PHILIPPINE POLICY IN HOUSING THE URBAN POOR

The Economic and Sociopolitical Contexts of Public Housing Policy

by

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Submitted to the Department of Urban Studies and Planning on May 10, 1974, in partial fulfillment of the requirements for the degree of Master of City Planning.

This paper attempts to indicate the direction which Philippine policy should take in relation to housing the country's urban poor. More specifically, it discusses three corollary propositions: -- that the Philippines urban housing situation is embedded in the fundamental economic and sociopolitical context of the nation's development -- that the Philippines housing policy is lacking in effective and equitable provision of housing services for the urban poor, and serves to maintain the general picture of poverty and income inequality -- that an alternative approach to housing the urban poor must be based on a redirection of national development goals toward a more equitable distribution of the benefits accruing to national development.

Chapter One defines the purpose and method, and the relevance of the study. Chapter Two outlines the Philippine urban housing situation as government planners and housing officials view it, citing rapid population growth, low incomes, low investments in housing, urban land shortage, and lack of government concern.

Chapter Three discusses the economic and sociopolitical conditions in the Philippines which underlie the formation and maintenance of low-income densely-populated settlements. Such aspects as the dependent state of the economy, retarded agricultural and industrial growth, disparities in wealth and power are shown to impose institutional constraints on choices made by low-income families. The formation of slum and squatter settlements is held to be a rational response of urban poor families to the economic and social conditions which they encounter in city life.

Chapter Four analyzes past government housing action, stressing the maintenance of disparities in economic wealth and social power. What has been termed public policy in housing has in fact been a strategy to provide luxurious housing for those already well-housed.

Chapter Five discusses an outline of an alternative housing strategy essentially concerned with redistributitional effects. Sites-and-services development and aided self-help housing, as well as controls on rental housing are presented. Housing finance and the relevant economic and political issues redirected toward equity considerations as well as efficiency factors conclude the paper.

Thesis Supervisor: Ian Donald Terner, Assoc. Prof. in Urban Studies
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A. STATEMENT OF PURPOSE

It is my purpose in this paper to indicate the direction which Philippine public policy should take in relation to housing the country's urban poor. This I shall attempt to do by dealing with three corollary propositions:

1. That the Philippines' urban housing situation -- particularly the housing situation of poor urban families -- is embedded in the fundamental economic and sociopolitical context of the nation.

2. That the Philippines' housing policy is lacking in effective and equitable provision of housing services for the urban poor and thus serves to maintain the general picture of poverty, unemployment/underemployment, and income inequality.

3. That an alternative approach to housing urban poor families must be based on a redirection of national development goals toward a more equitable sharing of the benefits accruing from development.

To develop these propositions, the paper is organized into five chapters.

Chapter One defines the purpose and method of the study and discusses the relevance of an analysis of this nature vis-a-vis current thinking and writing on the subject of housing policy in developing countries.

Chapter Two outlines the Philippine urban housing situation from the viewpoint of government planners and housing officials. The specific aspects of the "housing problem" as they see it are discussed, together with a number of economic and political factors which they recognize as impinging on the urban housing situation.
The government perspective is evaluated as too sectoral, effecting no comprehensive, realistic appraisal of the urban housing problem.

Chapter Three on the other hand discusses the economic and sociopolitical conditions in the Philippines which underlie the formation and maintenance of low-income urban settlements. Such aspects as the dependent nature of the Philippine economy, the retarded growth of agricultural and industrial production, a dual labor market, and disparities in wealth and power among the Filipino population are identified as institutional constraints imposed on low-income urban families. The proliferation of slum and squatter communities is shown to be a rational response of urban poor households to the economic and sociopolitical conditions which they encounter.

Chapter Four analyzes past government housing action, stressing the maintenance of disparities in economic wealth and sociopolitical power reflected in disparities in levels of housing services enjoyed by different income groups. What has been termed public policy in housing has in fact been a strategy to provide more luxurious housing for the well-off who are already well-housed, at the expense of the lower-income households who are in direst need of even the minimum of housing services.

Chapter Five enunciates an alternative housing approach essentially concerned with the redistributional effects of housing action. It emphasizes direct assistance to poor urban families instead of the filtering strategy espoused by past housing policy. Specific housing action such as sites-and-services development
and aided self-help housing are suggested for their redistributional potential, and related to the broader issues of housing finance and urban land policy. Finally, the re-direction of national development goals as these affect migration patterns and the differential development of urban and rural sectors, between agricultural and industrial sectors, are discussed in light of their implications for the formulation of a strategy to house the urban poor.

B. SURVEY OF LITERATURE

This paper essentially draws from current writing on the subject of housing the urban poor in developing countries. Of the relevant literature, those which have been most useful are the following:

a. Literature indicating the historical patterns and direction of the Philippine economy and sociopolitical structure. Under this category are reports by government economists and planners, technical reports by local and international development agencies, historical accounts by Filipino and foreign historians and political analysts.

b. Literature explicating the housing policies and programs espoused by the Philippine government. These include national four-year plans, reports from housing agencies, proceedings of a national conference on housing, and reports by private developers associated with government housing activities.

c. Literature relating to radical analyses of underdevelopment in general, and urban problems in particular, in Third World countries.

d. Literature on housing programs proposed or implemented in other developing countries, with program goals related to broader economic and sociopolitical development goals, as in recent Chile and Tanzania.

C. RELEVANCE OF THE STUDY

The relevance of this paper lies in its attempt to examine
the various dimensions of the Philippine urban housing situation, and then to synthesize the same dimensions in the formulation of public housing policy. The aim is to develop guidelines for a strategy to house poor Filipino families in urban areas, based on the perspective that the housing situation is part of the country's development processes. The socioeconomic context of the Philippines is seen to be one which maintains high rates of unemployment or underemployment and low levels of income among a large sector of the population. The paper thus identifies the institutional constraints on choices made by low-income families and recognizes the limitations of traditional approaches which rely on conventional construction processes to satisfy the growing needs of these families.

The paper departs from the traditional sectoral view of housing by contending that since each family pursues its own "housing solution" according to its advance in the socio-economic integration process, a realistic housing strategy must first seek to accelerate low-income families' advance in the socio-economic integration process, even as it aims to harness the resources of low-income families to accelerate their spontaneous housing activity.

D. METHOD AND LIMITATIONS OF THE STUDY

This paper is the product of library research and field observation. The direct experience culled from two years' work on a feasibility study of a low-cost workers' housing project in
the Manila metropolitan area and of a community development pro-
ject in a squatter resettlement site outside Manila, provided me
with insights into the nature and dynamics of the housing situa-
tion of lower-income urban families. Analyses of Philippine govern-
ment housing reports, economic planning reports and housing indus-
try reports were substantiated by brief visits to slum clearance
sites and resettlement sites as well as by interviews with hous-
ing officials during a summer visit to the Philippines. My intro-
duction to different perspectives or the development process in
developing countries during my course of study at MIT also provi-
ded the basis for much of this paper's critical analysis of the
Philippines' problems of poverty and unemployment -- important
dimensions of the urban housing situation.

Analyzing the Philippine urban housing problem from a
broad perspective carries with it certain limitations. The discus-
sion is necessarily restricted to historical trends in agricultu-
rnal and industrial growth, to patterns of wealth and power distribu-
tion, to characteristics of urban slum and squatter settlements,
to over-all results of government housing action and to an outline
of an alternative housing strategy. It does not attempt detailed
treatment of these issues, nor does it allow for modifications of
generalized issues under discussion. However, this kind of macro-
level analysis fills the gap between already existing pieces of
sectoral studies and injects into these a more coherent thread of
analysis.

Another limitation is the reliance on secondary information,
the validity of which cannot be precisely ascertained. The paper recognizes the possible discrepancies between policies and projects as these are "announced" or written about in reports, and as these are actually carried out. Yet again, the significance of deficiencies in reporting are not too substantial in light of the paper's purpose to address itself to the broad implications of housing policy.
CHAPTER TWO

ASPECTS OF THE PHILIPPINE HOUSING PROBLEM

Philippine government housing reports on the whole use as a starting point in any discussion of the Philippine housing situation the magnitude of the nation's housing need. As explained in these reports, housing need is a compound of the following elements: housing needed to make up for the existing shortage of dwelling units, to replace the large quantity of substandard housing now occupied, to replace those lost through natural deterioration and calamities, and housing needed because of the additional population due to natural increase and to migration.

A. SHORTAGE OF HOUSING STOCK

It is interesting to note that housing need is perceived by Philippine housing officials in terms of housing stock, in numbers of physical dwelling structures rated according to an unspecified scale of standards defining a "decent" house. Using this ambiguous definition, government reports invariably come up with differing estimates of the nationwide housing need, with figures ranging from 100,000 units a year to 400,000 units a year. The most recent estimates by the NEDA (National Economic Development Authority) for the period 1960-1980 place the need for dwelling units at 470,000 per year -- 100,000 per year in urban areas and 370,000 in rural areas.

Figures for 1970 indicate a housing stock of 5,186,873 dwelling units for the nation as a whole -- 1,089,328 in urban
areas and 4,097,545 in rural areas. Population for 1970 was estimated at a little less than 37 million -- over 11½ million urban and 25 million rural, with households numbering 2 million urban and 4.3 million rural. Based on the difference between the obtained number of households and the obtained number of existing dwelling units, the shortage of dwelling units was placed at 1,121,759 -- 918,510 urban and 203,249 rural. Two-thirds of the declared national urban dwelling-unit shortage was said to be concentrated in the metropolitan Manila area.

B. DEFICIENCIES IN THE BUNDLE OF HOUSING SERVICES

The Philippine urban housing situation can also be viewed as marked by serious deficiencies in the bundle of urban housing services available to the population. Of the existing physical structures themselves, the Journal of Philippine Statistics (July-Sept. 1968) reported that in 1967, of a total of 1,515,000 urban households, only 24.6% lived in houses or buildings either newly built or in good condition. Less than half (54.9%) lived in structures in fair conditions or needing only minor repairs and the remaining 18.8% in poor-condition houses or buildings which were structurally weak or needed general repair. This count excluded households living in even worse-off housing as far as government standards were concerned, such as barong-barongs (makeshift, patchwork dwellings), barges, boats, ruins and the like.

In terms of lighting, water, and sanitary facilities, in 1967 the Journal of Philippine Statistics reports that only 62.8% of urban households enjoyed electric services; 56.2% of households
were supplied water through a waterworks system; toilet facilities of any kind were not found among 16% of urban households, and among those who had some form of toilet system, only 34% had water-sealed toilets.

C. SLUM AND SQUATTER SETTLEMENT FORMATION

The rapid growth and proliferation of slum and squatter settlements in urban areas are seen by government planners as blatant indicators that a housing problem exists. They cite the results of a survey of major urban centers by the United Nations and the People's Homesite and Housing Corporation team in 1963-64 which show the ratio of slum and squatter families to the total population of each city.

<table>
<thead>
<tr>
<th>City</th>
<th>Percent Slum or Squatter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Manila</td>
<td>10.0%</td>
</tr>
<tr>
<td>Baguio City</td>
<td>27.0</td>
</tr>
<tr>
<td>Iligan City</td>
<td>7.5</td>
</tr>
<tr>
<td>Davao City</td>
<td>8.5</td>
</tr>
<tr>
<td>Cagayan de Oro</td>
<td>11.0</td>
</tr>
<tr>
<td>Ozamis City</td>
<td>25.0</td>
</tr>
<tr>
<td>Cotabato City</td>
<td>30.0</td>
</tr>
<tr>
<td>Butuan City</td>
<td>43.5</td>
</tr>
<tr>
<td>Marawi City</td>
<td>44.5</td>
</tr>
</tbody>
</table>

At the growth rate of squatter areas of 12 percent per year, substantially larger proportions of the urban centers are now settled by squatters, reaching a third of the urban population in metropolitan Manila today, for instance. To this day, no adequate definition of who are squatters or slumdwellers, and who are not, are proffered by housing officials. But they are certainly alarmed about low-income settlements which they identify with criminality, public health hazards, and threats to political stability.
D. FACTORS RELATED TO URBAN HOUSING PROBLEMS

Government housing officials are quick to point out that the shortage of dwelling units is aggravated by a number of demographic, economic, and political factors which are interrelated. Among the factors they cite most frequently are the following: the rapid growth in population, particularly in urban centers; the low levels of income among the majority of Filipino families; the relatively small investment in the housing sector; the shortage and high cost of urban land and land development; the lack of serious government concern in housing.

