

## Feudalism and Neo-liberalism in the Philippines: A reinforcing system-relationship

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### Abstract

In the growing discussion of developmental prospects in the Philippines, this paper tries to bridge the gap in the relationship between international and local systems that operate in the country that is Neoliberalism and Feudalism. Scholars in systems analysis mostly prefer the traditional notion that industrial development brought about by neoliberalism into the backward agricultural economy, contributes to the dismantling of that economy's feudalistic system. Neoliberalism as a world system operating under the context of class expression of imperialist states, has established its roots in the Philippines by the middle of 1980s, when the political climate has shifted from dictatorship to the liberal democratic framework.

The paper uses Marxist analysis of hegemony and Political Economy in asserting that both systems reinforce each other to serve the interest of foreign capital and local elite with the poor peasant communities at stake. In its assertion it tackles semi-feudalism, as defined by Amado Guerrero, as an output of the relationship between the two system and its impacts to the agriculture sector and the Philippine economy as a whole.

**Keywords:** Neoliberalism, Feudalism, Semi-feudalism, Philippines

### Introduction

Feudalism is characterized by most scholars as both a Political and Economic system that entails decentralized form of governance that protects a certain land territory to which ownership and control of the lands are given to the local lords of each 'fiefdom' (Nelson, 2004). The major characterization of feudalism as a system can be put into two terms: first is the relationship between chiefs and their peasant serfs and the second is the value given to land as the main form material of value at that time (Bloch, 1962). Philippine feudalism was established upon the control of the Spanish colonizers as they transformed the diverse societies of the archipelago into a unitary vassal of Spanish rule. The institutionalization of the feudal

system by the Spaniards was through the imposition of Spanish Political and Economic institutions (Agoncillo, 1960). With the political and economic transformation of the Philippines particularly in its structures, it may seem that the features of Feudalism as established by the Spaniards no longer exist in the contemporary age as reflected in the argument of most post-war academics that in fact Philippines has already industrialized. This paper argues that these socio-economic and political feudal institutions continue to pervade twenty first century Philippines.

Accordingly, the age of Capitalist globalization has definitely triggered the national economy of the Philippines to participate in the world free market.

Both the authoritarian dictatorship of Marcos and the Philippines' EDSA regime came into being under the development of Neoliberalism as a world ideology (Bello, 2016). Neoliberalism as an ideology came into being within the years 1979-1980 as an institutionalized *'theory of political economic practices that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade'* (Harvey, 2005). Its basic rules are to liberalize trade and privatize operations of the economy. Market principles under the *Washington Consensus* were implemented among more vulnerable societies mostly in the form of Structural adjustment programs (Choamsky, 1999).

With a lack of extensive discussion and academic intention on the relationship between the two local (feudalism) and international (Neoliberalism) system that exists in the Philippines, this paper argues that Feudal structures in the Philippines continue to exist, reinforced by the neoliberal economic framework, and these feudal structures serve the neoliberal economic framework. It will contribute to the overall discourse of Philippine political economy especially on the debate whether the country is a capitalist or feudal economy under a world capitalist order framed under the theory of Neoliberalism. The paper will use the Maoist concept of semi-feudal society as characterized in Amadao Guerrero's discussion of Philippine political economy in his book *'Philippine Society and Revolution'*. Such relationship, the paper argues, has caused the widening of the country's trading gap as argued by Bello. Neoliberal policies in the form of Tariff reduction among others has resulted to the Philippine government's economic program as *'pro-urban and anti-rural'* (Cororaton & Corong, 2006), its pro-urban being in the form of superficial development program.

In looking into the impact of neoliberal ideology to the feudal agricultural system of Philippine economy, the paper uses the Gramscian model of Hegemony which entails holistic domination in the structures and superstructures manifested in an

ideology (Gramsci, 1929 – 1935). While looking into the feudal structures of Philippine economy and its relationship to the Neoliberal economy, the paper will utilize the Marxist view of political economy as discussed in Marx's *'A contribution to the Critique of Political Economy'* and *Das Kapital*, together with the political economic analysis of Amado Guerrero in the Philippines.

