

‘Real estatisation’ in Metro Manila

Analysis based on Henri Lefebvre’s dialectics of the ‘Urban Revolution’



Petra Steinegger

Urban Shelter ABAN06 / May 2019

I Introduction

In this essay, I aim to outline the content of Henri Lefebvre’s dialectics about the phenomena of the *urban city* and to set it into relation to a close examination of today’s Metro Manila. Therefore, I claim that the dialectical understanding helps to explain the movement of a city’s society and the development and behavior of the specific real estate market. These findings can be applied to a worldwide recurring phenomenon which characterizes the urbanization of many developed and developing countries of the past, present and future.

Manila assumes this manner due to its rather atypical economic development. It represents an interesting though not unique case, since the Philippines present an anomaly when it comes to economic growth in the post World War II - period. To restrict the extent of this essay, my focus will be on the development of the city in its urban economic aspects and the asset market, rather than on the social aspects.

To give an outline of my studies, I have developed upon and structured this essay in three parts. First, I will present a short summary of the main arguments of Henri Lefebvre’s dialectics on the origin of the urban city, which on the other hand are based on the dialectics of Hegel’s syllogism and Marx’s analysis of industrial society. This outline will constitute the fundamentals to understand the logic of the production of capital, reinvestment and surplus within an asset market, which eventually leads to the growing urban cities today.

Second, I will trace a historical retrospective and a short socio-economic profile of the Philippines, to contextualize the development of this country in a global sphere. Third, I will try to reflect on past and current tendencies in reurbanisation of Metro Manila within the theory of Henri Lefebvre. Furthermore, I will provide a critical conclusion on the current mechanism of the capitalist urban city and the related emerging responsibilities for planners.

II Literature Review

II.1 Introduction on Henri Lefebvre's work

Henri Lefebvre published his book 'The Urban Revolution', to which the theoretical part of this essay refers, in France in the 1970's. It was the time of post World War II and its flowering economic expansion. Also known as the Golden Age of Capitalism, this period was characterized by strong economic growth in the US, the Soviet Union, as well as in the western European and East Asian countries. (Marglin & Schor, 1992) While Europe and the US were still focusing on rebuilding of inner cities and extensions of suburbs, it was the start of rapidly emerging mega regions in China, Singapore, Taiwan and South Korea.

Urbanisation was about to become globally widespread and with it, the creation of new urban spaces. Back then, these tendencies took center stage in the discourse of planners and urbanists and were amongst others addressed by Jane Jacobs. (Grahm, 2016) But soon, this high epoch would decline with a number of global events. For example, an increase of international trade in manufacturing goods (automobiles, electronics), the 1973 oil crisis and the 1973-1974 stock market crash, finally resulted in economic stagnation and eventual recession in 1973-75. (Marglin & Schor, 1992)

It was during the 60's and 70's, when Lefebvre studied the role of urban space and its relation to emerging capitalism. He identifies the collapse of industrialism, whereas the urban revolution testifies a move towards a new society. He defines it as a transcendence of society towards a higher phase, ascending from the industrial society with the help of a revolution. Thus, the former 'industrial society' had evolved into an 'urban society'. His hypothesis is written in agreement: 'Society has become completely urbanized.' (Lefebvre, 2003) With

this new form of society, new class compositions, and most importantly, new space will be created. (Lefebvre, 2003)

II.2 The *Urban* and along with it, the capitalistic value of the soil

In a broader sense, Lefebvre questiones where the particular term of *city* descended from originally. Therefore, he falls back on the theory of the German philosopher George Wilhelm Friedrich Hegel (1770-1831). Although Hegel's dialectics were discussing the development of history of the world, Lefebvre managed to translate it into his own understanding of spacial dialectics. (Grahm, 2016)

In his theory, Hegel explains that all of history exists in a series of historical stages. Each stage is progressing into another higher stage, whenever two universal perceptions are contradicting one another. Hence, they stay in a dialective relationship. The contradictive ideas end up being transformed into one new merged idea. When this certain moment of transformation or a process of change towards a higher phase happens, a revolution in history takes place. This transcending based on contradictions is therefore what drives history forwards. Hegel also calls it a 'negation of the negation':

„ The Becoming passes through the conflicting terms, confronts each of them, on its own level and in its own degree, with its 'other', which is in conflict with it, and finally transcends their opposition by creating something new. ' '. (Lefebvre, 2009)

These transcending stages are transferrable and recognizeable in the history of the urban, which thus is a product of former historical stages. More precicely, this model of the origins of cities and urbanism is introduced by Australian archaeologist V. Gordon Childe in the 1930's. It describes a process that reaches back in history to the Neolithis Revolution. Back then, as a first transcendation, society progressed from hunting and gathering to a sedentary farming lifestyle, domesticating crops and animals. This agrarian society was then further transformed when agricultural villages developed into larger, more complex societies. (Childe, 1936)

