Micro-foundations of producer power in Colombia and the Philippines: towards a political understanding of rents

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Abstract

This paper examines rent-creating state interventions in Colombia and the Philippines, where the authority to mobilise agricultural levies collected from leading agro-export sectors were delegated to producer associations. It investigates why coffee levies in Colombia are associated with production and welfare-enhancing outcomes, while coconut levies in the Philippines are depicted as non-developmental rent capture. The paper forwards an explanation based on a comparison of the basis in political economy of the power exercised by the leading sectoral organisations, FEDECAFE in Colombia and COCOFED in the Philippines. It finds that variations in historical political economy mean that conditions for collective action and the exercise of political power to influence rent mobilisation for developmental purposes were more robust for Colombian coffee than Philippine coconut producers. This paper explains the variations in terms of: (1) the economic basis of the power exercised by the producers; (2) the historical basis of productive expansion in the sectors; and (3) the political basis of the collection and mobilisation of the levies.

Keywords: political economy, institutions, rent-seeking, agro-export commodity production, producer associations

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1 Introduction

Why would state interventions that create rents yield different developmental outcomes? This is an important question in developing economies, where corruption may be endemic but state-created rents nevertheless a necessary means to provide incentives for production and investment. This paper examines this question through a comparative study of two cases of agricultural levies[1] collected from Philippine coconut and Colombian coffee producers. It examines how the power to mobilise these levies was delegated to leading sectoral organisations placing these in a historically-rooted understanding of the political economy of the institutions of these developing economies.

The analysis in this paper extends the neo-classical economics conception of 'rents' and criticises the depoliticised view of state-created rents as uniformly detrimental to development. In neo-classical economics, 'rents' are returns to an economic activity in excess of what would be received under perfect competition and 'created' by the state through interventions that regulate entry in said economic activity.[2] But this paper extends this conception by recognising that rents are generated not just by restrictions to entry and trade but also by – as suggested by Khan (2000b,

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[1]Levies are special use taxes enforced by the state. In the Philippines, the tax was levied on producers from the first sale of copra. The tax was collected for 10 years from 1971 to 1982. The levies collected were used to set up investment funds, held in trust by the government in the name of coconut producers. It was through the investment funds that coconut producers were nominally able to invest in shoring up the industrial capacity of the sector. In Colombia, the tax was imposed on coffee exporters and evolved with changes in the primary functions of the tax and collected from 1927 to the present. The first tax, collected from 1927-1972, was a volume-based general tax on coffee exports. Until 1940, the primary function of the tax related to providing the incentives for membership into the FEDECAFE and to shore up investments into the sector. Additional taxes were collected from coffee producers after 1940, when the *Fondo Nacional del Café* (FNC, from here on the National Coffee Fund) was established, originally established to finance the operations of FEDECAFE to buy, sell and store coffee as the Colombia became a member of the Inter American Coffee Agreement, regulating the world supply of coffee. First, a retention quota, through which private exporters were mandated to contribute parchment coffee, delivered to a FEDECAFE warehouse. Second, the *pasilla* and *ripio* taxes (from here on, taxes on low-grade coffee), through which private exporters were mandated to sell a volume equivalent to 6 per cent of their consignment of green coffee, bought by FEDECAFE at a fixed rate. Third, an *ad valorem* tax, which began as a tax on coffee dollars (1935-1944), which was replaced by a 'coffee differential', whereby dollars earned from coffee exports are exchanged at a lower rate (1951-1957; 1962-1967). In 1967, this was replaced by an *ad valorem* tax on coffee exports. The rate was set at 26 per cent in 1967, but has waned since then. A portion of this tax went directly to the national treasury, but a greater portion went to the National Coffee Fund and departmental committees of the FEDECAFE. Finally, in 1991, all these taxes, except the retention tax, were folded into a single levy called the *contribucion cafetera*.

[2]Neo-classical economics approach to rents and rents-seeking are elaborated on in Buchanan (2008), Posner (1975), Krueger (1974).

2010, 2013) – politically determined redistributive transfers like selective transfers of taxes, production subsidies or any legal or illegal transfer that converts public property into private entitlements These transfers represent extraordinary incomes for their privileged recipients, incomes that would not have existed without the intervention of the state. Such state interventions cause an incremental change in the distribution of incomes.[3]

Meanwhile, the analysis in this paper also proceeds from propositions in literature cognizant of the important role that state-mediated rents may play in the process of economic development and growth.[4] In particular, it is centrally anchored on Khan (2000a, 2000b, 2005a), who suggests that redistributive rents may be crucial in the transition from pre-capitalist to capitalist societies in developing economies, where productive capitalist classes require financing. Khan does not deny that redistributive rents, when directed towards unproductive purposes, could lead to the worst of developmental outcomes. But as suggested by the works of Amsden (1989, 2001; Amsden & Hikino, 1994), where these state-engineered privileges were disciplined by state-defined performance-based parameters, they could lead to the most 'virtuous' of developmental consequences. Moreover, Khan (2000a, 2000b) also shares with North et al (2007, 2009, 2013) the notion that in the early stages of development, privileged and politically ascribed access to rents may be crucial for establishing peace that, in the context of developing economies, is a necessary condition for the very possibility of production.[5] This paper anchors itself in the literature that recognises the possibilities for state-created rents to play developmental functions, and sets as its central task lending to an understanding of the political conditions that make this possible.

In the Philippines and Colombia, the state deployed a similarly designed institutional framework[6] for creating rents in its key wealth-generating agro-export sectors. Here, the state collected levies

[3] In general, Khan (2013, p. 249-250) submits that any policy intervention that changes income flows creates rents. The rents could be 'positive' or 'negative': the latter, is received by those who as a result of a policy intervention receives a higher than the next best opportunity income; the latter, is an extraction from those who lose income (say, as a result of a tax imposition).

[4] This notion is explored in connection to the historical experience of successful late-developing countries in East Asia (Amsden, 1989, 2001; Amsden & Hikino, 1994; Wade, 1990), where specific types of rents were crucial in powering processes of industrial upgrading. It is also explored in literature pointing to actual development experiences of now industrialised countries, where transformation of the productive capacities was made possible by state interventions conferring privileged access to rents (Chang, 2002; Reinert, 2007).

[5] The core of their argument about how access to rents could act as an incentive for individuals or organisations to be peaceful and cooperate with a given political coalition could be found in North et al (2007). These arguments are fully fleshed out in North et al (2009), and applied to a series of case studies in North et al (2013).

[6] I use 'institutional framework' and 'institutions' interchangeably and proceed from North's (1995, p. 23) definition of institutions as "humanly devised constraints that structure human interaction" and

from coconut and coffee producers, respectively, and then delegated the authority to mobilise these to leading sectoral producer organisations: the Philippine Coconut Producers Federation (COCOFED) and the Colombian National Federation of Coffee Growers of Colombia (FEDECAFE). FEDECAFE and COCOFED were thus legally enabled to control taxes that should have gone to the treasury for redistribution to the wider economy. The institutional framework that gave producer associations the right to mobilise these levies effectively gave private agents entitlements to extraordinary income streams, which they would not have had access to without the policy intervention. In this sense, it is a 'rent-creating' institutional framework.