The relationship of the two systems can be qualified by looking into the policy reforms particularly under agrarian projects and agrarian reform and the overall agricultural production of the Philippines. An analysis of the Agrarian reform policies under the neoliberal regime will be presented in the paper in relationship with the overall agricultural output of the Philippines under and export-oriented and import-dependent economy.

The scarcity of literature on the relationship between local feudal structures and the global market economy under neoliberalism is the central gap to be addressed by this paper especially in the context of the Philippine economy. Marxist academics mostly argue on the existence of pre-capitalist economy caught in between feudalism and capitalism (Katz, 1993). Along these lines is the public interpretation that feudal structures are ultimately eradicated upon the introduction of a Capitalist economy whether through external or internal development. This paper argues that the feudal structures in the Philippines, although different from the ones introduced by the Spanish colonizers, still exist today under the free-market neoliberal framework it operates formulating a new feudal system. The paper further insists that the local system of feudalism is dialectically reinforcing with the international system of neoliberalism as the hegemonic ideology

One of the most influential and groundbreaking literature that attempted to comprehensively analyze Philippine society was Amado Guerrero's (Jose Maria Sison) *Philippine Society and Revolution*. The book outlined important discussions that are useful to dissect Philippine society. Such work became the bible of thousands of Filipino activists during the Martial law years up

to the present. One crucial part of this work was the discussion on the Philippine economy to which the term “Semi-Feudalism” was constantly reiterated to be the current economic system in the Philippines. Guerrero clearly qualified Semi-feudalism in the second chapter of the book as he puts it:

*“The semifeudal character of Philippine society is principally determined by the impingement of U.S. monopoly capitalism on the old feudal mode of production and the subordination of the latter to the former. The concrete result of the intertwining of foreign monopoly capitalism and domestic feudalism is the erosion and dissolution of a natural economy of self-sufficiency in favor of a commodity economy”.* (Amado Guerrero, Philippine Society and Revolution, Chapter II, Part I, page 39)

Although Semi-feudalism first practically came out as an analysis of Chinese society during the pre-revolution stage of its history, Philippine Semi-feudalism has its own characteristics different to that of China. It is an output of the concrete application of Marxist analysis on Political Economy to the conditions of non-industrial states. Such proposition of Guerrero suggests the continued existence of Feudal relations of production in a capitalist system contrary to the traditional view that industrial capitalism destroys the entirety of Feudalism. The study will validate this position by corroborating it with Bloch’s 2 main characterization of Feudalism. This will be utilized in the study by looking into the present context of the Duterte administration since the latest edition of the book tackled only until the Arroyo administration for despite his anti-oligarch and anti-feudal rhetoric partnered with the illusion of inclusiveness in the bureaucracy, Duterte is still a strong supporter of the Market economy (Bertelsmann Stiftung, 2018).

To further understand the social underpinning behind the debate on the nature of Duterte’s rule as a populist leader and its consequent effect to the prospects of Agrarian reform in the country the paper will use Marxist class analysis to qualify Duterte’s economic. In the general sense, Marxist

class analysis is based on the opposing classes of the proletariat and the bourgeoisie with the a few middle classes that swing according to their interest of preserving its class (Marx & Engels, 1848). The class analysis of Philippine society was most comprehensively discussed by Guerrero qualifying the ruling class into three roles belonging to the 1 % of the population: US Imperialism represented by US foreign Capital, The Comprador Bourgeoisie, and the Landlords. Guerrero argues that the landlords preserve the feudal relations of production to cater the needs of US imperialism and Monopoly Capitalism while the Comprador Bourgeoisie is in charge to facilitate the export of raw materials and cheap labor and import of surplus products and capital of industrial states (Guerrero, 1970).

### **Semi-Feudalism: Feudalism and Capitalist Globalization**

Marc Bloch and Lynn Harry Nelson defined Feudalism in more or less similar note that is the relationship between a serf and a landowner on the basis of land property. The System of feudalism in the Philippines as introduced by the Spaniards was fully institutionalized and epitomized by the implementation of the *Encomienda* and forced labor (Guerrero, 1970). Agoncillo on the other hand describes feudal system by the Spaniards in terms of Political and Economic Institutions. Based on his book “History of the Filipino People”, Agoncillo argued that the political institutions embedded in the Spanish bureaucracy were established to secure, in a decentralized manner, those that are very scattered communities. They implemented *Reduccion* which meant the resettlement of communities into more compact community centers called Pueblo. With this, the lords and their serfs are closer and the constituency is easier to govern. The *Hacienda* and *Encomienda* system were instituted both as economic institutions to which the operative relations between the landlords and the serfs are present. The *Encomienda* however, had more political functions that are beyond the abilities of Spanish bureaucracy such as collecting tributes and settling disputes. The *encomienda* served both as rewards for