Based on this model, it can be understood that industrial society has emerged in same manner from agricultural society. With industrialization, a new class of industrial capitalists revolutionized against the old agrarians, supplanting

agricultural society. Childe was the first to determine the changes that characterized 'Urban Revolution' and introduced the concept to a broader audience in the 1950's. (Childe, 1936)

In the logics of Lefebvre, the urban city is nothing more than just another link in the chain. Since industrialisation has been replaced by urban era, the movement advances towards a society of complete urbanisation. History at the end, has been a history moving towards complete urbanisation. (Grahn, 2016)

At this point of Lefebvre's logical explanation, he questions whether the urban society embodies the goal of the transcending stages, where the urban society eventually dominates space entirely, or whether it evolves further into a higher stage. However, these thoughts will not be of great relevance for further arguments in this essay.

Nevertheless, I will emphasise on the now derived *urban*. In the urban society, space differs a lot from the time of a past industrial society and creates a new situation. Lefebvre discovers that with the transformation from the industrial into the urban, there comes a change of the inherent means of soil into capital focused means of production. Urbanisation is characterized by the conversion of land to urban uses. The new model of the urban society is characterised by a new characteristic: it is based on capitalist rules. As such, space today, compared to the industrially produced products, has become the commodity itself that enables production of capital. This phenomenon, which could not have been engendered out of another social system than that of industrial capitalism, is what Lefebvre refers to as the *urban phenomenon*. (Lefebvre, 2003)

II.3 The first and second circuit of capital

The key thesis of this part has been elaborated and emphasised on in the bachelor thesis by Jonas Grahn, where he draws a comparison between the dialectics of Lefebvre and Marx. Starting from the perspective of the city as an *urban city*, and the society as an *urban (capitalist) society*, we are at the point where Marx gains importance. In Volume II of Karl Marx 'The Capital', Marx elaborates on the concept of two departments of social reproduction in a capitalist society. The first department describes a production phase of the 'means of consumption', which is conducted by the worker. The second department is the reproduction and therefore the profit of the consumed 'means of consumption', which is accumulated by the

capitalists. (Marx, 1973) Referencing it to history, in the early phase of industrialism, the first department were the workers of the industrial sector. (Grahn, 2016) With the powerful period of manufacturing, the assumption is obvious that the production sector was the dominant department, by which the profit for the ascending second department was created. Later on, the capitalist sector would reinvest the profit to its favour. In relation to the urban, Lefebvre projects Marx's departments onto the real estate market of a city. He calls it the 'primary' and 'secondary circuit' of capital.

„... I would like to highlight the role played by urbanism and more generally real estate (speculation, construction) in neocapitalist society. Real estate functions as a second sector, a circuit that runs parallel to that of industrial production, which serve the nondurable assets market, or at least those that are less durable than buildings. This second sector serves as a buffer. It is where capital flows in the event of a depression, although enormous profits soon slow to a trickle.” (Lefebvre, 2003)

Lefebvre first points out that, with the urban city, this relation has been completely reversed. The secondary circuit had become the dominant, while the industrial sector is decreasing. Reinvestment in the secondary circuit of capital in his sense, is thus the investment in real estate. (Grahn, 2016) With exemplary industrialised cities like London, Manchester or Hamburg we have proven cases which represent the successful consequences of undergoing this primary circuit. Furthermore, industrialized economies in the Asian region such as Hong Kong, Korea, Singapore and Taiwan are also highly regarded as successful examples of industrialisazion. (Asian Development Bank, 2007)

II.4 Socio - economic profile of the Philippines

Back in the 70's in the above thematisized period of rapid economic growth, the Philippines has not managed to go along with other flourishing economies in eastern Asia, despite its wealth in natural resources. Although it was one of the most affluent countries in Asia after the Second World War, it has now declined to become one of the poorest, due to different historical, environmental but also political reasons. (Federal Research Division, 2006)

Although recording steady growth in GDP and population after gaining independence in 1946, the country suffered from several political incisions.