These similarly designed institutional frameworks are associated with different outcomes. In Colombia[7], the levies were mobilised in investments and institutions that heightened the competitiveness of the coffee sector in the world market. Moreover, they also contributed to enhancing the welfare of Colombia coffee producers, by stabilising their income in the face of commodity price volatility and providing public goods like roads, health and education facilities in coffee-growing areas. The resources to finance these emanated from the use of coffee levies to shore up market power in a parastatal ran by FEDECAFE. Beyond the sector, this framework also had wider developmental consequences. It also enhanced the capacity of the state to mobilise policies around the goals of coffee production. Meanwhile, in the Philippines[8], the way rents were

"composed of formal rules…informal constraints…and *the enforcement characteristics* of both". [emphasis mine]I append the term 'framework' to emphasize that my objects of analysis are not the incentives embedded in a system of taxation (i.e., producer/export taxation) but in the institutional arrangement designed to enforce the tax—particularly the deputisation of private actors in the appropriation of public functions.

[7] Elaborations on the outcomes associated with coffee levies in Colombia can be found in three strands of literature. First, the performance of FEDECAFE as a parastatal organisation central to coordinating policies enhancing the competitiveness of the Colombian coffee could be found in Bentley and Baker (2000), Givannucci (20020, and Bates (1997) and Thomas (1985). Second, further elaboration on the role played by FEDECAFE in incorporating smallholder interests in agricultural and pricing policy can be found in Bates (1997) and Bentley and Baker (2000). Third, the evolution of the functions that coffee levies played in economic development is surveyed by Bates (1997), Garcia and Llamas (1989). A rich historiography of the coffee sector in Colombia, that also speaks to the role played by coffee levies can be found Junguito and Pizano (1993, 1996, 1997), who wrote a three-volume history – covering the twentieth century – of Colombian coffee production, the policies and institutions governing the sector, and its terms of engagement in the world market for coffee. Before them, Palacios (1980) wrote an economic, social and political history of coffee covering 1875 to 1970. Koffman (1969) narrates the history of the federation. Bacca (2010) critically reviews specialised historiography of the coffee industry, covering a comprehensive view of the field form the 1950s to 2010.

[8] Three strands of literature from which the associated outcomes of coconut levies may be gleaned are the following. First, is a strand of predominantly descriptive accounts of how funds were used for the personalistc ends by a cabal of individuals close to ousted strongman Ferdinand Marcos – accounts that lie at the core of the literature depicting the extent of corruption perpetuated under the Marcos administration (1963-1986). This includes Aquino (1999), Manapat (1991), David (1977, 1992) and Parreno (2003). Second, is literature that explores the political economy of the coconut levies, with reference to political national configurations under the Marcos administration. This includes Hawes (1987) and Boyce

mobilised enhanced neither coconut production nor the welfare of the producers. Instead, the mobilisation of rents is associated with supporting the personalistic goals of a cabal of individuals and an authoritarian president. Here the framework yielded the worst aspects of primitive accumulation without dynamic benefits accruing to the economy. In a nutshell, FEDECAFE was more successful than the COCOFED in influencing the mobilisation of the levies around the goals of production and producer welfare. As a result the same institutional framework that helped the Colombian state shore up its developmental capacity—including herding growth-enhancing investments, and improving social welfare of a significant part of its rural population— was, in the Philippines, co-opted by entrenched interests from outside of the sector to build up their personal wealth.

If similarly articulated institutional frameworks for rent creation yielded different modes of rent mobilisation – one with more positive developmental consequences than the other – then the explanation behind the differential outcomes associated with the levies collected from Colombian coffee producers and Philippine coconut producers must be found beyond the realm of institutional design. This comparative case study of Colombia and the Philippines provides an occasion for interrogating and potentially constructing hypotheses on the ways in which the political underpinnings of rent-creating state interventions may shape their developmental impact.

In the first section, I compare and contrast the basis of the economic and political power exercised by Philippine coconut and Colombian coffee producers, and explain how this could be linked to the emergence of a politically significant producer association in Colombia but not the Philippines. In the second section, I examine the historical roots of productive expansion in Philippine coconut and Colombian coffee sectors, and explain how these nurtured conditions for producer collective action that were more robust in Colombia than the Philippines. In the third section, I analyse the political origins of the levies, and explain the alignment of political interests and the goal of productive expansion in Colombia but not the Philippines. In the final section, I synthesize the variations in historical and micro-foundations of political economy that left FEDECAFE in a better place to shape the uses of the coffee levies in Colombia than COCOFED was, in the case of coconut levies in the Philippines.

(1993), who both validate much of the descriptive accounts but pushes the analysis by depicting the institutional framework for coconut levies as a means by which Marcos weakened his opponents and strengthened his political machine. Third, economic assessments of the coconut levies are surveyed by Clarete and Roumasset (1983) and Intal and Power (1990), all of which uniformly depict the levies as depressing the incomes of coconut producers.

2 Contrasting the basis of economic power: resource mobilisation and land

In this section, I unpack sector-specific differences that contextualise the prospects for the exercise of political power by the producer association each representing the Colombian coffee and Philippine coconut producers: the sectoral significance in the national economy of their respective sectors; and their perceived common characteristic as smallholding agricultural sectors.

2.1 Relative importance in the national economy

The significance of the Colombian coffee and Philippine coconut sectors in their respective national milieus stem from their role in providing foreign exchange earnings to finance wider processes of industrialisation, and providing agriculture-based employment and thereby helping enliven the rural base for these processes. Exploring the historical evolution of this role reveal the variances in the relative importance of the sectors in their respective economies. In general, the Philippine coconut sector never really achieved the singular dominance that the coffee sector enjoyed over a long period of time in Colombia.

Table 1.1 features data comparing the share of the respective sectors in each of the country's total export earnings during years for which comparable data is available from 1900 to 2000. It could be deduced from this table that coffee in Colombia generally accounted for a bigger share of total export earnings and for a longer period of time. Data in the table reveals, in particular, that for a period of 85 years, from 1915 to 1985, coffee exports accounted for more than 50 per cent of total export revenues in all years except in 1940 and 1975. In the first decade preceding the Second World War, coffee exports accounted for more than three quarters of Colombia's export earnings. To be sure, we are only able to compare in this table Colombian and Philippine data from after the Second World War. We could conclude from the table that from 1950 to 2000, Philippine coconut exports only achieved what Colombian coffee – in terms of accounting for at least half of export earnings – in 1950. But Nyberg (1968), who wrote a PhD thesis on the Philippine coconut sector covering 1900-1965, provides an indication of trends in export shares in the period before the 1950s that is useful to extend the analysis beyond the data presented in Table 1.1. He calculated that total export earnings of the Philippine coconut sector from 1900 to 1965 was US$ 4.6 bn , accounting for one-third of the country's total export earnings of US$ 13.6 bn (Nyberg, 1968, p. 179). He also asserts that prior to the Second World War, exports of coconut products accounted for about 25 per cent of the country's foreign exchange earnings. These figures indicate that even in the first 50 years of the twentieth century, it would be reasonable to conclude that

Philippine coconut exports did not exhibit the same supremacy that Colombian coffee exports did in the national economy. While both sectors were historically significant contributors of export earnings, the fortunes of Colombia's national economy was more strongly linked with that of the coffee sector.