1. Rapid population growth -

The population of the Philippines, 40 million at latest count, has been growing at a rate of over 3 per cent per annum since the early half of the century. The population growth rate in urban areas is even higher -- over 4 per cent per annum -- largely due to the heavy influx of rural migrants. Migration into the cities remains unchecked and continues to increase at a rate of 12 per cent per annum. The pressure of sheer numbers on the cities' housing and urban services have been used by some government officials as justification for a policy of what they call "benign neglect" toward a situation they believe they are unable to cope with. To many officials, the demands placed on the cities by their oversized populations are too much for the cities' resources.
2. Low levels of income

Government planners recognize that the very low levels of income among the majority of Filipino households have generally incapacitated these families from acquiring the housing services they need. The PHHC (People's Homesite and Housing Corporation) has estimated incomes of urban households in order to approximate the housing costs which these families can afford.

Table 1. Affordable Housing Costs, by Family Incomes at Current Terms (1971)

<table>
<thead>
<tr>
<th>Annual Family Income</th>
<th>Family Distribution %</th>
<th>Monthly Income Allocable to Hsg.</th>
<th>Affordable 10 yrs./ 12% p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N. Manila</td>
<td>Other urban</td>
<td></td>
</tr>
<tr>
<td>Over P10,000</td>
<td>14.3</td>
<td>5.1</td>
<td>--</td>
</tr>
<tr>
<td>10,000</td>
<td>6.3</td>
<td>3.4</td>
<td>(25%) 208.33</td>
</tr>
<tr>
<td>8,000</td>
<td>7.7</td>
<td>4.3</td>
<td>(25%) 166.66</td>
</tr>
<tr>
<td>6,000</td>
<td>7.3</td>
<td>4.8</td>
<td>(20%) 100.00</td>
</tr>
<tr>
<td>5,000</td>
<td>10.3</td>
<td>5.6</td>
<td>(20%) 83.30</td>
</tr>
<tr>
<td>4,000</td>
<td>14.8</td>
<td>12.2</td>
<td>(20%) 66.66</td>
</tr>
<tr>
<td>3,000</td>
<td>9.9</td>
<td>9.2</td>
<td>(20%) 50.00</td>
</tr>
<tr>
<td>2,000</td>
<td>9.0</td>
<td>12.4</td>
<td>(20%) 33.00</td>
</tr>
<tr>
<td>1,500</td>
<td>5.3</td>
<td>14.4</td>
<td>(15%) 18.75</td>
</tr>
<tr>
<td>1,000</td>
<td>2.4</td>
<td>10.0</td>
<td>(10%) 8.33</td>
</tr>
<tr>
<td>Below 1,000</td>
<td>0.8</td>
<td>6.5</td>
<td>--</td>
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(Current exchange rates place the US dollar equivalent to a little more than 6.5 Philippine pesos.)

Because of their low incomes, what most households can afford to pay for housing services is way below the cost for which housing services are presently made available. The competitive forces in the open housing market tend to equate the quantity of housing services supplied with the actual quantity that families can afford to pay for. Since substantially more families need housing than can
afford them, a shortage of housing services occurs in this sense.

Considering that the lowest-priced house in the urban market (standard dwelling unit of 60 sq.m., single-detached, on a 200-sq.m. lot) is averaged at ₱17,500 (1971 estimate), it can be deduced that only families earning above 10,000 pesos then per annum could afford standard housing at prevailing terms of 10 years repayment period at 12% interest rate per annum. But less than ten per cent of Filipino urban households earn more than ₱10,000 yearly and can thus be said to have the buying power for standard housing services. The remaining ninety per cent or more of urban families who have lower incomes either have to allocate a much greater portion of their incomes to housing or to resort to below-standard housing.

By NEDA's definition of housing demand -- defined as the market demand for standard dwelling units based on people's willingness and capacity to pay for standard housing --

- Twelve per cent (12%) can afford housing available at open market terms (those earning ₱10,000 or more yearly)
- Twenty-three percent (23%) can afford homeownership provided they are extended long-term financing at reasonable interest rates (6-7% interest p.a., 25-30 years to pay) at minimum land, development, and construction costs (annual incomes of ₱4,000 to ₱9,999)
- Sixty-five per cent (65%) cannot afford adequate shelter even at reduced costs (those earning incomes of less than ₱4,000 yearly) and therefore need government-subsidized housing.
3. Low levels of investment in the housing sector -

Housing investment on the part of both government and private sectors have been relatively small, and the little that has been invested have been skewed toward higher-cost upper-income housing.

The NEDA reports that only 2.6% of the country's GNP is invested in housing construction, as against 4-6% in the United States and Europe. Of course the investment considered by reports like the NEDA's refers only to new construction of standard housing and excludes the inputs made by lower-income families in non-conventional homebuilding. According to the NEDA, only two dwelling units as against the need for twelve per thousand population are built yearly in the whole country.

For the period 1948-1972 the government has built only 13,500 units, about 80% of which are standard housing built for those who could pay for these homes (economic housing). The remaining 20% have been directed to social housing -- a program which has to date affected only 3,000 families, 2,200 in public tenements and 730 in resettlement projects.

Private housing construction accounts for 80 to 90 per cent of housing activity in the country. It must be pointed out, however, that of the privately-built housing, as much as 60% of actual financing is supplied by government loans, and only 40% by private capital. Due to the high costs of urban land and construction, as well as the high costs of financing, privately-built housing has been geared to upper-middle and upper-income housing. Private commercial banks, insurance companies, and other
financial institutions prefer not to risk long-term low-interest investments necessary for low-cost housing, but rather prefer to invest in commercial and industrial loans where repayment periods are shorter and rates of interest higher. Savings banks and savings and loan associations are too few in number and again have resorted to utilizing their funds for short-term loans and investments for which a ready market exists.

4. Urban Land Problem -

Government planners cite three elements of the urban land problem, namely (1) shortage of urban land, (2) high costs of raw land, (3) high costs of land development. Among the assertions of "Land shortage is not due to land hunger but due to speculation" are mentioned the following circumstances.

(1) There is no law limiting extent of ownership of urban lands.
(2) There is no law to compel development of idle lands and to prevent speculation.
(3) The Constitution does not allow expropriation of private property for government housing projects, nor grant preemptive rights to government.
(4) There is no law allowing the system of 99-year lease, which can prevent or diminish the recurring cycle of land need.
(5) The stability of the torrens title is being undermined by flaws in land registration procedures.

5. Lack of serious government concern -

The absence of a well-defined housing policy is generally cited by government housing officials as one of the factors aggravating the housing picture. Esteban Bernido, Presidential Assistant on Housing and Resettlement states the view that housing has
not received serious attention from public policymakers:

...If there had been any housing policies enumerated by Congress they were but sporadic and/or isolated programs designed to meet peculiar problems...

Ours is about the only country without an annual budgetary appropriation for housing purposes. We do not have, strictly speaking, a centralized administrative body of a cabinet or department level to look after this all-important and vital aspect of national growth...

As a result, the government has not set forth policies that are indispensable in creating a favorable atmosphere and generating incentives for low-cost housing, such as financing and the acquisition of urban lands. If any such policies exist, they are either misdirected or confused because of the proliferation of many offices and agencies involved in housing, each inadequately organized and funded under individual corporate policies, resulting thus in the overlapping and duplication of functions.

Summary -

At first glance, it would seem that the factors cited by government planners and housing officials as underlying the Philippines' housing problem constitute an adequate list of the variables impinging on the situation. Correspondingly, one would readily conclude that by coming up with specific responses to the five problem areas cited, the Philippine housing situation could be placed well under control. So long as population growth was checked, levels of income raised, housing investment increased, urban land made available, and government mobilized, it would seem that the problem would be solved.

The question arises, however, as to what steps toward these directions government planners and housing officials are able to conceive, are willing to adopt, and which of these they are likely to effectively implement. If government planners today are saying much the same things that they or past planners have said about...
solving the urban housing problem, what is the likelihood that planners today will do what they contend should be done more effectively than in the past?

The following chapter will suggest that the housing problem as defined by government planners today is no more likely to be alleviated in the foreseeable future than it was in the past, given that the social, economic, and political contexts of the urban housing situation then and now remain relatively unchanged.
NOTES Chapter Two


3. Ramos, op. cit., p.3.
CHAPTER THREE
THE ECONOMIC AND SOCIOPOLITICAL CONTEXT
OF THE URBAN HOUSING PROBLEM

While the preceding section enumerated the factors cited by government as underlying the housing problem, this chapter seeks to trace the issues to the more fundamental variables. The aim is hopefully to better understand why it is that the Philippine urban population grows at an alarming rate, why levels of income remain low, why financing for housing is scarce, why urban land is in short supply and costly, why government seemingly cannot cope with the urban housing situation -- and in sum, why the housing problem (defined narrowly as the growth of slum and squatter settlements) remains and continues.

Anthony Leeds has developed an interpretative scheme which specifies a number of significant variables affecting the form, characteristics, and state of development of squatter settlements. What will be attempted in this chapter is a discussion patterned after Leeds' model of the set of basic economic and sociopolitical variables which generate the formation of slum and squatter settlements in Philippine urban centers.

A. FORM OF THE NATIONAL ECONOMY

Among the variables determining the character of squatter settlements, Leeds considers as most fundamental the form of the national economy; the fact that true squatter settlements appear only in capitalist societies, although not with equal frequency
and intensity. He notes that squatter-settlement formation is reduced or virtually absent in advanced capitalist societies, as well as in capitalist societies which are only starting to industrialize or to develop urban service sectors. He concludes that squatter formation is a product of the transformation process of urban systems from mercantile to widespread industrial economies.

One central aspect of capitalist organization which gives the broadest explanatory power is the institution of private, alienable property, as explained by Leeds thus:

Private property, on one hand, excludes and denies claims of all except the owner of a piece of property, necessarily eliminating or sharply restricting communal interests, uses, or claims, and on the other, gives the owner a negotiable value to be used in his private or personal interest. In capitalist societies, therefore, there is a constant conflict between the public and the private interests with a tendency for the latter to predominate unless a specific interest as interfering overly with the private interests of others. It is interesting to note that solutions to housing problems in capitalist societies by private interest and public authorities are uniformly in terms of the private ownership of habitational units, never in terms of communal ownership. Even condominiums refer only to pieces of property held in common by an aggregate of private owners. 2

Since private property is inextricably linked to a system of profits for private persons, exclusive private ownership is important for using immovable property to make profits. Intense competition for immovable property arises, not necessarily for profit ends, but also for other purposes that immovable property, such as land, serve -- for example, housing and productive uses like agriculture -- but which may also subserve profit ends.

With prices rising with scarcity, what usually happens is that the price-scarcity relation becomes increasingly subject to
manipulation and speculation. In the dense inner cities, for example, new needs for urban land are generated even as the amount of available land remains unchanged. Prices therefore soar and profit and speculation increase. Urban land and housing can thus be considered important sectors of the profit system, objects of extreme value and competition in the flow of capital, the economy of civil construction, in private and public financing systems, in the structure of private incomes.

Leeds cites another level of competition arising from the fact that land and housing are also basic necessities for living for all people, i.e., the competition between occupancy for reasons of need versus occupancy for profit ends. As urbanization increases, the competition increases, too. More intensive use of land occurs alongside the expansion of the labor market in the very areas where land values rise most rapidly and speculation grows most intense.

The increasing values also generate the dual labor market -- constituted by the "employed" and the "underemployed" -- which characterize countries which are experiencing a rapid transition from labor-intensive to capital-intensive technologies. The expansion of the labor market, in turn, generates migratory streams heading toward the cities -- increasingly so as earlier arrivals establish more communications to their places of origin.

Some aspects of the model presented by Leeds are echoed by a few Philippine planners and economic analysts, even though they do not directly attribute these phenomena to capitalist organization.
If one were to rank individual causes of the (housing) shortage in a hierarchy, the helm post will almost certainly go to economic policies that induced massive urban migration and those that unintentionally discourage productivity...