deserving Spanish individuals mostly friars and officials of the Spanish government and as an effective tool for the pacification of the Philippines at the same time a measure of local government and control. The hacienda on the other hand was based primarily on the registration of land titles for Spanish individuals. Constantino emphasized the difference between the two as Encomienda's exploitative nature was undisguised and direct being a result of political imposition by the King of Spain while the Hacienda hid behind the cloak of rightful ownership and fictitious partnership (Constantino, 1975). Extended in these feudal systems are instruments for Pacification included military conscription through the intermediaries, forced labor, and the *bandala* system. It also transcended to cultural pacification through the imposition of *tributos reales* and *indulgencia* among others.

These institutions had been gone after the Spanish rule except for the Hacienda system. When the Americans took over, the *Ilustrados* of the old society were contracted by the Americans to become the entry point for assimilation (Agoncillo, 1956). Amado Guerrero argued that the Americans never intended to liberate the Filipinos from bondage; instead, they are to continue the old feudal production in service of the growing demand of the global free-market:

*“When the United States in its imperialist greed seized the Philippines for itself, it was very conscious of the necessity of retaining feudalism so as to provide itself continuously with such raw materials as sugar, hemp, coconut and other agricultural products.”* (Amado Guerrero, 1970, Philippine Society and Revolution).

According to Corpuz, the American translation of the Feudal system as a participant in the international free market has not facilitate the development of manufacturing and the creation of Industrial base until the Americans gave political autonomy to the Philippines (Corpuz, 1997). Such condition where the Feudal system was not dismantled, and was instead used as the source of cheap raw materials for the production of industrial states, was described by Amado Guerrero as a Sem-

Feudal system. Consequently, because manufacturing was underdeveloped and no industrial base was established, the country was unable to produce advance commodities beyond consumption products, it has become dependent to the investment of foreign industrial countries to provide multi-processed commodities. The feudal institutions that the Spaniards have introduced have changed its orientation during the time when trade was internationalized with the opening of the Suez Canal, until they were no longer existent during the American period onwards except for the Hacienda (Agoncillo, 1956). Semi Feudal economy is described as the penetration of Foreign Capitalism into the old feudal economy. What made it different from a feudal economy are the political forces that were generated alongside the injection of the capitalist economy: The Bourgeoisie, the Petty-bourgeoisie, and the Proletariat. (Mao Zedong, 1940). The result was what Katz referred to in his discussion about the transition from Feudalism to Capitalism, a system of Agrarian Capitalism, which he argued was the pre-capitalist conditions under a feudal system that paved the way towards Capitalism. Unfortunately, for the Philippines, it seemed impossible because the actors were external and inorganic. The shift was instituted by the hegemonic Neoliberal framework. Within this setup, feudal relations in production continue to exist as Macaranas evaluates the condition among agrarian capitalist production:

*“In rural areas where big plantations or corporate farms of landlords and big businessmen, a typical ‘paternalistic’ relation is prevalent. The hacenderos took paternalistic care of ‘their’ people from birth to death, serving as godparents, providing medical care, and even bailing them out of jail, on occasions – a form of complete subservience, indeed”* (Macaranas, 2015)

These agrarian capitalist institutions have replaced the Spanish imposed feudal institutions. These include Plantations, Agri-corporations, etc. owned by local compradors and Trans-national corporations. Conditions that fall under feudal relations as described by Nelson and Bloch, continue to exist in new forms:



- *Land Rent, Usury and Other Feudal Evils* for peasants who do not own the lands they till. As of the first edition of Guerrero's book, 8 out of 10 farmers do not own their own land. They suffer high rent and indebtedness with the systems of usury.
- *Wage Slavery on Farms* for Farm-workers who work in haciendas and agro-industrial own by foreign corporations. They work under daily wage system which is very meager. Aside from the minimum wage varying per region, wages for agricultural sector are much lower compared to industrial workers.