2.2 Land, power and collective action

Based on Olson's (1971) thesis concerning the logic of collective action – particularly the idea that the larger a given group, the less the incentive for individuals to engage in group-oriented action because benefits from cooperation are watered down by the size of the group – incentives were stacked against the establishment of an effective and working producers associations in both the Colombian coffee and Philippine coconut sectors, which are both constituted by a large number of smallholding producers. The failure of collective action in the Philippine coconuts sector would be a confirmation of the theory; but the Colombian coffee case, an aberration. It is thus important to verify and unpack the evidence on smallholding agricultural structures in these sectors at analytically crucial junctures: in the first instance, in the years before the establishment of the producers associations, to capture the 'initial conditions' under which these associations emerged; and also during the years the levies were imposed and mobilised by these associations, to verify the base of their power while associations endeavoured to influence the mobilisation of the levies.

Table 1. Share of Philippine coconut and Colombian coffee export earnings in total (in per cent): selected years, 1900-2000

Year	Colombian coffee	Philippine coconuts
1905	40.9	
1910	31.0	
1915	57.9	
1920	51.2	
1925	78.4	
1930	54.4	
1935	55.5	
1940	44.1	
1945	74.0	
1950	77.8	52.1
1955	81.7	37.0
1960	69.3	33.1
1965	62.5	35.6
1970	62.9	20.2
1975	44.8	20.4
1980	55.9	14.6
1985	45.2	10.0
1990	19.9	6.1
1995	17.6	5.7
2000	4.6	1.5

Source of Colombian data: for 1905-1995, GRECO (1999), and for 2000, DANE (2013); Source of Philippine data: author's computation based on coconut export data from Philippine Council for Agriculture and Resources Research (1980) for 1950-1975, and United Coconut Associations of the Philippines (1987, 1997) for 1975-2000, and Philippine export data from the International Monetary Fund (2013)

In the Philippines, the extent to which the coconut sector was constituted by smallholding producers before the coconut levies were imposed can be analysed using data from the Philippine government's Census of Agriculture. The Census data on farm size in the period from after the end of the Second World War up until 1970, when the first of the coconut levies were collected and mobilised, seem to support the proposition that the sector was predominantly smallholder-based. As can be seen in Table 1.2, more than 90 per cent of farms were less than 10 hectares in size, and accounted for more than 50 per cent of coconut hectarage. Between 1948 and 1960, there appears to have been a move towards a more equitable distribution of farm sizes, as the share of both farms less than 10-hectares in size increased, while that of farms 50-hectares or bigger in size diminished. There was a bit of a reversal in 1970, when the share of bigger farms in total hectarage and total number of farms increased; in the aftermath of forex decontrols, expansion of coconut hectarage seems to have occurred in farms that were already large to begin with (Boyce, 1993, p. 190). Still, based on the census data presented in the table, and unlike most tree crops in tropical agriculture, coconut production in the Philippines was never dominated by large plantations – at least in the years before the imposition of the levies.

Table 2. Farms and coconut hectarage shares, by farm size, before the imposition of coconut levies (in per cent): 1948, 1960, 1970

	1948		**1960**		**1970**	
Farm size	**Farms**	**Hectarage**	**Farms**	**Hectarage**	**Farms**	**Hectarage**
Under 5 has	75.7	31.9	72.1	34.3	72.7	35.0
5 and under 10 has	15.1	20.7	18.5	27.4	17.5	22.8
10 and under 50 has	8.7	31.8	9.2	30.1	9.4	31.9
50 has and over	0.5	15.6	0.2	8.2	0.4	10.2

Source: Census of Agriculture, 1948, 1960, 1970

Based on the census data on coconut farm sizes presented above, one could conclude that if average land sizes of farms were a measure of the 'base of power' of coconut producers, then they had a weak base, and incentives were indeed stacked against collective action. But, there are important caveats to be made when reflecting on the political implications of smallholder production in the Philippine coconut sector. For one, census data on farm sizes are based on operational land holdings, rather than land ownership. For example, several operational farms, in which land is cultivated by tenants, will each be counted in the census as separate farm holdings even if they are owned by just one landholder. That is to say, the data actually masks degrees of concentration in land ownership. (Boyce, 1993, p. 190; Putzel, 1992, pp. 27-29). Farm size data thus has to be cross-referenced with land tenure data. In 1970, 74 per cent of the coconut farms in Philippines were owner-operated (Census of Agriculture, 1970 in Tiglao, 1983, p. 256), which buttresses the claim that coconuts are a smallholders' crop. However, it must be noted that the coconut sector in the Philippines had a significantly higher rate of tenancy than in the Colombian coffee sector in 1970: while 20 per cent of coconut farms in the Philippines were operated by a tenant (Census of Agriculture, 1970 in Tiglao, 1983, p. 256), in Colombia it was less than 1 per cent of the coffee farms that were under this tenurial arrangement in the same year (Censo Cafetero in Junguito and Pizano, 1991, p. 69). Putzel and Cunnington (1989, pp. 13, 15) observe that the landlords of these tenanted coconut farms in the Philippines were mostly absentee ones – including teachers, managers, military officers and professionals based in urban centres. These trends imply that a significant segment of those who had the potential to form the base for collective action were not as strongly rooted in the sector in the Philippines as they were in Colombia.

In the case of the Colombian coffee sector, the relevant period for the analysis of initial conditions for collective action is the period before 1927. Unfortunately, agriculture census data in Colombia were not yet collected at this time. But coffee production in the early 20th century is typified in literature (Bates, 1997; Griffin, 1968) as being predominantly based on peasant smallholder economy. This is a trend that began in the late 19th century as cultivation expanded from the east of the Andes mountains, which was more estate-based and where production was centred in much of the 19th century, to the western and central portions of Colombia, mountainous areas where land was cheap and production was smallholder-based. Soon after the first of the coffee levies were collected, in 1932, Junguito and Pizano (1991, 58) cite data from FAO to suggest that at least 86 per cent of coffee production was concentrated in farms less than 5 hectares in size.

Table 3. Farms and coffee hectarage shares, by farm size, (in per cent): 1955-56 and 1970

	1955-56		**1970**	
Farm size	**Farms**	**Hectarage**	**Farms**	**Hectarage**
0-1 ha	36.3	7.1	33.5	4.7
1-10 has	58.1	56.9	59.4	51.9
10-50 has	5.4	28.1	6.6	33.9

Source: Junguito and Pizano (1991), p. 59

But as in the Philippine coconut sector, important changes were occurring in the production of Colombian coffee the levies were being mobilised. For example, Table 1.3 gives an indication of some of these changes from 1956 to 1970.[9] It shows that the area coffee farms of the size 10 hectares and more were accounting for a growing portion of the coffee hectarage between 1956 and 1970, as those of farms of the size 10 hectares and smaller were accounting for less. Junguito and Pizano (1991, p. 73) confirm that while the expansion of coffee hectarage was centred in farms under 10 hectares in size in the period between 1932 and 1956, between 1956 and 1970, the same was centred in larger farms.

However, as in the Philippines coconut sector, data used to illustrate the extent of smallholding in the Colombian coffee sector needs to be treated with care. In the Colombian case, the issue has to do with the importance of differentiating between the 'coffee farm' (*cafetales*) from the 'coffee estate' (*finca*). The 'coffee farm' relates to an operational landholding in which solely coffee is grown. The 'coffee estate' is an enterprise in which coffee production is an important but not necessarily sole source of income. Here other income sources, unlike in the absentee landlord farms in the Philippines, would be farm-based too (for example, the cultivation of other crops, or cattle stock). In Colombia, 'coffee farms' can actually be operating within large 'coffee estates', implying that Colombian coffee production is less of a monoculture than Philippine coconut production. Therefore in the Colombian case, it would be important to verify not just the average size and distribution of the 'coffee farm', but also those of 'coffee estate'.