Unsuspecting economic policies, therefore, that concentrated income opportunities to port areas like Manila stands out as a major factor to the housing dilemma. Labor mobility, which precipitated the scramble for space between industry and dwellers gave rise to high land prices... As the call of urban "opportunity" continued to spread, migrants responded to the point of accepting uneconomical marginal jobs to start with. People so employed gave gradual impetus to the emergence of cheap low-cost slums. 

What perhaps can be called into question is the above contention that the economic policies which generated the housing "dilemma" did not deliberately discourage productivity, and that these policies were "unsuspecting." Later in this chapter, it will be pointed out that the policies were meant to serve conscious interests of a powerful elite, and that these cannot be labelled as too innocent of maintaining the unproductive economic situations in Philippine urban centers.

B. STATE OF THE NATIONAL ECONOMY

Capitalism is a succession of forms (mercantilist, industrial, finance capitalism, etc.), each displaying developmental phases. Leeds distinguishes among forms and phases primarily by means of the different origins of capitalist forms in specific countries. He distinguishes between "primary" and "secondary" evolutionary sequences of capitalist development -- the former exemplified by societies like Spain, France, Holland, England, and later Germany and the United States, in which the forms of capitalism first developed, and the latter exemplified by all
former and actual colonies in which capitalism was engendered by acculturational contact with the primary societies.

1. **The Condition of Dependency**

   It is therefore within the context and constraints of more highly developed forms of capitalism that secondary capitalist societies evolve their forms of capitalism. (This relationship is often referred to as the “dependency” state, the “neocolonialist relationship,” “clientism,” the “satellite-metropolis relationship” and so forth). As the secondary country responds to the primary country’s evolution, it itself undergoes progres-sional states of the national economy.

   The condition of dependency has been defined by Bodenheimer:

   a situation in which the economy of a certain group of coun-
tries is conditioned by the development and expansion of another economy, to which their own (economy) is subjected ... an historical condition which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibi-
lities of the (subordinate) economies...

   The export of raw material from the secondary country to the primary one is a major feature of the dependency state. More recently, heavier emphasis has shifted from materials to the repatriation of profits, as the primary country discovers substitu-
tutes for raw material, and as it increases its direct capital inputs into the secondary country.

   An outline of the evolution of a capitalist-oriented economy in the Philippines demonstrates its origins in accultu-
rational contact by direct colonization with primary countries
such as Spain and the United States. It indicates an export-oriented economy built around a colonial landholding system and marked by increasing foreign capital investments.

2. Patterns Set by Spanish Colonial Policy

The Philippines was first integrated into the international economic system in its mercantile phase during the sixteenth century when it became a colony of Spain. During three centuries as an outpost of Spanish empire, the Philippines served primarily as provider of raw materials and agricultural commodities and functioned as an import-export enclave for the Spanish dominion. The colony was exploited for its natural resources and human labor through an infrastructure of dependency emanating from the landholding system and an economic structure geared to the needs of the colonizers.

Tributes and labor services of the Filipinos were the chief economic support of Spanish rule until almost the close of the 18th century. The religious orders, charitable groups, and Spaniards were originally assigned encomiendas with the right to collect the tributes of the natives living within the boundaries of the grant. The word encomienda however was commonly used to refer to the land itself and the encomenderos came to regard the land as their own. What there was of the natives' landholdings were frequently taken over by Chinese mestizos who had been assimilated into the local population. These plantation-sized holdings of the religious corporations and the Filipino-Chinese were the antecedents of the haciendas which have figured prominently
in rice and sugar culture in the Philippines.

By the 1780s commercial export agriculture appeared and land began to be systematically cultivated for surplus production for trade. The government established a tobacco monopoly and started shipments to Spain in 1783. Specialized cultivation of sugar and abaca (hemp) also began about the same time in response to the demand for these products from European trading companies that had become interested in the Philippines' economic potential.

Toward the end of the nineteenth century, the Filipinos carried out a revolutionary movement for independence from Spain. Their efforts in 1898 to overthrow the Spanish and to establish an independent republic free from colonial rule was thwarted, however, by the United States' expansionist aims.

3. The Dependency Relationship Under American Colonial Rule

Capitalism was promoted and maintained in the Philippines in an organized and systematic manner by the American colonizers who took over the islands from Spain in 1898. The United States' expansionist policy had recognized the economic advantages of acquiring the Philippines by declaring war against Spain and therefore gaining proximity to the huge and promising China market. American aims of the period are depicted by a speech by Senator Beveridge of Indiana to the Middlesex Club in Boston on April 27, 1898.

American factories are making more than the American people can use; American soil is producing more than they can consume. Fate has written our policy for us; the trade of the world
must and shall be ours. And we will get it as our mother (England) has told us how. We will establish trading posts throughout the world as distributing points for American products. We will soon cover the ocean with our merchant marine. We will build a navy to the measure of our greatness. Great colonies governing themselves, flying our flag, and trading with us, will grow about our posts of trade. Our institutions will fly on the wings of commerce. And American law, American order, American civilization, and the American flag will plant themselves on shores hitherto bloody and benighted, but by these agencies of God henceforth to be made beautiful and bright. ... The Philippines are logically our first target.

The search for dumping-grounds for American surplus production was equated with America's manifest destiny to civilize heathen peoples, with the Filipinos as the first targets. The American colonizers disregarded the Philippine Revolutionary Movement and the independent Philippine republic which they established; instead the Americans labeled the Filipino nationalists as mere "insurrectionists" who were subjugated only after a protracted and bloody Filipino-American war. Taft defended the Roosevelt administration's war against the rebelling Filipinos by insisting that

... the presence of the United States in the islands is necessary... to secure civil rights to the people and to aliens with vested interests

and that

the more we develop the islands, the more we teach the Filipinos the methods of maintaining well-ordered government, the more tranquility succeeds in the islands, the better the business, the greater the products, and the more profitable the association with those islands in a business way.

Once the Americans had succeeded in pacifying the Filipinos, they took firm control of the economic policy of the country. The typical dependency relationship developed between the US and the
Philippines as the US increased its domination of Philippine trade. While the Philippines exported agricultural products to the US, it imported manufactured goods that its underdeveloped industry could not produce. American investments during this time concentrated on the agricultural sector and on export processing -- effecting a lasting and retarding mark on the Philippines' industrial growth.

With productive resources concentrated in producing for the export market, the promotion of home consumption industries was neglected. Basic necessities, such as textiles and even food products, formed a substantial portion of Philippine imports. The free entry of American mass-produced goods discouraged domestic manufacture of these and other consumer products. Although production and income rose appreciably, the foreign exchange surpluses and domestic savings realized were not directed toward the long-term expansion and diversification and industrialization could not be realized. Thus, the Philippines inevitably continued to grow along the narrow and lopsided confines of the colonial pattern.

4. Continued Dependency in an Independent Republic

In 1934 the US Congress scheduled the Philippines to become a semi-autonomous commonwealth by November 1935 and then fully independent on July 4, 1946. The issue of independence, however, was heavily determined by considerations of protecting American interests in the country.

For instance, two protective restrictions pertaining to the exploitation of natural resources were incorporated by the Filipinos into their Constitution, limiting exploitation of natural resources to Filipino nationals. This attempt to protect the national patrimony was tolerated by the Americans at the time, parti-
cularly because of provisos that protected "existing" rights which therefore shielded American holdings. In due time, however, as a result of pressure from the US, the measures were amended to exempt American citizens and companies from the restrictions on natural resources development. After the establishment of the Commonwealth in 1935 the Philippines continued to be economically dependent and increasingly so on the US.

World War II devastated the Philippines, hitting cities and infrastructure hardest. The US allocated some $620 million in direct aid plus $1.4 billion of "technical assistance" -- but made the aid conditional on Philippine acquiescence to the Philippine Trade Act of 1946.

There was a basic assumption that Philippine economic revival depended on restoring trade with the United States and stimulating a flow of American investment into the islands. Thus the Act established several incentives in hopes of attracting new trade and capital, while re-establishing quotas and guarantees for existing interests... These measures, designed to restore Philippine production to prewar levels, continued the undesirable effect of increasing Philippine reliance on American markets and limiting the diversification of goods produced for export. 9

As American war payments to the Philippines came to an end, the Philippine government increasingly encountered a serious balance-of-payments problem and tried to maintain the value of peso. It imposed a set of exchange and import controls in 1949, thereby effecting less imports, especially from the US, and Filipinoizing foreign exchange allocations and major economic functions. During the period of controls, to avoid import and exchange controls which limited their profits, US investors instead went into Philippine manufacturing of the products of substitutes of products which they could no longer profitably export to the Philippines.
The value of American direct investment in Philippine manufacturing including petroleum refining is estimated by the US Dept. of Commerce as having increased ninefold from $23 million in 1950 to $190 million in 1963.

The Laurel-Langley Agreement of 1955 encouraged the continued dependence of the Philippines on US markets. A declining tariff schedule gave the Philippines longer periods of lesser tariffs to stimulate production of export goods, while the US was given longer periods of larger tariffs to protect domestic producers. The provision allowing possible future increases in the American sugar quota for the Philippines was another concession to Filipino interests that perpetuated dependence on the US market. Finally, the agreement provided for the protection of US businesses which were already established.

The United States continues to be the primary source of direct private investment in the Philippines. Since 1950 with the creation of parity rights and the decreasing trade advantages caused by exchange and import controls, US investments have grown rapidly. Between 1950 and 1972, total book value of US direct investment rose 500 percent, with manufacturing increasing by more than 1200 percent. Foreign investment on the whole remains of major significance to the Philippine economy.

As of 1970, 415 of the 900 largest corporations in the Philippines had equity investment by foreign nationals, according to a survey conducted by the Philippine government Inter-Agency Working Group on Foreign Investment. This survey found that paid-in capital, including capitalized surplus plus retained earnings, belonging to foreign nationals amounted to P3.8 billion and was 39.7 percent of the total equity capital
of the 900 firms. Of this foreign investment, 80 percent is owned by Americans. Based on these statistics, Americans own approximately one-third of all the total equity capital of the 900 largest corporations in the Philippines.

From the above discussion it can be gleaned that the Philippine economy has been and continues to be embedded in the international economic system as a dependent economy.

5. Wage-Price Structure

Typically, secondary or dependent economies are characterized by wages which are quite low relative to prices and profits. Where a major part of the national income arises from sale on external markets, there are rather restricted internal markets, especially among the lower-income majority of the Filipino population. Moreover, the maintenance of a steady low level of real wages is intensified by long-term secular inflations.

Such a wage-price structure breeds the duality of the Filipino labor market. The underemployment sector constituted by part-time jobs, odd jobs, and all kinds of other "marginal" work comprise a system of getting around the constraints of the formal labor market and its wage structure. Leeds also points out the tendency in decline phases of the economy for the constriction of the formal labor market, i.e., a decrease in the proportion of the labor force gainfully employed in the formal labor market. Analyses of Philippine data appear to bear out these characteristics.
Table 2: Real Wages in the Philippines (1962-1968) (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Real Wage</th>
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<tbody>
<tr>
<td>1962</td>
<td>101.30</td>
</tr>
<tr>
<td>1963</td>
<td>100.00</td>
</tr>
<tr>
<td>1964</td>
<td>86.86</td>
</tr>
<tr>
<td>1965</td>
<td>85.81</td>
</tr>
<tr>
<td>1966</td>
<td>89.01</td>
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<tr>
<td>1967</td>
<td>81.68</td>
</tr>
<tr>
<td>1968</td>
<td>88.08</td>
</tr>
</tbody>
</table>


With a base of 100 in 1963, real wages are shown to have fallen in the Philippines over the years, widening the gap between the rich and the poor. Inflation remains unchecked: the consumer price index rose 10% in 1957-61, by 24.8% in 1961-65.

For about the same period, too, employment creation is shown to be poor and slow, even in the manufacturing sector. When compared with the base year 1962, employment index in 1966 for food manufacturing increased by only 17% points; beverages and tobacco, by 12%. Only four industry groups had higher employment figures compared to 1962 (i.e., furniture and fixtures, wood and cork, textiles and chemical products.) All the other industries registered lower employment indexes. Corollary studies also show that the manufacturing sectors with the highest gain in productivity are those who have also been displacing labor, in favor of more capital -- due to the policy bias toward capital-intensive rather than labor-intensive industrial activity.