### **Neoliberalism's Hegemony and the Agriculture sector**

The turn towards neo-liberalism was due to the intention of the major capitalist powers to prevent the catastrophe that was brought by the great depression of the 1930's. It was only in the years 1979 and 1980 that the efforts to give institutional guides for states to follow free-market, was institutionalized (Harvey, 2005). The Philippines was already intertwined from the developmental stage of this new international framework right after the Second World War due to the post-war conditions of the country that needs reconstruction. Our subservience was only in the form of financial debt to financial institutions led by the US. However, upon the institutionalization of the Neoliberal framework and our being signatory to the World Trade Organization cemented our active participation in all measures to liberalize trade and gear towards free-market.

The country was already suffering from the Structural Adjustment Programs (SAPs) imposed by the World Bank and the IMF in the developmental stage of neoliberalism. The following administrations after Marcos had already adopted the liberal democratic ideals and the neoliberal economic framework which has resulted to the intensification of the SAPs prioritizing debt servicing in national budgeting. Neoliberalism in the Philippines has reached its 'Apogee' according to Bello during the time of Ramos. According to

Bello "*tariffs were radically cut to zero-to-five percent, deregulation and privatization were sped up, and the Philippines joined the World Trade Organization*". Such setup has been consistently and religiously followed by the following administrations even under the present Duterte administration. Under this policy, the economy has become further underdeveloped with the inability to implement national industrialization and genuine agrarian reform as prevented by the SAPs. (Sison, 2008)

In the agriculture sector where the feudal system continues to operate, this new policy has definitely affected. In fact, in the early 1980's, the country has recorded a national economic decline and in particular a decline in the productive contribution of the agricultural sector (David, 1995). How this actually happened, we use what Bello proposed as the Hegemonic influence of Neoliberalism in the country but focused on the agricultural sector and its feudal system.

If we look into it, the process of integrating the neoliberal framework in the Philippines was initiated and campaigned by the state itself which falls under Gramsci's discussion of hegemony where the state is the ultimate hegemonic apparatus. The subservience to the US-led agenda started when the Americans bought the country from the Spaniards for 20 Million pesos (Agoncillo, 1956). The state decided to succumb to the unequal arrangements with the US-led financial institutions resulting to the country being tied to its debt. Multilateral arrangements following the WTO agreement on agriculture have subjected SAPs in trade and investment which meant incentives for foreign investors for Agri-based businesses while at the same time meeting the demand for raw materials of other capitalist industries, not for our own processing and manufacturing.

The state did not redistribute the valuable feudal asset which is land. Instead, it maintained the same feudal relations in a more capitalistic orientation: Export production and wage-system for agricultural workers. Neoliberalism as a hegemonic ideology did not destroy the local

feudal systems but rather maximizes it to further extract even cheaper raw materials and labor. If the feudal systems were abolished and replaced with purely capitalist production, then labor and raw materials will be utilized by the local compradors and not by the trans-nationals. To make sure that this will not happen, the state plays a big role as the facilitator with all its legal and armed power. The state representatives are also coming from the Comprador and Landlord class who are the main beneficiaries of the semi-feudal system at the local level (Guerrero, 1970).

The imposition of Free trade by the US through its dominated financial institutions and bilateral and multilateral agreements with the Philippines was an 'Act of State' that shaped the Philippine life as a whole (Hawes, 1980). The capitulation of the state was necessarily facilitated by the local elite throughout the changes. The entry of Neoliberalism as a state intervention mechanism was characterized by local elite tied to the foreign capital under a world capitalist order (Fitzgerald, 1977). These local elite in the age of a semi-feudal system was primarily composed of big compradors owning vast establishments that cater the export of local goods and import of foreign goods in the country and the landlords who own the vast majority of arable lands. They are closely related and sometimes, they themselves are the country's politicians as well called Bureaucrat Capitalists (Guerrero, 1970).