Data surveyed by Junguito and Pizano (1991, pp. 50-56) differentiating these two categories reveal information that bear important comparative insights with the Philippines. They found that the average size of the 'coffee estate' has been decreasing: from 20.1 hectares in 1955-56[10], to 14.8 hectares in 1969-70[11], and 11.8 hectares in 1980-81.[12] Meanwhile, the average size of the 'coffee farm' has been increasing: 3.3 hectares in 1955-56[13], to 3.5 hectares in 1969-70[14], and 4.6 hectares in 1980-81.[15] Based on these figures, while the average coffee farm size in Colombia was indeed within the range of smallholder production at less than 5 hectares in the period 1955 to 1981, it is still entirely possible that said production was undertaken within larger coffee estates. It is notable that 56 per cent of the coffee estates in 1970 were less than 4 hectares in size; while 28

[9] This is an important period in regard to the rent mobilisation because, this was a period when the resources over which the FEDECAFE increased due to new coffee types of levies collected and in which the uses of the levies were shifted to domestic price stabilisation.
[10] From Estudio CEPAL-FAO, 1956 in Junguito and Pizano 1991, p. 51
[11] From Censo Cafetero, 1970 in Junguito and Pizano, 1991, p. 51
[12] From Censo Cafetero, 1980 in Junguito and Pizano, 1991, p. 51
[13] From Estudio CEPAL-FAO, 1956 in Junguito and Pizano 1991, p. 51
[14] From Censo Cafetero, 1970 in Junguito and Pizano, 1991, p. 51
[15] From Censo Cafetero, 1980 in Junguito and Pizano, 1991, p. 51

per cent were between 4 and 12. This means that, even in terms of 'coffee estates', data supports the proposition that coffee production was smallholder based.

But from a comparative perspective, it is this distribution (i.e., distribution of coffee estate sizes in Colombia) that we need to compare with the distribution of coconut farm sizes in the Philippines, to gauge the comparative strength of the 'land bases' of the respective producers association. When this exercise is undertaken, as I did in Table 1.4, it could be inferred that in 1970, while both the Colombian coffee and Philippine coconut sectors could indeed be largely typified as smallholder-based, coffee producers in Colombia had comparatively larger landholdings than coconut producers.

Table 4 Distribution of Philippine 'coconut farms' and Colombian 'coffee estates', by size: 1970

Size	% of coconut farms	Size	% of coffee estates
0 to 5 hectares	72.7	0 to under 4 hectares	46.0
5 to under 10	17.5	4 to under 12	27.8
10 to under 50	9.4	12 to under 50	20.5
50 and over	0.4	50 and over	5.7

Source: Philippine data from Census of Agriculture (1970); Colombian data from Censo Cafetero (1970)

From a comparative perspective – particularly in terms of indicators of access to land as the base of political strength – the 'puzzle' of the power exercised by the 'numerous' Colombian coffee producers through successful collective action and the relative weakness of the Philippine coconut producers becomes less of a conundrum. From the discussion above, coffee producers in Colombia had a comparatively stronger 'land base' – in terms of relatively larger landholdings of the coffee estates and significantly lower rates of tenancy.

3 Historical roots of productive expansion

Historical differences in the basis of productive expansion of these two sectors also provide clues about why a stronger producer association took root in Colombia but not the Philippines. In the Philippines, the American colonial legacy left two important imprints in the coconut sector: incentives for productive expansion based on a prolonged protected access to the US market, and the absence of a tradition fostering planters associations like those found in European colonies in

Southeast Asia. In contrast, the expansion of coffee in Colombia in the twentieth century was mostly an indigenous process powered by the cultivation of frontier lands in the western part of the coffee zone, and financed by an emergent commercial class. While coconut producers were coddled by a protected US market and had neither the incentive nor tradition to come together to solve problems of production for much of the twentieth century, Colombian coffee openly competed in the international market for coffee from early in the century until 1940, when Colombia signed the Inter-American Coffee Agreement.

3.1 Colonial imprints on productive expansion in the Philippines

In general, the coconut industry in the Philippines – its place in the political economy and dominance in the world market – was mostly shaped by American colonial and neo-colonial policies. In particular, the Philippines' protected access to the US markets for coconut oil and desiccated coconut, effected through policies circumscribing an 'economy of special relations' between the Philippines and the US, provided the incentives for Philippine agro-export production for close to three-quarters of the twentieth century.

From 1909 to 1934, the Philippines and the US entered into a regime of free trade in all products traded, except Philippine tobacco and sugar, which were initially subjected to import quotas in the US.[16] Under this trade regime, Philippine exports of coconut oil and desiccated coconut enjoyed special advantage in the US markets. From 1922, Philippine coconut oil producers were not subjected to a two cent per pound tariff duty that was levied on all other coconut oil imports into the US (Rice, 1935, p. 157). Meanwhile, duty on desiccated coconut increased from two to three and one-half cents per pound in the same year—a trade tax from which the Philippines was also exempted (Hawes, 1987b, p. 61).

The regime of 'special relations' was extended in 1946 as a result of the devastation wrought by the Second World War, which destroyed vital infrastructure in the country, including many of the coconut mills. The regime was to last until soon after the imposition of the coconut levies in 1974. Through the Tydings Rehabilitation Act of 1946, the United States committed US$ 620 million for post-war reconstruction in the Philippines, subject to the condition the two countries entered an

[16] This regime was first enacted through the US Tariff Act of 1909 and the Philippine Tariff Act of the same year, which designated a regime of reciprocal free trade except sugar and tobacco, subject to the following limitations: (1) restricted but generous quotas on duty free Philippine sugar and tobacco products entering the US; (2) a cap of 20 percent on non-Philippine or non-US content in the total value of Philippine manufactures entering the US duty free; and (3) the exemption of rice from duty-free status. (Jenkins, 1954, pp. 32-33) The US Tariff Act of 1913 removed the restrictions on duty-free sugar and tobacco (Jenkins, 1954, p. 33) and governed commercial relations between the US and the Philippines until 1934 (Hawes, 1987b, p. 25).

agreement governing trade relations. The trade accord, in turn, was embodied in the US Bell Trade Act of 1946 and the Philippine Trade Act of the same year. This agreement extended the duty-free trade regime until July 1954 – later further extended by 15 months to December 1955[17] – after which most exports from Philippine goods were to be subjected to progressively increasing percentage of US duties until 1974, when preferential treatment for all Philippine exports in the US were to be totally terminated. But Philippine coconut oil, along with seven other commodities[18], was given the privilege of duty-free quotas, subjected to a decreasing schedule until 1974, when they were completely eradicated. The initial quota for coconut oil was 200,000 long tons, decreasing by 5 per cent every year from 1955 until the quota was totally eliminated in 1974.

Thus, for almost three-quarters of the twentieth century from 1909 to 1974, American colonial and neo-colonial policies provided pivotal incentives for the development of the industry and fostered the dominance of the Philippines in the world market for coconut exports in much of the twentieth century. The effects of the policies outlined above are illustrated in Table 1.4, which provides a long-run view of coconut exports from the Philippines. The table shows the dramatic increase in exports of copra and coconut oil occurring from the start of American occupation until the eve of the Second World War. At the beginning of American occupation, the Philippines was exporting an average of 71,444 MT of copra and 723 MT of coconut oil in the period 1901-1910. The average quantity of copra exported rose to 272,814 MT in the period 1931-1940, representing a four-fold increase from the average at the start of the American occupation. The increase in coconut oil export production was even more dramatic: an average quantity of 158,402 MT exported in the period 1931 to 1940 or a 219-fold increase relative to the average in the first 10 years of the occupation.