The Philippine economy today is plagued by spiralling prices: the consumer price index for all items registered 223.5 points, (1965 = 100) in January 1974, while wages remain the same.
The country is thus marked by a predominance of an under-employed sector receiving income way below minimum-wage levels. The economic policies which promote capital-intensive industries and the substitution of capital for labor place a premium on highly-skilled labor. Consequently, a great mass of relatively unskilled are prevented from securing steady and gainful employment. Since the mid-1950s the proportion of the labor force in manufacturing has remained roughly constant at no more than 12 percent, and no more than 5 percent of the labor force is in so-called "organized" manufacturing, i.e., with five or more workers. The stagnant growth of industrial employment forces a growing portion of the labor force to go into relatively low-income, low- or non-productive self-employment like many activities in the urban services trade.

...It is easy to cite examples of these activities which provide hand-to-mouth existence for the growing labor force. Note the growing abundance of sidewalk or street hawking; of the "fixing" of papers in government offices which involve minor government clerks, thus helping to erode our own public services; of the "watch your car" services at the restaurants and city curbs; and of even begging. On the growth of mendicancy and urban poverty, notice that a great proportion of new entrants in the begging and street hawking "trades" are children. If parents have steady employment, there will be a reduction of children self-employment in these non-productive trades. Thus, for the large bulk of the labor force that seek livelihood in the urban areas, life has increasingly become more difficult. 13

6. The Trend Toward Greater Income Inequality

Why should the unequal distribution of economic opportunity and income persist? In order to improve the income distribution in the Philippines, one of two alternatives would have to occur: either, a more equitable distribution of claims to the scarce fac-
tors of the economy, such as land, skills, and capital, as well as access to new and better technology; or, an increase in the share of the national income representing the returns to the most equally distributed factor -- unskilled labor. In the socioeconomic structure that exists in the Philippines, a redistribution of existing claims to scarce and valuable factors of production is not likely to get very far. Improving the distribution of income would hinge primarily on the possibility of increasing the share of national income due to unskilled labor.

However, with the actual forces that impede the growth of demand for unskilled labor and thus limit efforts to reduce unemployment/underemployment and raise income, the share of total income due to unskilled labor is unlikely to increase over time, and therefore, income inequality is likely to persist, and even worsen. Corresponding to the increasing income inequality will be an increasing inequality in the distribution of sociopolitical power as well.

C. SOCIO-POLITICAL VARIABLES

One of Leeds' main contentions is that the incidence of squatter settlements is greatest in societies with certain typical socio-political and administrative variables. He takes together the operation of the political economy, the administrative system and the juridical-constitutional system, and contends that these operate in a way "as to maintain very profound social cleavages such as class structures, caste systems, ethnic stratification, and the like, hierarchically layered with respect to access to
formal sources of power (legal manipulation of resources through agencies of state; organized "legitimate" force; formal control over para-public national or quasi-national associations like political parties, unions, and the like).”  

1. Concentration of Power in a Small Elite

Philippine society is characterized by a class structure in which power is highly concentrated among a small set of elites. Those who constitute this elite are those whose power is associated with the traditional sector and who constitute an aristocracy of relatively long standing, and those whose prominence is more recent and associated with the growth of the modern sector and the independent republic.

In the first group are included holders of land, wealthy traders, and other pre-capitalist elites whose dominance in the countryside was accepted and often strengthened by colonial rule. During the three centuries of Spanish rule there emerged well-defined economic and social classes who owned and directed a substantial part of economic wealth and social power, and who, for the most part, exert the same influence in the country today. A landlord class evolved as a result of land-settlement policy at the beginning of Spanish rule. A group of Filipinos of royal lineage under the pre-Spanish political organization of the islands had also become major landowners. Another group of landowners were the Chinese who had amassed wealth through their moneylending and commercial activities. These groups constituted the elite who wielded economic power at the end of Spanish rule in 1898, when the
economy was largely agriculture-based and to a lesser extent commerce-oriented.

As foreign trade grew, especially after the opening of the Suez Canal in the late 1860s the merchant and landowning classes became more powerful. Even as American commercial groups were then already clamoring for a more aggressive trade policy in Asia, the local merchant and landowning elite found the American design fully acceptable. The US Consul in Manila, Oscar Williams, upon hearing rumors of a likely war between Spain and the United States, claimed in March 1898 that "the natives, half-breed, Chinese merchants, and such Spaniards as were in business were all ready to welcome our fleet, fight with it to hoist over these islands the United States flag and swear allegiance to it, and once done, all interests here would thrive, be settled and happy." 15

It was about this time too that the sugar industry had its beginnings. When the Americans took control of the Philippines, and as preferential free trade induced more rapid expansion of primary exports, sugar and coconut products dominated the economic picture. The sugar-producing class whose plantation agriculture was large-scale soon formed a powerful and cohesive interest group. Coconut interests were also heavily supported by the sugar bloc because of their larger common interest -- access to the huge American market.

As early as 1920, when the question of Philippine independence was being debated in the US Congress, reactions from the sugar and other primary-products groups explicated their desire to maintain the preferential relationship with the US. Numerous peti-
tions to the American government vigorously opposed any American withdrawal from the islands and called for dropping any further consideration of independence for at least twenty years. The petitions came mainly from "the great sugar planters of the southern provinces, who realize that the prosperity and indeed the very existence of their trade depends upon continued connection with the United States." 16

The dominance of the sugar and other primary exporting interests in Philippine politics was counterbalanced by the growth of industrial interests in the 1950s, but these groups still constitute a very strong force in guiding economic policy today, particularly in the determination of trade relations with the US.

The elite whose power is associated with the modern sector and the independent government include the established foreigners and emerging nationals, the highly-educated and Westernized professionals, the bureaucrats and military officers who have taken over from their colonial predecessors.

As a result of the government's promotion of industrialization through protectionist policies, a new industrial class emerged in the 1950s. Although the new industrial groups counterbalanced the powerful traditional sector in questions of economic policy, the opposition between the two groups were never substantial. Those who had been attracted to invest in the new and profitable ventures were largely nationals from the traditional moneyed sectors previously engaged in commerce, finance, and traditional exports, including the sugar-associated interests. Their already advantaged position gave these groups enough flexibility to reap rewards on
both sides of the stream as they provided the finance and entre-
preneurship for the new industries. On the other hand, the alien 
component of the new industrial class were those interests which 
had already enjoyed a market for products exported from their 
home countries, and which sought to bypass import controls by 
establishing industries based in the Philippines to produce pre-
vious export products. The industrial sector was thus marked by 
numerous joint ventures between Filipinos and foreign investors, 
largely American, or Filipino-owned enterprises under license 
agreements with foreign corporations, or alien-controlled esta-
ishments.

The social and economic dominance of the the landowning 
and the industrial elite continues and becomes stronger to this 
day. As Weisskopf points out:

"Such a class structure in turn results in a state apparatus 
that is largely controlled by and responsive to the interests 
of the elites -- no matter what the formal nature of the 
political systems. Because of their overwhelming power and 
prestige, the elites form a relatively cohesive ruling class..."

The dominant interest groups exercise their political in-
fluence not only through political offices in the legislative and 
executive departments, but largely through the office of the 
President himself. Since the Philippine constitutional framework 
allows for a highly-centralized organization of decisionmaking 
at the top executive level, the President is perhaps the most 
important source of political patronage. In exchange for the 
substantial logistical backing given to their chosen candidate, 
the powerful social and economic interests, domestic and alien,
obtain assurances that their interests will be protected and promoted. Sicat explains the exceptionally broad powers of the Philippine President over economic policies:

He is able to adjust tariff rates within a wide range under authorization of Congress. He is able to influence through his personal leadership the decisions of the Central Bank and of the large government financial institutions. In fact,...presidential influence on monetary policy is probably decisive. Given the highly personalized structure of Philippine politics, it has been argued by some observers that the President has been inclined to reward his business supporters significantly more than those who have supported the opposition. The main instrument in differentiating favor is access to the credit facilities of large governmental institutions. 18

2. The Power of the President

It is widespread belief among nationalistic elements in the Philippines that the President's declaration of martial law in September 1972 was precipitated by pressures from foreign and domestic power interests. Social unrest and "subversive" activity had been spreading among disenchanted intellectuals and students as well as urban workers and organized peasant groups as the economic situation progressively deteriorated. Nationalist legislation was also emerging from the Philippine Congress and the Supreme Court was issuing rulings less and less favorable to protected American interests. President Marcos himself cited subversion, rebellion, deteriorating peace and order as growing threats to the security of the nation, and therefore as justification for the imposition of martial law. Certainly the most articulate supporters of the new administration have been economic interests like the American Chamber of Commerce in the Philip-
pines. The American press has run articles on the President's assurances to American investors that their privileged positions in the Philippines would be protected rather than curtailed, even after their scheduled termination in July 1974.

Today the martial-law regime extends substantial advantages to foreign investors in areas like oil exploration, mining expansion, and the creation of a free-trade zone for foreign-owned export industries, by which it hopes to attract even more foreign participation in the economy.

The situation encouraged in the Philippines today by the economic policies of the martial law administration bear out the increasing dependence of contemporary Philippines on the dominant American interests. For similar reasons the government has become increasingly dependent upon the US for political and military support, in training and expanding the armed forces, and in "counterinsurgency activities".

3. Institutional Constraints on Choices of Urban Poor Families

The continued dominance of the powerful elite groups encourages the continued pattern of economic growth which contribute a significant parameter to the urban housing situation. The nature of the political economy not only maintains the deep social cleavages in Filipino society but also the marked inequalities in wealth and power. In the face of spiralling inflation and a regressive tax system, the socioeconomic structure operates to concentrate the financial and material resources even more toward
the elite.

It can be concluded that the total social system is so structured as to limit the choices and strategies that low-income Filipinos can use to solve their various problems of living. In the words of Leeds, an economic structure such as that in the Philippines

..is such as to create and maintain very large aggregates of persons with relatively very small incomes. Their problem very simply, is how to make these small resources do for food, housing, education, clothing, medicine, recreation, and all the other aims that people in contemporary society have. Within these aims, they must and do set priorities, food being primary always, and secondary ones alternating among education, housing, health, and clothing.19

Low-income households in Philippine urban areas thus set priorities for themselves within the framework of the economic and sociopolitical constraints which they encounter: the limited opportunities to earn a living; the slow expansion of the labor market; the tax and other benefits to business, industry, and civil construction which result in differential regional and local opportunity structures; their access to social welfare services, education, and so forth. Hollnsteiner's studies indicate the framework within which the slum and squatter families of Manila set priorities for living, as in the choice of residential location.

A 1971 lower-income lifestyle survey of 250 low-income families in Vitas, Tondo, of whom about one-fifth (19%) are squatters, reveals that several criteria, not just that of squalor versus cleanliness and order, influence the choice of residence. The squatter's perceptions of his current environment, and ultimately, his decisions vis-a-vis family location emerge in the context of his past experience, future expectations, and more directly in terms of often
shrewd and highly rational calculations as to where the best opportunities for him and his family lie. 20

Specifically, faced with a housing market that cannot supply enough standard housing at costs related to real incomes, the strategy of these low-income families is to avoid such a housing market altogether. They settle on land which for some reason have fallen outside active use, e.g., railroad rights-of-way, riverbanks, esteros (shallow river tributaries) and undeveloped government and private lands. To speak of an aggregate of low-income persons avoiding the formal urban housing market is consequently to speak of the formation of squatter and slum housing.

The very low levels of income found among urban squatters is attested to by a number of surveys and research studies undertaken by local and foreign groups. The studies indicate that the decision to come to the city and to reside in the central city (despite the poor housing environment) are consequences of the priority given to locating residence near income-earning opportunities and to basic necessities like water, schools, health services, etc.