(Asian Development Bank, 2007) The decisive point happened in the 1950's, when the country insisted on an industrialization strategy which was based on 'import substitution industrialization' (ISI). This describes a trade policy strategy - applied by many developing countries during the post-World War II period - which promotes domestic production in order to foster it. With import substitution, a country tries to limit foreign imports with the help of restrictions, such as custom taxes or contingents. (Ellrich, 2019). The Philippines adhered to this strategy throughout the 80's, long after other growing Asian countries had begun focusing on export-led industrialization. (Asian Development Bank, 2007) As a matter of fact, these restrictions on foreign access also prevented the country from foreign direct investment during the Golden Age of Capitalism. Continuous tax evasion led to underinvestment in infrastructure. Ongoing political instability and a high rate of corruption was still hindering the country from successful reforms and eventual economical breakthrough. (Federal Research Division, 2006) Along with it, they followed a strictly managed foreign exchange regime which soon collapsed and brought the country into deep foreign debts in the early 80's. The Philippines was finally released from the strict policy 1986 and implemented drastic reforms towards an open trade policy. (Asian Development Bank, 2007) Nevertheless, in the 1980's, early and late 90's, growth was slowed down by economical crisis. The country was one of the leading exporters of tropical hardwoods in the 70's, and chromite, copper, gold and nickel in the 80's, both of these sectors have since declined massively. Although industry could recover in the 90's and stabilize during the 2000s, this sector had fallen behind the service sector ever since. In recent years, employment has largely been generated by the nonagricultural sector. (Asian Development Bank, 2007) What remains can be referenced exactly to the transition of Lefebvre: a declining industrial sector (31.7% GDP), an increasing service sector (53.5% GDP) and finally the agriculture/forestry/fishing sector (14.8% GDP) (Federal Research Division, 2006). Notwithstanding, the Filipino economy had directly transformed from a predominantly agricultural to an urban economy. Obviously, despite all these rich natural resources and industries, the country could never properly enhance in the first circuit of capital. Political crisis due to frequently shifting governments had caused foreign and international lending agencies to lose confidence. (Encyclopedia, 2019)

After all, it cannot be attributed only to political reasons, as the country had also suffered from a series of natural catastrophies. An earthquake in 1990 and the eruption of Mt. Pinatubo in 1991, had left the country torn. (Asian Development Bank, 2007)

II.5 Housing sector profile of the Philippines

With due consideration to the Philippines housing sector, a long-term housing backlog in both highly urbanized and informal areas is notable. The country is currently experiencing a real estate boom, which spans from upper class buildings to large scale low-cost and social housing projects. Since the 70's, housing programs were launched mainly by private and public authorities, in particular the National Housing Authority (NHA) or the World Bank. But soon, government financing was to be shortened, while the loan system by NHA also displayed low financial recovery, which eventually led to a decrease of action. In the 1990's, a well intentioned Community Mortgage Program (CMP) was launched by the government, although it eventually ran out of funds. In 1978, the government introduced a new program called Home Development Mutual Fund (HDMF), a loan system for 'social', 'economic' and 'middle income' housing for members of the formal employment sector. With the support of many private real estate companies, this program then successfully bridged the gap between the public and the private sector. Therefore, it offers a stable approach through governmental and private cooperation. But as a consequence, since the mid 90's, a significant part of housing production is still funded by the private sector. The tendency shows that housing in Manila provided by the private sector, has mainly been provided in the development of urban neighbourhoods and higher apartment buildings, while investments within the lower end market have remained moderate. This scheme becomes perfectly clear, when we examine some of the most successful private development projects linked to some of the richest families (eg. Ayala, Araneta, and others). (Steinberg, 2011-2012)

Unfortunately at the same time, the current picture given is a testimony for the Philippine government, which has neither the financial means nor political stability to provide for sufficient communal housing. Thus, affordability of housing and urban development must be adjusted as such to match the interest of the private sector. Eventually, a reliable financial mechanism apart from loan-

systems where a fast return of investment is ensured would prompt them to enter the low market segment. Housing investments in the lower end market will not depend only on instruments such as the HDMF and PPP models, but also on financial institutions opening up for the poorer segments. (Steinberg, 2011-2012)

II.6 The process of real estatization

Now, understanding the flow of capital is important to understanding how cities are built. The built environment does function as the investment of the production in the secondary circuit. It encompasses generated capital flows into fixed capital, or in other words, it converts liquid assets into built environment. The invested asset can either be a product of the production sector, or even a surplus capital of existing formerly made investments. As such, real estate is at any time determined by the behaviour of production and the behaviour of consumption. The secondary circuit is in its nature less productive, since the capital is fixed in real estate. The agility of investments in real estate is oriented towards profitability, depending on the market, which in itself is influenced by global events. (Feagin, 1987) In summary this means that real estatization correlates directly to the increasing capital flow in a society.

III Argument

Looking back to where we came from, we now understand that many southern countries or cities, turn into the secondary circuit of capital – investment in real estate – without much exposure to the primary (industrial) circuit. As a result, scarce liquid capital is in circulation. The country of the Philippines is one example. Having in mind the socio-economic development of the Philippines in the past century, we now might better understand the current development of its capital city Manila.