### **Implications to social conditions of the Philippines**

As a result, to the Neoliberalization of the Feudal Philippines, the Agricultural sector according to most developmental scholars has shifted its subsistence agricultural production into demand-based crop-production. In terms of export, the agriculture sector has decline from being the major source of foreign exchange in the country from 65% in the year 1960 down to 12% only by the year 1994. In the 1980's the agriculture sector's economic contribution fell down as well which was attributed to the depressed world commodity prices (David, 1995). The Trade Policy since 1960s was generally biased towards manufacturing and

services and against agriculture. By the 1990's the trade policy greatly affected agriculture upon our participation to the World Trade Organization (Cororaton & Coring, 2006). David, Ponce, & Intek (1992) pointed out the lack of state support for agriculture as a whole that the country's 'competitive advantage' as crop producing economy has eroded.

The neoliberal trading framework shifted from protecting farmers into a more market-driven production putting peasant productivity and welfare behind.

*"RA 8178 known as An Act Replacing Quantitative Import Restrictions on Agricultural Products, Except Rice, with Tariffs, Creating the Agricultural Competitiveness Enhancement Fund, and for Other Purposes. was enacted under the then Ramos administration. It repealed the Magna Carta of Small Farmers of 1991, which protected products of small farmers. It replaced all quantitative restrictions on agricultural imports with tariffs that will be substantially reduced over ten years."* (Pascual & Glipo, 2002)

Failure to introduce an effective agrarian reform was the major cause for agrarian poverty. The government failed to redistribute lands owned by big landlords and provide adequate quantitative and qualitative investments in several key areas such as infrastructure, irrigation etc. (David, 1995). 70% of the country's poor come from the rural areas where agriculture is the main form of economic activity. (Habito & Briones, 2005).

Tariff reduction as the main form of neoliberal trade policy has worsened the degree of poverty in the country (Cororaton & Coring, 2006). The country's dependency towards foreign capital was also intensified with the recent liberalization framework where it is represented by the Transnational and multi-national corporations who are responsible for the capitalist investment in the countryside (Hawes, 1980). This cause further displacement when it comes to property ownership especially of land especially that these TNCs and MNCs operate on a large-scale crop production that usually displaces small farmers and indigenous

people. Most of them are products of FTAs and bilateral agreements with three major powers that is US, China and Japan (Casino, 2006).

Our inability to industrialize was furthered by the domination by and dependency over foreign capital to capitalize on our resources. Our agriculture sector's role has been narrowed down into source of raw materials, market for non-agricultural economies, and surplus labor for industry and services owned by foreign capital (Habito & Briones, 2005). Jose Maria Sison argues strongly on the widening gap between a hegemonic neoliberal system and the worsening conditions of a local feudal society:

*“Under the “neoliberal” economic policy, the semicolonial and semifeudal character of the Philippines has been aggravated and deepened due to the absence of national industrialization and land reform, the unrestricted freedom of the foreign monopolies to dump their surplus products and to extract super profits, the ceaseless landlord and corporate accumulation of land, bureaucratic corruption, the limitation on the country to produce for export only raw materials and slightly processed goods, the ever growing trade and fiscal deficits and the ever mounting foreign debt.”*

### **Conclusion & Recommendations:**

The continued existence of feudal relations under a world capitalist order has become a developmental challenge for the Philippines both at the community level of peasants and farm-workers and at the national economic productivity. The concept of Semi-feudalism, although not new, is further discussed with validity and a more system-relation perspective. Its existence is a product of historical clash between a resilient relation of production still tied to the land, and a market-driven world economy. The result is poverty escalation rather than alleviation due to the imposed inability to produce both raw materials and processed commodity or in short, the ability to institute land reform and national industrialization as necessary developmental process for a backward semi-feudal economy.

The neoliberal hegemony was able to capitulate and amalgamate the local feudal system in its operation with the function of the state and its class representation of local ruling class in the face of bureaucrat capitalism. One major recommendation I would bank on is Hawes's idea of doing away with foreign capital and the focus on Self-industrialization. Hawes's idea though is an elitist model favoring the rise of a local elite to facilitate capitalist development in the country. What I want to add is to do away with both foreign capital and elite domination since this paper has argued that the system to which foreign capital operates (neoliberalism) and the local feudal system owned by the local elites of landlords and comprador exist for each other. The conflict therefore is not between foreign capital and local elite but between the elite alliance of foreign capital plus local feudal elites, and the peasants and the rest of the working-class Filipinos.

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