Studies of consumption patterns among squatter families in the Manila area show a significant portion of family income spent on food -- again suggesting the priority given to essential survival needs. Those earning more (₱500 a month or more) spend about 40-50% of income on food, while those earning less (less than ₱150 a month) may spend as much as 85-95% of their income on food alone. Thus, the need for income-earning opportunities has been a constant priority expressed by families interviewed in surveys.
In describing the general profile of households in Barrio Magsaysay in Tondo, Manila, Laquian says:

...All in all, life in Barrio Magsaysay seemed to belie the misery and poverty that one assumes upon seeing the place. A full 67 percent of the families interviewed owned the houses they were living in. The 26.6 percent who were renting paid only small amounts (70.3 percent paid less than P15 a month), while some people did not even pay any rent at all. Most households had good lighting facilities; 65.1 percent used electric lights. Some 42.8 percent of those studied owned radios. The main things that people complained about were the lack of water, roads, and toilet facilities.

With conditions being what they were, a full 72.5 percent of those studied in Barrio Magsaysay were unwilling to move out of the place. Only 17.7 percent were willing to move out, and many of these expected the government to assist them in such an effort. In fact, many of those interviewed were willing to pay for the lands they were squatting on.

Reasons for staying in the place and refusing to move out were many, but 19.2 per cent said they had no other place to go; 17.3 percent because it was near their place of work; 16.3 percent because the place was nice and peaceful; and 11.9 percent, because it was cheap to live in Barrio Magsaysay. It was obvious from these answers that most of the people were happy where they were and unwilling to move to other places.

Hollnsteiner's study reveals parallel perceptions of squatter families in the Manila area:

...(T)he solutions that squatters choose reflect active rather than passive, or belt-tightening strategies -- notably more so than solutions proposed by the other groups (i.e., non-squatter groups). Thus, they want to look for jobs or better-paying jobs, are considering engaging in small-scale industries, going to school or moving elsewhere in search of opportunity; only 1 in 10 opts for adjusting needs to available resources. Nonetheless, a sobering 30 percent, still the lowest among the four groups, say no solutions are available, reply they don't know what to do, or simply give no answer.

...Difficult as city life can be, it offers him more than the stagnant countryside of former days did. It also offers work and income opportunities that relocation sites far from the city cannot.
From indications in the findings of recent studies, housing policymakers can also look at a substantial proportion of squatter housing as rentless housing in private ownership, resulting in savings. As a secondary housing market quite outside the formal urban housing market, rent-free squatting allows poor households to better cope with crises and with the inflationary economy outside the community. What savings the families accumulate from nonpayment of rent and from retaining their homes can be converted in values at the time of crisis or sale. For other poorer squatter residents whose income are still too negligible that even this form of savings is impossible, the squatter settlement is a refuge from rents which would consume what they need simply to eat.

4. **Summary**

What I have tried to demonstrate in the preceding discussion is that the formation of slum and squatter settlements -- identified commonly as the urban housing problem -- constitute the response made by low-income families to the socio-economic realities which they encounter in city life. The specific urban situations in which they find themselves are in turn inextricably linked to the larger sociopolitical and economic conditions prevailing in the country. Among the economic parameters that have been related to the urban housing situation are the following:

(1) land shortage and land-price manipulation arising from uncontrolled private ownership of urban lands;
(2) the dependent state of the economy, characterized by the export of a few traditional agricultural commodities, the heavy influx of foreign investments, and an industrial sector biased toward capital-intensive, import-substituting industries and biased against labor-intensive and more diversified production.

(3) a pattern of economic growth which cannot adequately accelerate the productive capacities of the Philippines, particularly in the manufacturing sector, because of restricted internal markets and inability to compete in world markets; which cannot keep with the growing consumption needs of the burgeoning population, and which cannot generate enough employment to absorb the expanding labor force;

(4) the duality of the labor market into the regularly employed earning a stable income, and those underemployed in marginal services earning little and intermittently.

The sociopolitical context of the Philippine urban housing situation has also been outlined in a discussion of the elite groups who have initiated and maintained the economic conditions.

The unequal distribution of economic opportunity, income, and political power reflects itself in the unequal distribution of housing services enjoyed by the urban population. As will be shown in an analysis of government housing policy in the next chapter, such policies have been skewed toward benefitting those with stronger sociopolitical positions (generally those with higher incomes) and less toward housing the lowest-income families who are in direst need of housing services.

2. Ibid., p. 53.


9. Ibid., p. 9

10. Ibid., p. 11.


12. Ibid., p. 91.

13. Ibid., p. 45.
14. Leeds, op. cit., p. 57


23. Hollnsteiner, op. cit. I-3
CHAPTER FOUR

PHILIPPINE HOUSING POLICY: WHAT AND FOR WHOM?

This section examines what is recognizably Philippine housing policy -- as explicated in Congressional documents, national four-year development plans, and reports on housing action by government. The various projects and policies are studied in terms of three considerations: what housing services the programs effect; who benefits from these services; and how efficiently the services are extended to the intended beneficiaries.

Philippine housing policy's stated aim is to extend housing services to Filipinos in need of housing by stimulating the production of more dwelling units and by enabling the population to purchase the housing they need at prices they can afford. Such a policy objective is potentially a very strong instrument for distributing housing services in such a way as to narrow the gap between the rich minority who are luxuriously-housed and the poor majority who are ill-housed.

The main contention in this chapter, however, is that, in actuality, Philippine housing policy is contrary to its stated objective, and blatantly maintains instead the disparities in housing services extended to poor families as against rich families, and perpetuates the disparities in wealth and power among the population.
Government housing efforts are neatly categorized by planners into what they term "social housing" and "economic housing." Social housing is used to refer to projects entailing direct government subsidy to the lowest-income families -- generally residents of urban slum and squatter areas. Economic housing is used to refer to projects which more or less follow the operations of the open housing market -- building for an existing market who can pay for not only the entire cost of high-quality housing, but also for an attractive return to investors.

A. SOCIAL HOUSING

Under its so-called social housing program, the Philippine government claims to build and finance housing for the lower-income urban households who now comprise 65% of urban households, who cannot conceivably afford "decent" housing because of their limited earnings. More specifically, social housing is the government's approach to dealing with slum and squatter areas in the urban centers. To date, social housing has meant the razing of slum and squatter communities, and the transfer of the evicted families to relocation sites outside the city or to high-rise tenements constructed in the central city. Underlying the scheme is the premise that slums and squatter areas must be eliminated from the urban scene in outright physical terms, because they are an eyesore and a threat to the stability of the urban community. Perhaps incidental to the motive of clearing slums and squatters is the slight expectation that the environmental situations of the families themselves might improve.
1. Resettlement

Because of its seeming simplicity and inexpensiveness, the relocation of slum and squatter families to areas outside the metropolitan area is generally considered to be a very favorable approach. A few thousand families at a time are compelled by government authorities to disassemble their houses under threat that bulldozers and wrecker crews and the police will not allow their homes to remain standing. The evicted families are transferred by hired trucks from the city to an undeveloped site hardly accessible from the city center. Little provision, if any, for water, light, sanitation, and other basic facilities are extended at the new site. The families are simply assigned lots on which to construct their shelters from the debris of their old homes. Perhaps the single item that is assured them are the lots, for which they must pay on a long-term deferred-payment basis. The lack of too many life needs are found intolerable by many families, who are enticed to sell their "rights" (although illegally) to speculators, return to the city to squat elsewhere. An illustration of this pattern is described by Laquian of the earlier relocation of squatter families to the Sapang Palay site outside metropolitan Manila.

In December 1963 about 5,975 families from the central city districts of Intramuros, North Harbor, Malate and Ermita were relocated by the City Government of Manila to Sapang Palay, a hilly place owned by the People's Homesite and Housing Corporation, located about 37 kilometers outside Manila. As in former relocation projects there were inadequate provisions for houses, water, roads, electricity, transportation, food, medical services, and other amenities. Many men and women who were formerly earning in Manila were transformed
into dependents. Those who continued to work in Manila had to spend about 20 percent of their income for transportation alone. Children's schooling was interrupted. By August 1966 only 2,800 families of the original relocated families were still in Sapang Palay. The rest had gone back to Manila and suburbs, though they maintain ghost houses in the relocation area, in the hope that the government decides to distribute the lands free or that some speculators would want to buy their "rights" to the lots. ¹

Hollnsteiner similarly contends that life in the resettlement sites for most families is still far too difficult and still beyond their economic means. She emphasizes that although the relocation site may offer physically healthier environments in some ways, it cannot provide the opportunities which industry, transportation, and service jobs in the central city can provide. Despite the lowered commuter fares between Manila and the Sapang-Palay and Carmona resettlements, the families usually still cannot afford the P1 roundtrip fare when they earn an unsure P3 to P8 a day in the city. The consequences become evident in the high abandonment rates found in the resettlement areas, as reported in government statistics that an average of 550 families left Sapang Palay each year over a six-year period (1963-1969) -- a total of 60 percent of the original relocated families. ²

The evidence suggests that the government's relocation efforts by and large do not solve the squatter and slum housing problem, even in the very narrow sense of eliminating such low-income settlements from the urban scene. Government authorities generally disregard the magnitude of the real costs of relocation, not only to government, but more importantly, to the families affected. The costs of the bundle of the necessary housing ser-
vices are almost completely ignored. Temporary shelter, water, electricity, sanitation, transportation to and from work, medical services and other community facilities are only partially provided for, if at all.

More basic is that the relocation areas have no adequate economic base to provide employment for the resettled families. The breadwinners who continue to work in the central city do so only by paying high commuting costs. Relocation has reduced family income not only by limiting the earning opportunities of the families. It has also imposed the additional financial burden of land payments -- payments which many families are unable or unwilling to meet. To escape this financial obligation which accompany less acceptable living conditions, many families sell their rights to the land and return to the city.

Thus far therefore, relocation has not benefitted the poor in any lasting way. In most cases relocation has only worsened the plight of the affected families. Instead, those who have benefitted from the projects include land speculators for whom land on easy terms has been made available by resettled families who are eager to dispose of their property.

2. On-Site Public Housing

In a few instances slum clearance has led to on-site housing as seen in the tenement housing projects put up in central-city districts of Tondo and Pandacan in Manila where squatters and slumdwellers are unusually dense. In theory, the intention was to
re-house the squatters living around the area in tenement apartments without transferring them far from their original place of residence. In actual practice, the projects benefitted evicted families little. For example, political pressure affected the allocation of apartments in favor of government employees, or squatters who were not even from the area, at the expense of families for whom the projects were supposedly undertaken. Again, rehoused families found it difficult to meet regular payments, and were therefore persuaded to sell their "rights of occupancy" to higher-income people who found the low rents attractive. Many original tenants have gone back to squatting, and those who have remained in the tenement buildings include families who are actually outside the qualified group of family income groups earning no more than P500 a month.

Moreover, the projects have been chronically plagued with inadequate water supply, poor maintenance and management, overcrowding, and inefficient rent collection. In an in-depth study of the Punta multi-storey housing project, Ramos found very low living standards in the project*

...The comments of the tenants and the writer's personal observations and analysis show much evidence to demonstrate that very low standards, in matters of health and livability, have been used at the Punta project. It is clear that the physical and social aspects of the design have not been well suited to the needs of the people who are intended to be accommodated in this project, for, despite the claim of 76 percent of the sample that their accommodations in the project were better than their former ones, at least 87 percent would like to move out if they had a chance. In addition, considering some specific features of the project, a measure of satisfaction revealed that at least 50 percent of the families interviewed were dissatisfied with their present living conditions. While the residents enjoyed the very low rents com-
pared with other types of housing, their major complaints were lack of water supply, height of building, noise, and garbage disposal. Other physical inconveniences, like crowding, lack of privacy, and lack of storage facilities, were caused by the very tight area limitations set by the planners.

Lack of pride and responsibility on the part of the tenants was also shown. The project, although only three years old, was unsightly and showed definite signs of wear and disrepair. A very poor standard of public services, coupled with poor building maintenance and repair procedures, has added to this unpleasant situation.

On further analysis, too, on-site housing as carried out by government has been an extremely costly venture, not only to construct but to continue subsidizing. Ramos found that high-rise construction has turned out to be a poor economic venture, not only on initial capital investment and operating costs, but also in terms of the financial losses accruing to government because of the low rents and poor rent collection. The construction of the Punta project was found to be at least one and a half times more costly than if the government had instead put up single-family or low-rise housing -- the type preferred by a large majority of the rehoused families. Ramos has urged discontinuation of similar high-rise public housing schemes.