The degree of dependence of Philippine coconut exports on the US markets is also indicative of the extent to which American colonial policies influenced production in the industry. Before 1909, the little that was exported of coconuts – mostly in copra form – went to Europe, where the oil was extracted and re-exported to the United States (American Council Institute of Pacific Relations, 1934, p. 1). But by the 1930s, almost all of the coconut oil and more than two-thirds of the copra exported from the Philippines went to the United States. And at this point, the Philippines accounted for one-third of world exports of copra and its derivative oil (Rice, 1935, p.

[17] This was enacted in July 1954 by virtue of RA No 1137 in the Philippines and Public Law 474 in the US.
[18] They were: sugar, cordage, rice, tobacco, cigars, coconut oil and buttons of pearl or shell. (Jenkins, 1954, p. 65)

157). To extend the analysis, Table 1.5 depicts the share of Philippine coconut exports going to the US after the Second World War. It shows that by the 1950s, more than three-quarters of Philippine coconut oil exports and almost all of its desiccated coconut exports were going to the US. In the 1960s, the shares of coconut oil and desiccated coconut exports going to the US still exceeded three-quarters of the total, but by then shares had begun to decline. By the time the free trade arrangement of the Philippines with the US had ended in the 1970s, the shares of coconut exports destined for the US market had gone down further.

Table 5. Ten-year average Philippine exports and US share, by type of coconut product: 1900-2000

	Quantity exported (in thousand kilos)			US share in exports (in per cent)		
	Copra	Coconut oil	Desiccated coconut	Copra	Coconut oil	Desiccated coconut
1900-1910	71,444	723				
1911-1920	87,239	47,164				
1921-1930	178,962	124,466				
1931-1940	272,814	158,402				
1941-1950	no data	no data	no data			
1951-1960	782,765	77,812	49,321	41.66	86.47	97.14
1961-1970	738,183	241,337	64,084	36.51	82.12	81.70
1971-1980	548,664	669,055	81,118	3.30	61.96	48.69
1981-1990	101,799	925,907	79,737	-	42.79	47.36
1991-2000	23,778	964,855	78,295	-	44.44	46.15

Source of basic data: for 1900-1940, Hawes (1987, p. 170), for 1950-1975, Philippine Council for Agriculture and Resources Research (1980), for 1975-2000 UCAP (1987, 1997) for 1975-2000

Meanwhile, Corpuz (1997) noted another important implication of having the US as coloniser shaping the operations of Philippine export agriculture and a feature that resonates sharply in the coconut sector. He observed that Americans did not leave a tradition typically found in European colonies in the region, where planters' associations were organised and maintained research and experimental stations for their respective crops, working closely with government stations. These associations supported study teams working on the feasibility of diversification and on the export potential of various crops. For example, activities of planters associations in Siam, Java and French Indochina led to advances in production technology in rice. As a result of these associations' early establishment and activities in these countries and the absence of the same in the Philippines, science and technology support for agriculture in the Philippines was thirty to forty years behind the system in Java. In the period 1914-1929, rice yields in these regions averaged at 2,200 kilos per hectare while productivity in the Philippines was 1,225 kilos per hectare. (Corpuz, 1997, p. 253)

In a nutshell, the absence of a colonial tradition of planters organising in the agriculture export sector in the Philippines coupled with the coconut sector's assured and protected access to the US market– with the latter, probably lessening the incentives for producers to come together to collectively respond to the challenge of enhancing productivity –shaped a shallow history of organising in the sector.

3.2 Internal drivers of expansion in Colombian coffee

Meanwhile, in Colombia, growth in coffee production in the twentieth century was driven by internal processes of expansion. The terms with which the sector integrated with the international coffee market became an object of debate in national politics early in the twentieth century. The preferred strategy of Colombian coffee producers in this debate – conducted before the Grand Depression in 1930 led to a spiralling down of international coffee prices – was to openly compete with Brazil, the world leader in coffee production, rather than to collude with it to suppress international supply. This position was shaped by the conditions of production in the geographic centres of productive expansion. Elucidating on this requires explaining the historical features of coffee expansion in Colombia.

Junguito and Pizano (1991, pp. 7-15) explain that there were two episodes of productive growth spurts in the coffee sector with their own distinct drivers. The first growth spurt happened late in the 19th century, in the period 1880 to 1898, when national production increased five-fold from about 100,000 60-kilo sacks of coffee to about 500,000 sacks. Productive expansion during this period was centred in the eastern parts of the coffee zone – primarily in the department of Norte Santander, but also minimally in Santander and Cundinamarca – which were largely characterised by large coffee estates. Junguito and Pizano explain that the concentration of coffee production in this region during the late 19th century is explained by its proximity to Venezuela, a key hub of trade at that time, and its well-connected transportation facilities. Civic conflict erupted from 1899 to 1902 that disrupted this period of growth. [19] In the peaceful interlude that followed, a second

[19] A civil armed conflict between the radical factions of the Conservative and Liberal, partly precipitated by falling coffee prices in the international market.

period of growth happened from 1902 to 1930. In this period, the expansion of production became even more dramatic – with production almost doubling every ten years.

It is this second period of growth that had important implications for the conditions for collective action and the accretion of political power by coffee producers. In contrast to the growth spurt in the late 19th century, productive expansion in the coffee sector in the early 20th century happened not in large coffee estates east of the Andes mountains, but in the western and central parts of the coffee zone, during the peak of a process of settler colonization of frontier lands in the departments of Antioquia, Caldas and Tolima. Smallholder based production structures dominated this area, in contrast to the big coffee estates in the east. The agronomic conditions in this region were ideal for smallholder production with no economies of scale, and for combining coffee production with other subsistence crops. Here, coffee was grown in steep slopes, where land had few alternative uses and was thus cheap (Bates, 1997, p. 55). Data in Table 1.6 exhibits how smallholder coffee farms were accounting for productive expansion in the early part of the 20th century – with much more of the growth in production occurring in the eastern part of the coffee region, particularly the smaller farms there.

Table 6. Coffee production (in tons), by size of coffee farms and geographic zone, 1923-1932

Size of coffee farm (in hectares)	Western zone			Eastern zone		
	1923	1932	% change	1923	1932	% change
Less than 3	20,540	37,434	82.2	6,333	16,030	153.1
3 – 12	26,572	44,074	65.9	8,865	24,151	178.1
12 – 15	14,649	30,640	109.2	7,586	15,138	99.6
Greater than 35	9,815	14.384	46.6	15,789	22,473	42.3
Total	71,576	126,532	76.8	38,393	77,792	102.6

Source: Machado, Absalon. (1994). *El Café: De la aparceria al capitalism*, p. 123. Bogota: Tercer Mundo Editores.

Against these two episodes of productive expansion, coffee exports were also accounting for a growing share of Colombia's exports. In the first growth period, the share of coffee in Colombia's total exports rose from 20 per cent in 1880-84 to 55 per cent in 1890-94, and 49 per cent in 1895-99 (José Antonio Ocampo, 1984, pp. 100-101). In the second growth period, after the downturn in the face of the conflict at the end of the 19th century, coffee exports growth recovered from

1910 and grew steadily, if not as dramatically as the first period. The sector's share in national exports stood at 39 per cent in 1905-09 rising steadily in the following periods: to 48 per cent in 1910-14, 51 per cent in 1915-19, and 69 per cent in 1920-24 (Beyer, 1947, pp. 359-363). Moreover, Colombia increased its share of the world market from less than 300,000 60 kilo-bags in the early 1890s to over 3 million bags in the early 1930s (Bates, 1997, p. 51).