The current massive real estatization taking place in Metro Manila can be attributed to two main triggers. On one hand, it was the arising globalization. This rapid process of real estatization (in the upper sector) is the product of a time in history, when globalization overwhelmed the potential of labor intensive industrial welfare. On the other hand, but just as importantly, it is the extraordinarily rapid population growth. By 2005, the urban population totalled

more than 53 million or over 60 percent of the country's population. (Housing and Urban Development Coordinating Council, 2009) Both of these processes are particularly recognizable in the southern countries. (Goodfellow, 2019) In Manila, many vacant lots resulting from past restrictions on foreign investments in real estate, have suddenly become the main target of direct investment by the top capitalist layer. The traditional lack of job opportunities which led to migration has kept productivity low within the country, while retrieving capital from Filipino overseas workers (FOW) continues flowing into domestic investments. (Federal Research Division, 2006) These continuing investments by the minor upper class in the country or OFs and OFWs, and a huge housing backlog makes market for urban real estate expansion seem endless. (Ortega, 2016) Having missed the first circuit as a city, Manila has now suddenly become a place of interest.

IV Conclusion

With this given theoretical and real-world analysis, I finally infer in the following conclusion. Within just a short time, Manila's landscape is getting transformed into a mega urban landscape. These factors gave rise to phenomena such as Ayala Land or Bonifacio City, now drastically changing the urban environment of the city. High-end condominium and office developments around major central business districts are booming, while social housing projects have been displaced to nearby provinces. The markets immediately start to branch out and diversify, while new industry players continue to enter the 'open markets'. Through this evidence we may assume that the future wellbeing of Filipinos will depend largely on the performance and efficiency of urban areas in all aspects. While the city is continuously absorbing a well off population, poverty remains a predominantly rural issue. This leads to a largely regional variation in poverty within the country.

Due to this explosive urban growth, planners have to be aware of new critical issues like inadequate infrastructure, overcrowding, traffic issues, health and sanitation systems, waste disposal, water and air pollution and especially squatter settlements and raising poverty - which makes the housing problem very serious. Still, it is important to mention that the upmarket segment contributes towards developing new standards which can be of help for the low-market segment.

In order to sustainably develop the urban system, intelligent financing and private sector participation are in urgent need. There is no doubt that increased private sector participation, particularly in Metro Manila, is required to scale-up the housing activity and thus bridge the growing gap between demand and supply.

Bibliography

- Asian Development Bank, 2007. *Philippines: Critical Development Constraints*. Manila: Asian Development Bank.
- Childe, V. G., 1936. *Man Makes Himself*. London: Watts and Co..
- Ellrich, M., 2019. *klett.de*. [Online]
Available at: <https://www.klett.de/alias/1019120>
[Accessed 30 May 2019].
- Encyclopedia, N., 2019. *nationsencyclopedia.com*. [Online]
Available at: nationsencyclopedia.com/economies/Asia-and-the-Pacific/Philippines-ECONOMIC-SECTORS.html#ixzz5ITY3svav
- Feagin, J. R., 1987. The secondary circuit of capital: office construction in Houston, Texas. *ijurr*, June, 11(2).
- Federal Research Division, 2006. *Country Profile: Philippines*. [Online]
Available at: <https://www.loc.gov/rr/frd/cs/profiles/Philippines-new.pdf>
[Accessed 16 April 2019].
- Goodfellow, T., 2019. *Social justice as access to affordable housing: urbanisation and 'real estatistation' in the global South*, Sheffield: University of Sheffield.
- Grahn, J., 2016. *Space, Class, and Revolutions*, Lund: Department of Sociology, Lund University.
- Housing and Urban Development Coordinating Council, 2009. *National Urban Development and Housing Framework 2009-2016*. Makati City: Philippine Institute For Development Studies.
- Jenkins, P., Smitt, H. & Wang, Y. P., 2007. *Planning and Housing in the Rapidly Urbanising World*. First Edition ed. London: Routledge.
- Lefebvre, H., 2003. *The Urban Revolution*. [Online]
Available at:
<http://ebookcentral.proquest.com/lib/lund/detail.action?docID=1637302>
[Accessed 27 March 2019].
- Lefebvre, H., 2009. *Dialectical Materialism*. Minneapolis: University of Minnesota Press.
- Marglin, S. A. & Schor, J. B., 1992. *Oxford Scholarship Online*. [Online]
Available at:
<https://www.oxfordscholarship.com/view/10.1093/acprof:oso/9780198287414.001.0001/acprof-9780198287414>
[Accessed 07 May 2019].

Marx, K., 1973. *Grundrisse*. London: Penguin Book.

Ortega, A. A., 2016. *Neoliberalizing spaces in the Philippines : suburbanization, transnational migration, and dispossession*. Lanham: Lexington Books.

Steinberg, F., 2011-2012. For The Rich And The Poor. Issue 4.