B. SOCIAL HOUSING EVALUATED

In both relocation and on-site public housing, squatter families were evicted from their original places of residence and compelled to transfer to supposedly more desirable dwelling environments. However, family incomes remained low and unstable; for the resettled families, the result was even lower and more unstable
incomes. For both re-housed and resettled families, their new places of residence imposed additional financial obligations on them. While the proportion of their incomes paid for housing increased, their incomes remained the same or were reduced. Thus, in terms of the distribution of housing benefits, the squatter families did not receive substantial benefits at all. In many cases, they became worse off than before, and they were quick to return to their previous practice of squatting. Those who eventually benefitted were limited, including unqualified tenement occupants and property-rights holders whose larger incomes or stronger political connections, gave them access to the rights to occupancy or land ownership.

Basic to the weakness of the program is the ineffectual administrative organization charged with planning and implementing the program. The Presidential Assistant on Housing and Resettlement Agency, created in 1964 to coordinate housing and urban development in the country, suffers from lack of competent staff, inadequate funding, and substantial political interference. The People's Homesite and Housing Corporation, authorized by law to acquire land, build houses, manage housing projects, clear slums, relocate squatters and undertake research, is drastically weakened by chronic financial difficulties. It has also been subjected to heavy political pressures, resulting for instance in the depletion of PHHC landholdings, as these were rechanneled for special housing projects for government employees, veterans, newspapermen, and so on, or for other special non-residential purposes of politically-
powerful interests. The undermining of the administrative effectiveness of these housing agencies reflects the lack of seriousness of purpose of government in providing urban poor families the basic housing services they so badly need.

C. ECONOMIC HOUSING

The economic housing program of the government is carried out primarily by home-financing assistance extended by the major government financing institutions -- the Government Service Insurance System (GSIS), the Social Security System (SSS), and the Development Bank of the Philippines (DBP).

a. Government Service Insurance System (GSIS) -

The Government Service Insurance System (GSIS) functions as a source of construction loans to subdivision companies for land development and housing construction and a source of mortgage funds to enable GSIS members (who are regular government employees) to purchase house-and-lot units. Loans amount to up to 80% of the appraised value of the collateral (provided in terms of an unencumbered homesite), with a maximum repayment period of 25 years. The amount of the loan is further limited to the repaying capability of the borrower. For members of the GSIS the interest rate is 6% for loans up to ₱30,000. For loans over ₱30,000 and for non-members, the rate is 9%.

Interim development loans are also extended to private land developers to finance land development and housing construction. Under this scheme, housing units are in turn allocated to individual or group buyers under mortgage terms similar to that of GSIS individual loans.

As of June 30, 1970 54% of total GSIS investments -- over 1 billion pesos -- represented real estate mortgage loans, which
include housing loans as well as loans granted to commercial and industrial construction activities.

b. Social Security System (SS) -

The SSS, established in 1957 to operate a retirement and personal benefit program for employees of private firms, is authorized to use up to 40% of its investible funds to grant mortgage loans to its members. Loans are payable over a maximum period of 25 years at interest rates of 6% for direct loans and 7% for loans guaranteed by the Home Financing Commission.

Under its workers' housing program, SSS grants interim development loans to private developers and housing contractors with a maximum three-year repayment term at 12% interest per annum. The completed project is then purchased by SSS and allocated to qualified homebuying members, from whom mortgage payments are collected through payroll deductions.

Since the start of its housing loan program in 1958 the SSS has released to its member-borrowers as of December 31, 1971 a total of 539 million pesos representing 43% of its total investment and the highest in its portfolio.

c. Development Bank of the Philippines (DBP) -

The Development Bank of the Philippines deals largely with agro-industrial loans, and its housing investment is therefore limited -- confined to low-cost dwellings and fire victims. During the five-year period 1967-1971, its lending operations for housing averaged only P10.4 million in favor of 1,870 borrowers per year. Towards specifically urban housing, it has extended only P3.8 million to 914 families in the Manila area. Loans of P5-7 thousand are granted to non-homeowners for the construction of a house substantially in accordance with the plans and specifications prepared by the DBP, repayable over 10-15 years at 8% interest per annum on the outstanding balance.
d. National Housing Corporation (NHC) -

The most ambitious government housing action is perhaps the creation of the National Housing Corporation in June 1968 "to assist and carry out the coordinated massive housing program of the government principally but not limited to low-cost housing." It was capitalized at 100 million pesos contributed equally by the SSS, GSIS, DBP and the Philippine National Bank.

The corporation is not only bogged down by its history of charges of anomalies pointing to the enrichment of certain officials involved in its creation. It suffers from huge technical difficulties which have prevented it from operating at full capacity to this day. The NHC had intended to supply prefabricated individual or multiple-unit houses to any party owning a minimum of 150 sq.m. of land in urban areas and 100 sq.m. in rural areas. The Corporation purchased an integrated Middle-brand complex which was supposed to manufacture about 80% of the total material requirements for the houses, turned out at the rate of 12,000 units per year. Pre-fab homes costing P6,000 or less were to be sold on long-term installments to lower-income families for as low as P42 a month, payable in 25 years. Because it encounters too many technical difficulties, however, the plant has not produced housing components at substantially lower costs, and still has to seek markets for its products among higher-cost construction projects, among them projects financed by the SSS and GSIS. Until 1971 the plant was only operating at a little more than 20 percent of its capacity, although replacement of some of its production lines may soon raise this capacity.

D. EVALUATION OF ECONOMIC HOUSING

The most glaring shortcoming of past government efforts in economic housing is the very limited number of beneficiaries, due again to the skewed distribution of housing assistance toward more affluent families. Most housing assistance is directed to members of the GSIS and the SSS, who totalled about 3 million in
1969 -- hardly a third of the total labor force.

Considering that low levels of income still prevail among even this sector of the regularly-employed labor force, and considering that the SSS and GSIS require high paying capacities for housing loans, it is evident that relatively very few SSS and GSIS members actually enjoy the benefits made available by these institutions. Those with larger incomes and with land to build on are chosen over those with lower incomes or without land to build on. Since single-detached housing financed by SSS or GSIS generally costs a minimum of ₱17,500, only families earning over ₱6,000 annually can conceivably afford to pay for such housing under GSIS and SSS mortgage terms. In fact findings of studies on lending policies of these institutions bear out the proposition that the majority of their members who belong to lower-income categories in effect subsidize the housing benefits of the fewer, higher-income members. 5

During 1962-1972, the GSIS funds were used by 46,000 members borrowers, whose average loan was about ₱23,000. Their number equalled about 8 percent of the total GSIS 1970 membership, and their average monthly income was within the range of ₱500-₱800, which puts them among the highest earning 20 percent of all Filipino families.

...The record of the SSS is not much better. SSS estimates that most loans go to families having income of ₱500-800 per month.

SUMMARY

In answer to the question posed in the title of this section: housing policy: what and for whom? we summarize the issues by which Philippine housing policy can be evaluated.

In general, the policy has largely ignored the redistributional effects of government action, the net result of which has been a strategy to house the urban rich rather than the poor.
Because the orientation is to build for those who can afford it, the emphasis remains on the construction of new high-standard units with a full complement of housing services, built on previously undeveloped urban land. Middle-income and upper-income homebuyers are generally already homeowners who wish to move into new homes of higher standards. As there has been no effectively-enforced ceiling on housing loans, scarce funds of financing institutions have often been channelled disproportionately to luxury housing, instead of to substantially improved old housing.

The government chooses to disregard the fact that lower-income families can also afford better homes, given the same assistance extended to higher-income groups, and in some instances even within the competitive housing market. Public policy gives little or no regard for the improvement of existing substandard housing or assisting lower-income families in home improvement efforts. No other alternatives are given to poor families except relocation or tenement housing.

Even if construction of new housing continues to be the thrust of housing policy, more serious efforts to reduce construction and development costs must be undertaken, and this so far has not been achieved. Broad outlines for lowering costs have been suggested: "reducing area per family; use of cheaper materials; economical plans and designs; economical construction methods -- new and more efficient techniques, more production, modular coordination" -- but so far have not gone beyond generalized recommendations. Again it must be remembered that even
proposals by private developers for minimizing land inputs per dwelling unit, softening the high cost of financing, and encouraging "economies of scale" by mass pre-fabrication of components are in general geared to housing those who can pay for the housing made available. Reduction in housing costs achieved through the means suggested will mean more an advantage for the relatively well-off who already have substantial resources to begin with, rather than become an advantage for families who will remain priced out of the housing market.

The orientation to the competitive market is reflected in the fact that housing finance is considered not so much appropriations from government revenue but rather as part of the investment portfolio of government financing institutions. Since much of housing construction and land development is undertaken by private developers (who utilize government funds in the form of construction loans), stimulating the country's activity in housing heavily depends on incentives to private initiative. Profit ends, rather than rational land-use planning, determine the choice of sites for building. Government for instance has sold prime residential sites to private parties for purposes of raising funds, and builds on remaining land available to it -- no matter how far from the city center -- rather than build housing on more accessible sites it can retain or acquire.

The rationale of public housing policy is such that it does not matter much whether the low-income majority of urban families can or cannot afford the high-standard, high-cost dwellings that
private builders as well as government insist on producing. The National Housing Corporation's product line reflects this misguided orientation well.

The NHC's stated purpose was to carry out a massive low-cost housing program through mass prefabrication of housing components. Its plant complex produces concrete wall panels, polyvinyl (PVC) tiles, particle chipboard wall panels, and woodwork. Its inability to operate at full capacity is due not only to technical operating difficulties, but also to a limited demand for its products. It is not sufficiently competitive to garner a chunk of the higher-cost construction in the country, neither is it economical enough to find a market among the low-income families for whom it was supposedly established in the first place.

Finally, Philippine housing policy has focused mainly on the production of dwelling units alone, rather than on the provision of the bundle of housing services that accompany "decent housing". More precisely, government tends to implement a double standard: one standard for the well-off which provides both housing units and a full range of services; another standard for the poor wherein dwelling units are more often not provided, and services are negligible. The lack of attention given to housing services collectively result in government inaction in providing urban services such as good roads, water, sanitation facilities to even already-existing settlements in the city, particularly those peopled by low-income urban families.

Such a pattern of distribution of housing benefits corres-
ponds to the more general pattern of income distribution among the population. The economic and sociopolitical institutions that have been outlined in preceding sections are shown to operate in the formulation of housing policy so as to maintain the prevailing societal structure even in the settlement patterns of the population.
NOTES Chapter Four


CHAPTER FIVE

TOWARD AN ALTERNATIVE STRATEGY TO HOUSING THE POOR

A. BASIC ISSUES

To arrive at an alternative approach to housing the urban poor, this paper has attempted to first develop a perspective of the urban housing situation, different from the traditional sectoral view of housing as a problem of mass-producing minimum-standard housing units. All along, the proposition has been that the housing situation is part of the economic and socio-political processes in the Philippines.

Unlike past housing policy, an alternative strategy must recognize the functional influence of (1) the form and state of the economy, (2) the distribution of wealth and power among Filipinos, and (3) the pattern of urban economic growth, and so forth, on the urban settlement pattern. While past policy has conformed to the context and limitations set by the historical pattern of economic and sociopolitical development, the alternative has to be one which attempts to overcome the constraints imposed by the dominant economic and sociopolitical institutions in order to effectively carry out the objective of ensuring adequate shelter for every Filipino family.

The alternative therefore should operate on three levels:

(1) on the level of specific, immediate alternatives for providing more and better housing services to low-income urban families at costs related to their resources;
(2) on the level of broad alternatives for guided urban growth and regional development;

(3) on the level of over-all policies toward accelerating national development and equitably distributing the benefits of development among the population.

Essentially, the strategy would be to simultaneously accelerate the advance of low-income families in the socioeconomic integration process, i.e., to increase their effective participation in the national economy and polity, and also harness their resources by organizing and accelerating their spontaneous housing activity. Such a strategy is premised on families pursuing their own "housing solution" through a gradual process of improvement, with or without, oftentimes in spite of, public intervention, according to the family's productive participation in the economy and in the decisionmaking processes of the polity.

The same issues by which past housing policy has been examined are the same issues which an alternative strategy must contend with. Underlying the alternative approach would be an essential concern with the distributional effects, with effecting more and better housing services for the urban poor majority at costs related to their incomes, distributing housing services among as wide a sector as possible, and allowing for the maximum upward mobility of lowest-income families.