As a testament to the growing importance of the coffee sector in the Colombian political economy, the debate on the country's strategy for integration in the world market was a matter of high politics. Junguito and Pizano (1991, p. 6) depict the principal characters of this debate in the 1930s to be the Liberal president Alfonso Lopez Pumarejo with familial links to the country's principal coffee exporters, and Mariano Ospina Perez, then the president of the recently formed FEDECAFE and also coming from a family with economic interests in coffee growing. Lopez-Pumarejo was a staunch supporter of quantitative restrictions to delimit the supply of coffee and championed entering into an agreement with then world-leading producer, Brazil. Ospina Perez, speaking on behalf of the coffee producers through the FEDECAFE, believed that expanding production and increasing its share in the world market best served the long-run interests of the coffee sector. Bates (1997, pp. 60-61, 69-74) suggests that the FEDECAFE was, in its early years, a proponent of competitive marketing policies, choosing to be a 'vigorous entrant' in the world market. While the government wanted to collude with the other leading coffee exporter, Brazil, to delimit world supplies of coffee, the FEDECAFE initially preferred to free-ride on Brazil's international marketing strategy. He says that FEDECAFE believed that Colombian coffee producers could thrive in open competition "owing to the small size of the coffee farms in Colombia, the diverse crops grown on each farm" -- that is to say that they could withstand the competitive onslaught by consuming food products in their farms while tending to their coffee (Bates, 1997, p 73). Thus, the preferred position of the coffee producers of trading freely and competing openly in the world market at that crucial time of productive expansion in the early 20th century had to do with the small-holding eastern coffee zone being the hub of coffee growth.

But competing in the world market meant that the sector had to continuously innovate and deal with production bottlenecks to survive. And part of how Colombian coffee producers achieved this was coming together in the FEDECAFE, allowing themselves to be taxed, and then mobilising the collections to deal with these bottlenecks. In contrast to the Philippine coconut producers, whose terms of engagement with the international market were defined by the US and did not provide incentives for collective action, the Colombian coffee producers chose a competitive strategy – borne out of the dominant structure of production – that forced them to come together.

4 Political origins of the levies

In this final section, I compare and contrast the historical and political conditions that led to the establishment by the state of an institutional framework allowing producer associations to mobilise the levies.

4.1 Coconut levies as a 'strongman's' political project

The governance of the Philippine coconut sector before the imposition of the coconut levies in 1970 was marked by a history of largely ineffective state policies, and of failed attempts by the COCOFED to influence the same.[20] When, the law authorising the collection of the Coconut Investment Fund levy was passed by the Philippine Congress under the administration of Marcos in 1971, Eleazar, et al. (1980, p. 78) argued that coconut industry "won its major battle for a development mechanism that is both industry-financed and industry-directed." The COCOFED had been lobbying for the concept of the levy since 1968 and it was mostly their version of the bill that legislated into law in 1971 This levy was used as a template for a series of other levies collected from the sector. From 1971 to 1982, President Ferdinand Marcos utilised the expansive executive authority accorded to him under Martial Law[21] to promulgate a spate of presidential decrees that led to the dramatic increase in the amounts levied, the expansion of the levies' authorised uses, and the centralisation of control of levy collections by a delimited set of individuals, including representatives of the COCOFED. The authorised uses, in turn, of the levies included the following: (1) raising capital investments to shore up industrial capacity in the coconut sector, make farmers direct participants in industrialisation, and rationalise the milling sector; stabilising coconut oil consumer prices; (2) subsidising premium duties paid by exporters; financing a coconut replanting programme; (3) financing the organisational operations and welfare projects of COCOFED; (4) financing research and administrative expenses of PCA; and (5) purchasing shares in a commercial bank to address the credit needs of coconut producers.

Thus, within a span of ten years, Marcos penned ten decrees that legalised the collection of levies, which were remitted to funds that represented a substantial infusion of capital into the coconut sector, and that nominally allowed the coconut producers – through the COCOFED– to mobilise the funds. The collection and modes of mobilising coconut levies during the Marcos years represent a scale of direct state interventions that the industry had not seen for much of the twentieth century and did not see again after Marcos' fall from power. Thus, the collection and

[20] These are elaborated on in Nyberg (1968) and Eleazar, et al (1980).
[21] Marcos declared Martial Law in the Philippines from 1972-1983, using exaggerated threats posed by Communist and Muslim insurgencies as justification. He ruled by decree, abolishing Congress, closing down media establishments and arresting key opposition figures.

mobilisation of these levies may be seen as representing a true shift in the governance of the Philippine coconut sector in two senses. *First,* the levies constituted a scale of public resources that was never before made available for the sole use of the sector. *Second,* the policy deployed to mobilise these resource involved, on paper, the direct participation of the coconut producers. The next question to ask, then, is what accounted for this shift in nature and scale of state intervention in the sector?

One explanation relates to the elite fissures wrought by the evolution of industrial policy after independence in the Philippines. As shown in an earlier section, American colonial policies nurtured wealth accumulation in the export of agricultural commodities—including sugar, coconut, abaca, indigo and tobacco products. This also had had the effect of making these sectors central to the evolving political economy as the economic base of the land-holding elite that dominated much of Philippine politics in its history as an independent republic. The political importance of these sectors emanated not only from the tremendous wealth that they generated for the agrarian elite, but also because of the sizeable electoral base they constituted, with these sectors employing a major share of the population up until the 1970s. Unlike Taiwan and South Korea, where land reform weakened the power of the land-holding class, in the Philippines this dominance was never completely broken.

However, the social and economic bases of the elite diversified as the country began to experiment in import-substitution in the 1950s. The devastation wrought by the Second World War brought the national treasury to the brink of bankruptcy and signalled the origins of import substitution in the Philippines– beginning with the imposition of import and export controls.

Hawes (1987b, p. 20) noted that the rise in production of manufactures behind the walls of protection afforded by import substituting industrialisation brought along with it the rise of political conflict about who would bear the burden of financing industrialisation, the acceptable levels of foreign control and the degree of protection for domestic entrepreneurs. He suggested that this conflict underpinned a stalemate between pro-agriculture and export-led growth versus nationalist and populist import-substituting interests and explained why the Philippines transitioned to export-oriented industrialisation much later than its neighbours in the region.

In a nutshell, the institutional framework for the collection of coconut levies was devised at the point where import-substituting elite interests were challenging the hegemony of outward-looking agrarian interests. Hawes (1987) suggested that Marcos – by employing the policies he did in the agro-export sector, including through the imposition and mobilisation of coconut levies – effectively broke down elite cohesion in favour of the exporting sectors.

