by the climate of opinion in their social group, observed Seymour Lipset, who made studies on the power delegated to the administrative machinery through the organized representation of a social group.<sup>43</sup>

Going back to the concept of "access," the second category of factors affecting the elite's access includes (1) degree and appropriateness of the group's organization; (2) the degree of cohesion it can achieve in a given situation, especially in the light of competing group demands upon its membership; (3) the skills of leadership; and (4) the group's resources in terms of number and money.

On the first factor, degree and appropriateness of the group's organization, the business elite are seldom completely united on the more immediate questions if there is a conflict of their financial interests. However, they find unity not only on the ideological level but also in concrete terms of trade associations and even in a common political candidate who is willing to take up their cause. Here we can go back to the history of Philippine presidents

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<sup>42</sup> Selznick, *A Theory of Organizational Commitment*, in MERTON, A READER IN BUREAUCRACY (1952) 194.

<sup>43</sup> Lipset, *Bureaucracy and Social Change*, in MERTON, A READER IN BUREAUCRACY (1952), 221.

who were willing to take up the causes of dominant economic interests during their time, from President Quezon and the sugar interests up to President Ramos and the transnational corporations.

In terms of financial resources, this is precisely where the business elite draws its political strength, which offset their advantage in terms of mass following. The political environment today is basically a reflection of the present state of our economy. With industrialization, control of the economy will drift into fewer hands, and the pressure on both the executive and legislative departments of government will intensify. The transnational corporations and the big domestic companies have increased the accumulation of their political power as we move at an accelerated pace towards industrialization.

The third category of factors includes the operating structure of the government institutions. Our present governmental institutions which we inherited from the West involve fixed advantages for economic power. First, the centralized form of government that we have now is adapted to imposition of pressure by powerful economic groups. This is especially true for the Presidency, where political power is concentrated to a very high degree. Second, if we take a look at the representative form of government, we will note that this is ready-made for the exertion of economic power upon the political leaders. A political scientist of note, Bertrant de Jouvenel, notes how the expansion of governmental power into the economic domain has goaded economic interests into defending themselves, and this they did by evolving the representative system of government and by developing representative bodies.<sup>44</sup> Third, even the judiciary is not impermeable to emphatic articulation of interests by economic groups simply because most of the well-known lawyers and law offices are retainers of big corporations and foreign conglomerates. There are lawyers who have clients and there are clients who have lawyers. Unfortunately, the clients who have lawyers are the

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<sup>44</sup> JOUVENEL, *POWER* (1947) 225.



corporate managers and ruling families who thrive in the influence of their lawyers who have access to the levers of power. In fact, it is a social phenomenon in the Philippines that in almost every administration, there has always been a powerful law firm connected under wraps with the President's office that acts as a conduit between the business world and the political ruling elite.

The party system also enables the business elite to convert their economic power into political influence. This is done through their use of financial resources in political campaigns and through their ownership of the opinion industry. There is no need to document the fact that the biggest contributors to the campaign coffers of the winning presidential candidate always end up as the most influential individuals in the administration. The decided advantage of the ruling elite in this sense arises from the fact that, as observed by Carl Becker, while "contributions to the campaign fund may be made from interested and disinterested motives, the largest contributions will be commonly made by wealthy men or corporations expecting in return that the party will not, at the very least, be altogether indifferent to the kind of legislation they desire."<sup>45</sup> This is the great principle of *quid pro quo*, which is understood by the contributors very well. Even our so-called free press is not so free: the major newspapers are all put up by our economic centurions to protect their business interests, in addition to making money on the side.

We should not also discount the defensive advantages that are inherent in vested interests maintaining the status quo, that is, the special advantages of groups opposing social and economic reforms and defending the present state of affairs. These advantages, as Truman points out, are first, the strength of established relationships in society and, second, the opportunities for delay or obstruction by existing legislative procedures.<sup>46</sup> In this sense, the ruling business class enjoys defensive advantages over such groups as workers, farmers and peasants, and the urban poor

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<sup>45</sup> BECKER, *MODERN DEMOCRACY* (1941) 57.

<sup>46</sup> Truman, *op. cit supra* note 30 at 353.

who are agitating for change. If we take a look at the nature of our party system, we can easily see the defensive advantage of those who support the status quo in a regime where the party platforms are long on the generalities of change and short on concrete steps for implementation. In fact, our two parties are just mere coordinators of the various economic factions with the same versions on how to become a newly-industrialized country. Even the opposition efforts to block favored economic legislation can lead to a cycle of drift and deadlock that will operate to preserve the status quo.

#### V. LAW AS A DISPLAY OF POWER

What may be thought of as law is the embodiment of the wishes of the ruling class which has used its political power to impose its will on the subject classes. "So," Justice Holmes has said, "when it comes to the development of *corpus juris* the ultimate question is what do the dominant forces of the community want and do they want it hard enough to disregard whatever inhibitions may stand in the way?"<sup>47</sup>

"Legal rules find validity in prior hierarchy, that is to say, when capitalist and wealthy individuals are in power, it is no surprise that law both confirms and supports this arrangement by providing rules on private property that protect their claims from those of others. x x x Quite simply, in such a system, the law begins to reflect the values and premises which confirm and legitimize the then current distribution of resources."<sup>48</sup>

In this sense law is seen as a legalizing principle for the imposition of the wants of the ruling class over the rest of the subject citizens. Such imposition has to be done through political power of the state if those who would bear the burden are to accept

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<sup>47</sup> Holmes, *Letter to Dr. Wu*, in SHRIVER, JUSTICE OLIVER WENDELL HOLMES: HIS BOOK NOTICES AND UNCOLLECTED LETTERS AND PAPERS (1936) 187-188.

<sup>48</sup> MALLOY, LAW AND ECONOMICS: A COMPARATIVE APPROACH TO THEORY AND PRACTICE (1990) p. 50-51.

it without taking action against the rulers. For the state possesses the "monopoly of legality" that enables it to impose on its citizens without fear of rebellion. "Law" makes the burden acceptable, since "there is in legality a symbolic value of high importance in social relations: to be legal is to bear the proud banner which rallies to its support great numbers of almost any community or trends to do so; to be illegal is to deter many from support of a position or personality otherwise acceptable or expedient."<sup>49</sup>

It is not surprising, therefore, that the dominant theme of our present legal system in the Philippines shows the imprint of the economic power of the ruling class. In the first place, the prevailing ideology of the Philippine Constitution is still *laissez faire*; it is the foundation of the legal system that we inherited from the West. And the laws that were enacted by the American colonial government were founded on this economic philosophy.

But aside from the philosophical foundations of our legal and constitutional system, we see manifestations of the strength of the economic power of the ruling class in the Philippines. We see it in the Constitution, when the provisions limiting the Filipinos the exploitation of natural resources had to be amended to give way to parity rights for Americans. We see it in the Bell Trade Act of the United States, which granted duty-free quotas in exchange for reciprocity provisions, and revealed the strength of our landed elite. We see it in Philippine laws that subsidize the sugar industry, the coconut industry, the tobacco industry, the shipping and shipbuilding industry, the mining industry, the metals industry, and a host of other industries dominated by the ruling class. We see this in the foreign investment acts, in the laws creating free trade and free port areas, and in the laws setting tariffs and quotas for the trade of goods and services. For what is the law among friends?

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<sup>49</sup> MERRIAM, *POLITICAL POWER* (1934) pp. 12-13.