The strategy would redefine standards for the quality of housing, differentiating between necessities and amenities, and among different requirements for differing life situations. The aim, for one, is to effect the largest possible net gain in the
urban housing stock, not only through new construction, but also through home improvement schemes, rather than to merely replace one-to-one homes which are demolished in slum and squatter areas.

The strategy would direct policies primarily at the demand side, and only secondarily at the supply side. It would thus channel government support directly to the poorest families rather than rely on filtering. As such, it would operate almost independently of the competitive housing market, using instead the private capital and initiative of poor families themselves, strengthened by government support. Finally, the strategy for housing the urban poor would apply the same standard applied to housing the relatively rich; it would be designed to progressively provide residential services collectively, rather than be limited to producing dwelling units alone. Corollary to the above issues is the rationalization of urban land policy in order to guarantee an adequate supply of urban land for development purposes at reasonable cost.

B. SPECIFIC ALTERNATIVES: SITES-AND-SERVICES DEVELOPMENT

One immediate alternative for more and better housing for urban poor families is sites-and-services development in both new areas outside the central city as well as in already-established settlements in the central city.

It is akin to recent government efforts in resettlement areas like Sapang Palay and Carmona, where transportation facilities, roads, schools and health services have been installed
to service the families living there. It is in sharp contrast to what government did (or did not do) when they first established these resettlement sites.

Whereas basic services and community facilities are only recently being provided to resettled families in these two areas, only after an interval of five to ten years between their transfer and the provision of services, the alternative calls for development of basic infrastructure (such as water, sanitation, transportation) prior to or during transfer of families as well as progressive provision of other community families.

In new settlement areas, as in those already planned for by government authorities in other outlying areas of Manila, the strategy should entail the preparation and development of land to facilitate construction of houses by the resettled families, including provisions for varying combinations and sequences of public utilities and community facilities.

Characteristically the components would be:

1. **Building plots** -- described in terms of size, density of project, location in relation to employment and other urban services.

2. **Public utilities** -- ranging from basic utilities (water, sanitation, transportation) to other desirable facilities (electricity, paved roads, public lighting, gas installations, etc.)

3. **Basic community facilities** -- consisting of local urban services which act as a link to the larger array of government and private services such as schools, small busines-
ses, markets, shops, police and fire protection, cultural centers, social welfare centers (clinics, employment agencies, nursery schools, day-care, etc.)

The range of legal and financial relationships between the government and the households concerned can go from very narrow to very broad. The specific terms of plot use, tenure, and cost burdens as well as schedule of payments, for example, can be flexible, and tailored to specific households' demonstrated savings ability and capacity to pay.

According to the effective demand for each arrangement, plots may either be rented, leased, purchased, or rented-with-option-to-buy by the families. Their dwelling structures may be constructed by wholly self-help methods, or by a combination of self-help and government construction. The scheme can either allow or disallow mixed uses (residential as well as income earning uses) for the individual dwellings or plots. The cost burden and debt servicing may be on a market basis, or may entail direct or indirect government subsidies. Even the mix and range of the public utilities and community facilities to be provided should be in response to the effective demand for these services by the resident families.

It is conceivable under this principle to plan settlement areas which can accommodate poor urban households of different levels of income (from the very poor to the not-so-poor) and provide them with differential housing services. The provision of water, for example, can be categorized into individual servicing of plots or collective servicing of a small cluster
of plots. Similarly, differential use of water can be related to distribution: potable piped water distributed less intensively than less-pure well water to be used for washing purposes.

Since the primary consideration, however, is the redistributional effect of housing action, the scheme should be deliberately oriented toward serving the needs of those in direct need before those in less need.

One country example which bears study for its potential applicability to the Philippine situation is the staged sites-and-services program undertaken by the Chile government in recent years. Chilean housing and urban development policymakers shifted their policy from one preoccupied with large-scale construction of dwelling units to a policy based on the progressive improvement of housing conditions among urban low-income households. In contrast to the traditional policy of providing all services at once, the government instituted a Popular Savings Plan which allowed a staged process of improvement in housing services.

Low-income families were urged to enroll in the savings-for-housing scheme, in which they could opt for any one of four differential housing services schemes. Depending on the plan which they chose, they were required to accumulate prescribed amounts of savings over a period from one year to two years. The family was assigned to a site once the required initial savings was reached. Further savings would then allow the family, now settled in the new site, to qualify for the
the houses of more progressive plans. The progress from site-only to fully-built houses on the sites was facilitated by home improvement loans which enabled families to expand any earlier plan within the system to any higher plan. The houses could either be built directly by the responsible government agency, or by self-help plans organized by the cooperatives of the new settlement. The 4-plan scheme utilized to mobilize savings from the low-income sector and to employ the accumulated resources for home improvement is outlined below.

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<tr>
<th>Plan 1</th>
<th>Operation Site -- First Stage</th>
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<tbody>
<tr>
<td></td>
<td>(a) Land -- average 170 sq.m.</td>
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<tr>
<td></td>
<td>(b) Water -- one outlet per site</td>
</tr>
<tr>
<td></td>
<td>(c) Electricity -- one outlet per site</td>
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<td></td>
<td>(d) Wood panels for walls and roof of temporary house</td>
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<th>Plan 2</th>
<th>Urbanized Site</th>
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<tbody>
<tr>
<td></td>
<td>(a) Completion of urbanization -- sewerage and pavement grids</td>
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| Plan 3 | |
|--------| |
| (a) Completely urbanized site |
| (b) Basic house (20 sq.m.) of permanent materials, or |
| (c) Basic house (36 sq.m.) without interior walls and finishing |

| Plan 4 | |
|--------| |
| (a) Completely urbanized site |
| (b) 2-bedroom apartment (usually in a 4-story building) of approximately 45 sq.m. |

More recently the savings plan incorporated into it a point system which allowed for even more refined screening procedures. Aside from just the savings requirements, considerations such as family size, present dwelling status, total family income, and minimum savings were taken altogether to determine the level of housing services that was to be provided for a low-income household.
C. Sites and Services in Already-existing Squatter Settlements in the Central City

It has been emphasized that relocation is a viable alternative for some low-income urban households and not for others. Depending on whether or not relocation is able to accommodate the families' life priorities and their income-earning activities. There are squatter families who necessarily equate their residence in the central city with nearness to income-earning opportunities and who therefore regard relocation as a cruel uprooting from the only place where they can successfully eke even a hand-to-mouth existence. For these families there is no alternative better than staying in the central city. The high abandonment rate in existing resettlement sites is a strong testimony of this perception among a certain group of low-income urban households.

Since central-city residence is vital to these families, any serious government effort to provide them with more and better housing services must be undertaken within the perimeters of the central city. Here, as in new settlements, sites-and-services schemes offer flexible "housing solutions." The program can similarly stress progressive upgrading, starting with initial improvement at the environmental level and then moving through phases of providing full urban services, shelter and home improvement.

Here again, the range of legal and financial relationships between government and households allows for variation.
Land may be sold to the families, or they may be granted title to land which they have long occupied. In most cases the most preferable option may be to extend middle- to long-term leases on land which is not earmarked for immediate development and construction. The important consideration in any arrangement is that these lowest-income families come to enjoy greater security in the matter of land tenure and are provided with certain basic necessities -- water and sanitation. If eviction is eventually necessary, the move can be anticipated and planned for well in advance, and would be justified by area redevelopment purposes rather than by speculative slum-eradication goals.

An excellent case which points up not only the desirability but more importantly, the feasibility of the sites-and-services scheme in central-city locations is the proposal submitted to the Philippine President by the residents of Tondo Zone One (one of the most densely-populated squatter communities in Manila) in early 1973. The Zone One Tondo Organization drew up an alternative proposal to the government's active slum and squatter eradication preliminary to its plans for port development in the Tondo area. The President's favorable response to the ZOTO alternative effected the discontinuation of demolition work until such time that the families who were to be evicted could be resettled in an area just north of Tondo which was to be developed and readied for the transfer of Tondo families.

A 300-hectare area of the Navotas shoreline has been earmarked as the resettlement site for approximately 16,000
Tondo households. The ZOTO proposal called for the allocation of a minimum of 50 sq.m. of land for each family, to be paid over 10 years at P100 a year. As outlined in the proposal, the activities for sites-and-services development was divided among the government agencies, the German foundation who was participating in the rehousing plan, and the Zone One Tondo Organization members themselves.

Procedure:

The special committee to be composed of representatives from the government, ZOTO and the Protestant Central Agency for Development Aid shall be over-all in charge of planning and administration. Otherwise, each of these entities shall perform its role delineated thus:

a. The government reclaims the land from the sea, surveys and subdivides it, making adequate provision for public facilities. It shoulders the cost of reclamation (P20 M for 100 hectares at the rate of P20 per square meter) and construction of public utilities. It should award the title to each lot upon the owner's completion of payment.

b. The German foundation shall shoulder the cost of the housing project (P 2,500 per dwelling unit for materials only) by making available the one million dollar grant to ZOTO. It is highly preferred that the German foundation representative to the committee be a technical man so that he can assist in the planning and administration of the project.

c. ZOTO shall provide the manpower supply in building the dwelling units and in making the needed improvements of public facilities.

D. AIDED SELF-HELP HOUSING IMPROVEMENT

An important aspect which the ZOTO example also introduces to the area of Philippine housing policy is the concept of aided self-help in housing improvement. Past policies have altogether discounted the resources that low-income urban households can
bring in to significantly improve their housing situation. The alternative proposed here calls for a reappraisal of the participatory role of low-income families who are the intended beneficiaries of any government housing action. It is the families themselves, rather than the planners and housing officials, who can best identify their priorities that must be respected and maintained by any housing strategy. It is they who can most accurately evaluate the viability of proposed housing "solutions" and the relevance of such programs to their environmental problems. As they have proven in their lifestyle in the urban areas, and as communities like Zone One Tondo have strongly demonstrated, low-income urban families in slum and squatter settlements can be counted on to avail of the opportunities to them, no matter how limited, in order to earn as much as they can and live as comfortably as possible.

Their resourcefulness in discovering the most appropriate "housing solution" is only inhibited by the lack of opportunities open to them. There is an essential requisite therefore for community based strategies such as this: namely, conscious encouragement of programs which incorporate aided self-help and which lend themselves to maximum mobilization of the resources of low-income households, in terms of their participation in planning, decisionmaking, financing, infrastructure development, and so forth, in the scheme.

The ZOTO community has shown that massive participation of low-income residents can effect housing solutions which are unlikely to be surpassed in effectivity (least-cost, highest benefits equi-
tably distributed) by solutions offered by other outside parties. The string of benefits enjoyed by households who organize themselves and initiate community improvement can be gleaned from even an incomplete listing of ZOTO's achievements in this respect.

Among the things that ZOTO has taken upon itself to do are the physical organization of the district into eight communities, and the establishment of such community services like emergency relief, job placement, and health services for its residents. The devastation caused by a typhoon in late 1970 prompted ZOTO to seek aid from outside sources: it obtained $10,000 in aid from a religious group for purchase of 5,000 iron roofing sheets for families whose homes were rendered roofless, and also won demands for regular relief provisions from another Church group. It staged recurrent pickets and land invasions to protest government construction on sites which ZOTO felt should remain vacant for eventual relocation, until they were given government assurance that further construction would accommodate the needs of Tondo families. ZOTO and other groups supporting it also succeeded in working for the defeat of a Congressional bill creating a Tondo Development Authority which would eventually dispossess the residents of their legal claim to the land. More recently, the organization has gained favorable response to the alternative housing scheme it submitted to the Philippine President, and the community is more hopeful about better housing and an improved environment through a joint development scheme between ZOTO (aided by a German foundation) and the Philippine government.
Considering that ZOTO's self-help efforts have been largely unaided by public policy and projects, and more frequently ignored or violently opposed by the authorities, self-help efforts which are instead actually openly supported by relevant agencies hold out even greater possibilities for substantial housing improvement. In sum, the forms which aid can take, and the ways that families can directly participate in housing improvement programs encompass broad areas of joint participation. These include:

(1) **phases of policymaking** -- families collectively work with authorities during analysis of housing "problems" and develop broad program, schedule activities, allocate resources, work for necessary legislation or executive orders.