I propose a different take on why Marcos, utilising state power, elected to favour certain handpicked sections of the elite. Coconut levies could be understood as a rent-allocating tool used by Marcos to consolidate his political base under Martial Law – doling out what North et al (2007) and Khan (2004a) would call 'rents for political stability'. Against a political landscape dominated by a relatively small number of wealthy families, Marcos was a political 'outsider', who was not part of the traditional elite – although coming from a wealthy family in the Ilocos region of Northern Luzon. His declaration of Martial Law could thus be seen as a political project for undermining the political structure of traditional families and cutting their networks of influence (Dohner & Intal, 1989, pp. 387-388) and centralising political power in the executive. Marcos achieved this by disbanding Congress, the hub of locally-rooted traditional families and suspending all local elections. Government also seized and closed all newspapers, radio and television stations to deprive opposition their voice. Private armies were disbanded and control of local police placed under the Philippine Army.

The same logic of undermining traditional elites and establishing and consolidating a base of his own underpinned Marcos' strategy in allocating rents in the agro-export sector. Here, he used state power to secure control of the coconut sector in the hands of 'presidential cronies' (Boyce, 1993, p. 190). Coconut levies were the resources used to establish monopoly control of the processing and exporting of copra by agents among those chosen by Marcos to underpin his political base, along with other opportunities for wealth accumulation for agents benefitting from the rent settlement.

In summary, the establishment of the institutional framework for coconut levies was governed by political calculations of an authoritarian leader. The COCOFED did not have the organisational power to influence those calculations in a major way. Because of this, the rent settlement redistributed income to presidential associates and just some leaders of the COCOFED, which with its shallow historical base, did not evolve organisational processes that would have held these leaders accountable to the 'mass members' of the federation, who bore the burden of the levies.

4.2 Coffee levies and the private appropriation of public power

If the rent settlement associated with coconut levies in the Philippines was governed by a logic external to the productive goals of the sector, in Colombia the rent settlement associated with the coffee levies was driven by the logic of enabling a key wealth-generating economic sector to survive the vagaries of an unstable international market.

In Colombia, two crisis points brought coffee producers together, in two separate attempts to form a federation – the first was a failure; the second, led to the birth of the highly successful FEDECAFE.

The *first* attempt happened in 1920, when the New York price of Colombian coffee fell from 31 to 18 cents per pound. At this time, coffee producers looked to a broader organisation, the *Sociedad de Agricultores de Colombia* (SAC, but from here on the Colombian Agricultural Society) to represent their interests – and it was the Board of Directors of this organisation that convened the First Coffee Congress to address the troubled market conditions. Based on the account by Koffman (1969, pp. 73-78), this first national congress was attended by 41 delegates, with the largest contingent from Cundinamarca. As has been previously explained, coffee production in this department was chiefly undertaken in large coffee estates; it is also where the national capital, Bogota is situated. The first congress can then be construed to have been driven by coffee growers with large estates in the eastern part of the coffee zone and commercial interests from the national capital. The chief concern raised in the congress was the 'valorisation' of coffee – which meant raising its price in the international market – and related to this, dealing with the primary productive bottlenecks of the sector: transportation facilities connecting the production centres to the market, and access to credit. The government was represented by a functionary from the Ministry of Agriculture, who is said to have articulated the need for coffee producers to finance an international campaign to promote Colombian coffee. This congress formed a 'delegatory board' (*Junta Delegatoria*), a smaller committee composed of six chosen congressional delegates, to continue the work of the First Coffee Congress to deal with the issues identified above. However, nothing came out of this first attempt – Koffman says the body just "disappeared without a trace" (Koffman, 1969, p. 77).

It was seven years later in 1927, after another episode of falling international prices – the New York price of Colombian coffee had recovered to 31 cents per pound sometime in 1926, but crashed to 22 cent in 1927 – that a second congress was called. This time the initiative for this conference came not from the large planters represented by the Agricultural Society based in the eastern departments, but from producers and exporters of Medellin and Manizales, the capitals of Antioquia and Caldas, respectively (Koffman, 1969, pp. 77-83). As noted in the previous section, these departments in the western side of the coffee zone were part of the region where the smallholder-driven productive expansion of the early 20th century happened. The departmental government of Antioquia was also involved – acting as joint sponsors with the Agricultural Society and financially supporting the departmental delegates.

The FEDECAFE that is known today was created by this Second National Congress. The Congress was constituted by 29 delegates, including representatives from 15 coffee-growing departments in the country, the Ministry of Industry, and the departmental Agricultural Societies of Antioquia, Caldas and Magdalena (Koffman , 1969, p. 79).

Unlike the COCOFED in the Philippines, the FEDECAFE did not actively lobby for the levies. According to Koffman (1969, p. 82), it was a functionary from the Ministry of Industries, who actively developed and pushed the idea to collect export taxes from the sector for its own exclusive use. It was an idea that was initially resisted, but a debate that was ultimately won by the government.

In the year the FEDECAFE was founded, Law 72 of 1927 was also enacted, which had provisions for the collection of a 10 centavo tax per every 60 kilogram-sack of coffee exported, and for the entrustment of the collections to the FEDECAFE, to be used in the activities related to the association's goals specified above. The law also provided that these services that the FEDECAFE were to render, were to be enshrined in a contract signed between the government and the federation. Like the coconut levies in the Philippines, the coffee levies expanded; the effective rate of taxation, increased; and the authorised uses, expanded to include price stabilisation and allow for mobilisation as investments. But unlike the Philippines, the producer association in Colombia remained the central and only conduit in the mobilisation of these levies. The institutional framework first established in 1927 in which the FEDECAFE was contracted for services promoting production and the commercialisation of Colombian coffee in exchange for which it received the levies was to endure.

From the foregoing discussion, it can be seen that it was state action that created a strong coffee producers association in Colombia. For one, local politicians played a key role choosing the departmental delegates and financing their participation in the national congress. But more importantly, the central government enacted a law that provided the FEDECAFE with the means to control and mobilise substantial financial resources, arguably the most important factor why it was the second attempt at forming the federation that ultimately succeeded. It was because of this access to the coffee levies in 1927 that the FEDECAFE was "born strong" (Schneider, 2004, p. 133).

What political conditions underpinned state action that shored up the power of the FEDECAFE in Colombia? If in the Philippines, a strongman trying to build his own political coalition was behind the rent settlement in the coconut sector, in Colombia, it was a coalition that established the institutional framework. The nature of this coalition in Colombia is thus key to understanding the political conditions that underpinned state action in the coffee sector.

The founding of the FEDECAFE was brought about by a coalition that involved coffee growers and businessmen in the smallholder-dominated department in Antioquia, members of the Colombian Agricultural Society and a socially conservative but economically liberal wing of the party in power when the FEDECAFE was founded, the Conservative Party. This could be deduced from the work of Saether (1999), who closely examined the published lists of the FEDECAFE's founding members. He identified – contrary to Koffman's account that there were 29 founding members –33 names in the published list of the federation's founding members. [22] He examined the biographical data of 25 of these names and concluded that while all coffee departments were represented in the founding congress, this did not mean that the founding congress represented 'national interests'. He provided empirical evidence for Koffman's description of the founding congress being driven by coffee growers from the eastern part of the coffee zone: of the 25 founding delegates, 16 had strong links with the coffee industry in Antioquia, as owners of land in the said department or with business interests in the coffee industry as exporters or processors in Medellin, the capital of the department.[23] He also found very strong connections of the founding delegates with a wing of the Conservative Party called the '*historicos*', a faction of the party that favoured cooperation with moderate liberals to promote peace and economic development.[24] In a nutshell, based on Saether's (1999, pp. 147-153) examination of the lists, one could conclude that the majority of the

[22] Saether examined founding members lists contained in the following: *Revista Cafetera* 1928, *Revista Cafetera 1968,* a photo of the founding members found also found in *Revista Cafetera 1968,* but including three names that are not in the list, and a Conference registry published in the *Revista Cafetera* and included in a Coffee Federation Report (*Los Propositos de la Industria Cafetera Colombiana, 1987),* listing participants of the final session of the founding congress. In summary, he found that majority of the names appeared in at least one list; 20 names, all four lists; and 4, in just one list. From an examination of these lists, he found there were 33 identified founding members of the Federation. (Saether, 1999, pp. 146-147)

[23] For example, among the 16 were three, who were listed as representatives of the Colombian Agricultural Society, but also involved in the coffee industry, not as coffee growers, but as coffee processors based in Medellin; and five other departmental representatives had similar business interests in the capital city of Antioquia.

[24] This included Carlos Restrepo, who was a president of Colombia from 1910 to 1914, and Pedro Nel Ospina (also uncle of Mariano and Rafael), who were both part of the said faction. Mariano Ospina Perez, who I mentioned earlier as having championed the strategy of competition in international coffee trade and became president of the FEDECAFE, was also a founding member and Conservative senator supportive of the ideas of 'historicos'. His family owned coffee haciendas and businesses in Medellin that exported coffee and produced textiles. Other founding members with links to this family included Mariano's brother Rafael, and the lawyer of Pedro Ospina, Santiago Razo.

founding members of the FEDECAFE had Antioquian links either as coffee growers or businessmen, and that many had links with a specific wing of the conservative party.

The nature of the coalition underpinning the FEDECAFE in the crucial first years of the federation's establishment, in turn, explains the power it consequently exercised. To understand this, one must refer to structure of political competition in Colombia, and the place of the coffee sector therein. As observed by Bates (1997, p. 81) in a setting where the structure of power was highly centralised, the coffee sector had inherent potential to exercise tremendous electoral muscle, as production – including not just the numerous coffee growers but also the banks and trading houses dependent on the coffee economy – was geographically dispersed. What amplified the sector's potential electoral power was the coffee sector's strategic location in a two-party political system where "partisan cleavages tended to fall along a single, well-defined dimension, one captured in the names of the parties". This strategic location, in turn, was due to the important place held in the sector by Antioquia-based economic and political agents, who stood as a pivot in a two-party political system and had the ability to broker coalitions between moderate factions within the Conservative and Liberal parties. Bates argues that the coffee sector could thereby make or unmake national governments, and concluded that its strategic place in political competition rendered it to be in the interest of politicians to serve the economic interests of coffee producers – particularly the smallholders of the eastern coffee zone (Bates, 1997, pp. 81-86). Extending Bate's conclusion, it was the configuration of the political coalition behind the FEDECAFE that propelled it to its position as a fulcrum in national political competition.

Another function of a moderate coalition backing the FEDECAFE could be deduced from a view forwarded by Schneider (2004) about the Colombian state's motivations for shoring up the power of the federation. His analysis proceeds not from the political significance of the coffee sector, but from its economic place. He observes that at the founding of FEDECAFE, international prices were falling at a time when the economy was becoming increasingly dependent on coffee. The costs for exclusive state action in collecting information, setting standards, and promoting Colombian coffee were high because state capacity was weak at this point. Moreover, the executive branch in Colombia was concerned about subjecting coffee policy (including taxation) to intense partisan conflict of the major parties. Therefore, empowering the FEDECAFE backed by the coalition I described enabled the Colombian state to insulate policy-making in such an important economic sector against partisan conflict.

As in the Philippines, the institutional framework for coffee levies could also be interpreted as a means by which the state sought to establish political stability. The coalition that secured the rent streams represented by the coffee levies in Colombia was essentially a coalition that championed production through smallholders in order to address the social problems that coffee-estate-based production systems wrought: including those arising from land concentration and the living conditions of landless hired labourers, upon which large coffee haciendas were based. Saether posits that among Antioqueno politicians and intellectuals, there was a belief that the large coffee estate-based system was the root cause of the unrest, and that it was essential to create independent smallholders. He proposes that the creation of an agrarian structure based on smallholding producers was of utmost important for the conservative government of the 1920s. He said that, for example, the minister of industry in the late 1920s believed that it was better for the landowners in central coffee zones to sell off their land to settlers and tenants and concentrate on the business of commercialising coffee (Saether, 1999, pp. 143-144).

Examining the historical origins of the institutional framework for the collection of levies from the Colombian coffee and Philippine coconut sectors reveals an important variation in the political economy underpinning the respective institutional framework: the extent of the alignment between the political motivations of the original purveyors of the rent-creating institutional framework and the productive uses of the rents arising. In the Philippines, the motivations of an authoritarian leader wishing to consolidate his political base and stabilise his regime was the political basis for the rent settlement in the coconut sector. While I have argued that the motivation for establishing political stability could not be discounted in Colombia, the stability that the rent settlement fostered in Colombia emanated from the productive uses of the coffee levies in the smallholding coffee sector. In the Philippines, Marcos did not need for the rents to be mobilised productively to achieve his political ends, he only needed his chosen political agents to have exclusive access to the rents. But perhaps even more importantly, the analysis in this section hints at variations in broader structures of power that explain why producers associations can set the agenda for productive rent allocation in Colombia, but not in the Philippines. In Colombia, the coffee producers were central to the political coalition establishing the rent-creating institutional framework: because of their position as a fulcrum in national political contests, the politicians in the coalition needed to accommodate them and incorporate their interests in rent allocation strategies. In the Philippines, coconut producers were not as significant to Marcos' political project. In other words, it is evident from examining the origins of the imposition of the levies that Colombian coffee producers possessed political autonomy and bargaining power that Philippine coconut producers did not.

5 Conclusion

In this paper, I explored historical and political economy foundations of the power exercised by Philippine coconut and Colombia coffee producers. I explained the historical origins of the power exercised by COCOFED in the Philippines and FEDECAFE in Colombia, from a sectoral perspective. I provided evidence for four important sector-specific variations in the Colombian coffee and Philippine coconut sectors that help explain differences in the power and organisational robustness of the producers associations in these sectors. *First,* while both were important sources of foreign exchange earnings, Colombian coffee earnings accounted for a larger share of national export earnings for a longer time. Thus, the political power consequently exercised by the FEDECAFE could be partly explained by the sector's intimate links with Colombia's broader national economic interests, including macroeconomic stability. *Second,* while production in these sectors both can be largely typified as smallholder-based, Colombian coffee producers had relatively larger landholdings and lower rates of tenancy. This meant that the land size and ownership, as indicators of the base of political power were more significant in Colombia. *Third*, the historical basis of productive expansion in the two sectors provided different conditions for collective action. The imprints of the American colonial legacy in the Philippine coconut sector were such that collective action was not necessary for the sector to compete internationally. In the Colombian coffee sector, the terms of engagement with the international market in the early 20th century were vigorous and competitive, and formed an important background in the formation of the FEDECAFE, and as such in securing collective action among coffee producers. *Finally*, the variations in the political origins of the rent settlement in the two sectors meant that the one that obtained in the Philippines was governed mainly by the political calculations of a strongman president, while in Colombia there was a political coalition that wanted to see the coffee sector prosper through the organisation of production around smallholders.

The findings of this paper exhibit the importance of grounding the analysis of institutional performance and rents in an understanding of conditions in political economy. Developmental consequences of rents created by the state cannot be mapped to institutional design alone but are best understood through the lens of politics and history.

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