(2) **technical operation** -- authorities can bring technical advice, or community can seek their own, on matters of design, use of materials, construction, etc.

(3) **labor** -- families shoulder most of the labor burden, with some assistance from authorities in more difficult construction phases, such as laying of infrastructure.

(4) **land** -- government provides land or extends secure land tenure, or families may already have land upon which to build.

(5) **financial resources** -- families mobilize their savings, with counterpart funding from government either through direct or indirect subsidies, or support from outside sources.

(6) **building materials** -- families supply what they have or what is easily available locally; government may provide assured supplies of needed materials.

(7) **administration and organization** -- residents and administrative personnel from government work together in implementation of ongoing housing improvement schemes.

**Summary**

The flexibility which sites-and-services development and aided self-help provide is an essential policy advantage; there is
a broad spectrum of public intervention to meet the housing needs of lower-income households. For those families who are stably-employed and who prefer to move out of their central-city accommodations, for example, the programs can provide serviced sites in the urban periphery, with minimal government subsidy for actual housing construction. For the poorest families and those who do not yet enjoy stable incomes, the programs allow them to stay near their income-earning opportunities by extending inner-city plots (rental, lease, or purchase terms) and the substantial improvement of urban services, such as potable water supply, adequate sanitation, storm drainage, etc. The flexibility of sites-and-services and self-help housing improvement in turn effects a better match between the families' priorities for residential location, and the combinations of site and various services offered in the schemes.

Because of the relatively lower capital investments required by these programs, as opposed to the real costs per family encountered in past housing action, the alternatives can effect a more equitable distribution of housing benefits. Families who were previously priced out of the housing market are enabled to participate in a broadened market. Most importantly, a baseline of residential services for the entire urban population, not only for the urban affluent families, is established with little capital and government-owned land consumed.

The security of tenure offered by the alternatives posed here is an important motivation for families to invest in home improvement through incremental improvement and progressive con-
struction. This avoids high-cost ambitious projects which may be intended for the poor but which inadvertently end up housing the non-poor. The smaller investment per unit and per family made possible by the programs offers more assurance that the government will be able to deliver housing services to those it intends to serve, and still be able to control expenditures.

E. CONTROLS ON RENTAL HOUSING

Because a substantial proportion of low-income families are compelled to take rental accommodations, for want of rentless housing, a strategy to house the urban poor must include measures to ensure that families get the housing services they pay for. A significant start in public policy in this direction has been made in the rent freeze declared on rental housing costing P300 or less per month. However, considering that some low-income families pay rent to slum or squatter landlords who operate quite outside the formal housing market, public policy must utilize special controls in this area. If, as proposed in sites-and-servalicenses and aided self-help schemes, community participation and collective decisionmaking is the rule in rental housing -- for example, as in organized tenants' organizations -- then control on rents is more likely to be effective. The progressive improvement of housing services due to rental payments is moreover better assured, and a deliberate policy to upgrade existing housing stock would do well to focus attention on urban rental housing. Forms of government subsidy to lowest-income families in rental housing deserve study as part of the broader home improvement policy.
F. FINANCING A STRATEGY TO HOUSE THE URBAN POOR

What follows is a listing of the sources of funds that can be immediately established or tapped for purposes of providing housing services to lowest-income households in the cities. No more than a general listing is attempted here, for a detailed discussion of the financing framework is quite beyond the scope of this paper.

1. **Forms of popular-savings plans** which encourage and mobilize savings from low-income families themselves.

The Chilean example illustrates how progressive savings capacities of families can be matched with progressive housing improvement in terms of land occupancy and level of urban services. Such mobilization of private savings calls for a highly-participatory organization on the part of families involved, to ensure not only rapid mobilization of funds but also efficient and honest use of their hard-earned savings. Cooperatives and similarly community-based credit unions and savings associations seem to lend themselves to these popularly-initiated programs.

2. **Investment by government financing institutions**: GSIS, SSS, DBP

Since the Government Service Insurance System, the Social Security System and the Development Bank of the Philippines remain the major sources of housing finance, it is very possible that they be tapped for low-income housing services. The GSIS and the SSS in particular, should institute loan plans directed toward
their lower-income members who constitute the majority membership but who do not now enjoy the loan benefits extended by the SSS and GSIS. A reorientation of their lending policies, from one heavily biased to benefitting their highest-income members to one which distributes benefits more widely and equitably among its members is likely to remedy the glaring inequities in lending policies. This will also mean that the GSIS and SSS must accommodate smaller housing loans for purposes other than financing new house-and-lot purchases of their members. The forced savings accruing to lower-income members must be allowed to be channelled to incremental housing improvement as the most viable housing alternative open to this income group. This way, SSS and GSIS allocate fewer amounts of its investible funds to each member-household, thereby spreading risks as it spreads resources over many more families.

The Development Bank of the Philippines, on the other hand, since it is already into low-cost home financing would be able to expand its lending capabilities by allowing for non-standardized dwellings which do not necessarily conform to its rigid design specifications, and by extending more assistance to low-income families in home improvement schemes.

3. Increased government appropriations

"Social housing" as it is categorized by government is wholly dependent on government revenue and appropriations from the budget. The problem is that of the total government-built or government-assisted housing covered by the already limited government funds,
only 20% is built for low-income families, and only 3% of total government housing investment actually goes to "social housing." If government seriously aims to provide for the needs of the 65% of the urban population who could not afford adequate housing if unassisted, then government should remedy the blatantly disproportionate appropriations for low-income housing. Certainly budget appropriations for housing the lowest-income families will have to be increased, if the strategy is to be an improvement over simple slum clearance methods. Lowest-income families are not stable income-earners and are therefore disqualified from SSS or GSIS membership; as such the only source of housing assistance available to them from government is direct government appropriations, which must not only be substantially increased but also be significantly directed to the needs of the poorest families.

4. Tax measures

Corollary to increased budget appropriations are increases in tax revenue generated for housing purposes. Raising revenue from additional taxes (particularly those of a more progressive nature than most taxes in the country) have been proposed in the Housing Act of 1970 and have been outlined in the national four-year plans. The new tax sources would include employers payroll tax; tax on high-cost dwellings; additional residential tax; additional real estate tax; and a special housing development tax. If stringently executed, these measures may enable government not only to distribute its funds more equitably, but also to increase
its outlay for land acquisition and infrastructure development as well.

Some policy guidelines also entail tax incentives which effect more rational land-use and settlement patterns; incentives for industrial dispersal will induce deconcentration of inner-city population as well as attract migrants to growth centers other than larger, densely-populated urban centers. Taxes on idle land also encourages development and discourages land hoarding for speculative ends.

5. Land acquisition by government

Since land is a major component of housing development, and since land cost is a substantial cost factor in urban areas, steps to enable government to acquire and retain urban land are necessary. The alternative presented in this paper entails a comprehensive planning approach which anticipates extensive facilities and urban services, and which therefore requires adequate supply of available publicly-controlled land. Expropriation and excess condemnation, prerogatives not taken by government until very recently, can be effective means of assembling much-needed urban sites. These measures also require a complementary policy of stopping the sale of prime urban sites already controlled by government to private interests, particularly if the public properties are useful and necessary for planned urban growth and human settlement.
6. Other sources: foreign financing, private capital participation

Funding agencies like the World Bank, United Nations Development Program, and the US-Agency for International Development have indicated growing interest in participating in low-income housing programs such as sites-and-services and aided self-help, and using these agencies as funding sources may be explored. Moreover, other foreign foundations such as those which have extended housing assistance to community organizations like ZOTO can also be tapped, perhaps too with less danger that aid will be tied to the donor country or agency.

On the other hand, private developers and housing financiers in the Philippines can also be a source of housing funds, given the proper incentives. These institutions generally urge the creation of a secondary mortgage market which will provide them the necessary incentives and guarantees to invest more in housing and development projects. This channel of financing may well be developed for the pursuit of economic housing programs -- building for those who can pay the high cost of privately-developed housing. If private capital participation is encouraged enough, then the scarce government funds which now are spent on economic housing can be concentrated instead on low-income housing, as the private sector increasingly takes on the financing of high-cost, high-income housing.

Sources of housing funds are in the long run determined by the broad economic policies and political measures introduced by the Philippine government. The next section discusses the
broader context of economic and political issues that a comprehensive strategy for housing the urban poor must contend with.

F. RE-DIRECTING NATIONAL DEVELOPMENT GOALS

In order to be effective, an alternative housing strategy must be integrated with economic policies and political decisions which grapple with Philippines' major development problems.

Firstly, economic policy must be directed toward generating increasing employment opportunities for the expanding labor force. Industrial development must become more labor-absorptive, requiring more labor resources than capital resources, and depending more on domestic inputs rather than on foreign inputs.

Only deliberate policies at employment creation will effect the restructuring of the labor market so as to minimize underemployment in both the countryside and cities. More productive labor utilization in the rural areas will reduce migration to the cities, and greater employment opportunities in the cities will begin to close the gap between the very rich and the very poor. More stable incomes for the greater proportion of the urban population will manifest itself in a slowing-down of slum and squatter settlement formation, and gradual improvement of the urban environment.

But industrial promotion will have to carry built-in biases toward more labor-intensive rather than capital-intensive techniques of production, through such priorities and incentives now set by the Board of Investment for preferred industries. Moreover since capital resources will be relatively less important, it becomes
more feasible to rely almost only on domestic capital resources -- and thereby loosen the tight hold of foreign participation on the economy. Specific areas where presently capital-intensive activities can be made more labor-absorptive are public and private construction and infrastructure projects, and the choice of techniques of new plant equipment in new industrial firms.

Secondly, public policy should seek to maintain a balance between the development of the industrial sector and of the agricultural sector, and among the different regions of the country. Most inputs into industries must depend on the primary activities of agriculture and mining. Since further industrial growth is assured only by increased agricultural productivity and increased agricultural incomes (particularly since 65% of the country’s population is still engaged in the agricultural sector), the backward integration of industries with agricultural production is essential for developing both sectors. While past policy has limited agricultural production to more profitable export of primary products: sugar, coconut, minerals, logs -- new policy must take steps to increase food production for domestic consumption also, as well as to process mineral and forest products -- steps which ultimately expand industrial activity.

The imbalance in the growth of regions -- particularly between the industrial growth of the metropolitan Manila area and the other regions which have lagged far behind -- call for more explicit regional development strategies. Regional plans must strengthen the flow of goods and services between the rural
and urban sectors and between agricultural and industrial sectors. What is important is that the industrial sector be linked in both supply and demand aspects to the rest of the local economy, rather than, as in the past, to materials and markets abroad. The agricultural sector, on the other hand, must provide the bulk of the consumption needs of workers dependent on industry.

Along with regional development strategies must be established deliberate steps to slow down population movement to the already-congested urban centers. Options include the development of smaller-sized urban centers to act as countermagnet cities and new growth points in the region. Such a strategy requires guidelines for the location of industries and infrastructure, as well as for the planned settlement of the population moving into the new growth centers.

Thirdly, policies to accelerate economic growth must include increasing the export capabilities of the Philippines (not so much in terms of a few primary products, but in terms of diversified manufactured goods competitive in the world market). Industrial expansion must also be based on new internal demand, and on industries which link with earlier import-substituting industries.

Underlying all economic policy must be equal consideration for equity criteria -- participation in the national economic pie -- as for efficiency criteria. A re-examination of the share of domestic versus foreign participation in the economy, of the regressive versus progressive nature of the tax system, of more
consumer-oriented policies which control inflationary prices and profits -- all these can produce significant results, given the organized participation of the population in the fundamental decisionmaking processes of the country.

A strong, highly-centralized government such as that prevailing in the Philippines today is more likely than ever before to have the resources on hand to effect the economic policies cited above as necessary contexts for an effective strategy to house the urban poor. The socio-political organization envisioned in the "New Society's" declaration of principles is also potentially a useful and important network for highly-participatory political decisionmaking on the part of the greater masses of Filipinos. It would seem that the deciding factor for the implementation of truly development-oriented policies in the Philippines today is a strong political commitment by the present administration, backed up by popular participation and support.

Only then can housing the urban poor become a realistic development objective for the Philippines.
NOTES Chapter Five


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