

# **Philippine Technocracy and the Politics of Economic Decision Making during the Martial Law Period (1972-1986)**

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## **ABSTRACT**

This paper seeks to elucidate the Philippine technocracy's rise into the power elite as well as its fall from position during the martial law period (1972-1986). It aims to bring in the insights of the technocrats concerning their role in President Ferdinand E. Marcos's authoritarian regime and their views of the nature of the politics, which facilitated as well as impeded the economic decision-making process. The paper argues that the technocracy's technical expertise and shared development vision with the leadership and the country's major donors, the International Monetary Fund (IMF) and the World Bank, provided their power base. This was, however, continually challenged by the other economic power blocs which consisted mainly of factions within the technocracy, the Marcos cronies, and that of the First Lady Mrs. Imelda Marcos. For as long as the technocracy could access the needed IMF/World Bank loans for the country, the leadership gave it substantive bargaining leverage. This, however, would deteriorate with the country's economic and political instability as brought about by failed technocratic policies and worldwide economic recession in 1981 and the burgeoning antidictatorship movement spawned further by the 1983 assassination of ex-Senator Benigno Aquino Jr. The technocracy's loss of power was further aggravated by Marcos's failing health giving more clout to Mrs. Marcos's power bloc. What contributed to the technocracy's ultimate demise was their alienation from the general public as brought about by their vast differing perceptions of the causes of corruption, underdevelopment, and human rights abuses of the regime.

*Keywords:* Philippine technocracy, economic decision making, Ferdinand E. Marcos, IMF/World Bank, antidictatorship movement

During the martial law years (1972-1986) in the Philippines, the Filipino public seemed to view the technocracy with ambivalence. For one, the technocracy's economic expertise was seen as needed by the country to chart the development path. Moreover, they were considered "apolitical"—that is, not corrupt as compared with Marcos's relatives and cronies and the military. More important, they were viewed as a bulwark against corruption. Such impressions could be gathered from the writings which came out during the martial law period, mainly from secondary materials—for example, journals, magazines, and books. Interviews with technocrats during this period were sparse, if they ever did talk at all. It has only been recently that the technocrats seem to be willing to talk about their role during the martial law period as well as their successes and limitations. These include the obstacles they had to hurdle in pursuing their vision of development for the country. This paper, therefore, aims to bring the personal insights of technocrats into their role in the martial law regime and their views on the nature of the politics that facilitated as well as impeded the economic decision-making process during the period. It will juxtapose the technocrats' insights and those that have already been written, and note consistencies as well as discrepancies in terms of perceptions of the role of the Philippine technocracy. By doing this, the paper seeks to clarify and elucidate the following: the factors that contributed to the rise of technocracy into the "power elite" during the martial law period, arguing that their technical expertise and shared development vision with the leadership and the country's major donors, the International Monetary Fund (IMF) and the World Bank, provided their power base; how this power base enabled them, to a certain extent, to counteract the leverage of other economic power blocs under the Marcos regime, which included factions within the technocracy's economic bloc, the Marcos cronies, and the faction of First Lady Imelda Marcos; and the factors that debased the political clout of Philippine technocracy, which included among others the 1981 economic crisis, the political instability brought about by the assassination of ex-Senator Benigno Aquino Jr., Marcos's failing health, and their alienation from Philippine society in general.

This paper benefits from interviews with technocrats conducted under the Japan Society for the Promotion of Science (JSPS) three-year project, "Economic Policymaking and the Philippine Development Experience, 1960-1985: An Oral History Project," of which the author was a project member. Interviewees included Cesar E. A. Virata, Manuel S. Alba, Armand V. Fabella, Jaime C. Laya, and Vicente T. Paterno, as well as noneconomic officials of the Marcos administration: Jose Conrado Benitez, Francisco S. Tatad, and Onofre D. Corpuz.

## **PHILIPPINE TECHNOCRACY AND THEIR EXPERTISE**

Technocrats possess technical knowledge that serves “as the base of power, with education and training providing credentials for access to it. Those who rule would justify themselves by appeal only to technical expertise grounded in scientific forms of knowledge” (Fischer, 1990, p.3). This generally describes Philippine technocrats whose expertise came from their educational backgrounds. The majority of these technocrats obtained their undergraduate degrees, mainly in engineering and business administration, from the national elite university, University of the Philippines (U.P.), as well as from Ateneo de Manila and De La Salle University. They later on pursued higher degrees—i.e., master’s and doctor’s—in prestigious American universities. The technocracy in the Philippines seemed to be epitomized by Cesar E. A. Virata who rose from the ranks to become Marcos’s secretary, then minister of finance and, in 1981, the country’s prime minister. Virata, previous to his government service, was dean of the U.P. College of Business Administration (CBA). He obtained an MBA in Industrial Management from The Wharton School, University of Pennsylvania (Encarnacion Tadem, 2012, pp.23-37). Like Virata, other technocrats graduated from U.P. and were full-time faculty of the U.P. College of Business Administration before they joined government. Manuel S. Alba, who became Marcos’s budget minister, obtained his PhD in Management Science and Business Administration from Northwestern University Chicago and Evanston, Illinois, USA. Jaime C. Laya, former Central Bank governor, earned his PhD in Financial Management from Stanford University. Vicente T. Paterno, who obtained an MBA from Harvard University, became head of the Board of Investments. Paterno, like Virata, was a graduate of the U.P. College of Engineering. He had an MBA from Harvard. Gerardo P. Sicat Jr., the first director-general of the National Economic and Development Authority (NEDA), was a U.P. graduate of BS Foreign Service and MA Economics. He earned his PhD in Economics from the Massachusetts Institute of Technology (MIT). The non-U.P. technocrats were the following: Placido L. Mapa Jr., who obtained his PhD in Economics from Harvard and served in several positions in government such as deputy director general of the Program Implementation Agency (PIA) and Philippine alternative executive director in the World Bank; Armand V. Fabella Jr., who obtained his BA in Economics from Harvard; Roberto V. Ongpin, who became trade and industry minister and obtained his MBA from Harvard; and Geronimo Z. Velasco, who earned his MBA from Wharton.

### **The Leadership’s and Technocracy’s Shared Economic Vision**

What is important to note, however, is that technocracy is more than expertise per se. As Fischer (1990, p.18) said: “Expertise can be organized to serve a variety of

social functions and interests. Technocracy, in this respect, refers to the adaption of expertise to the tasks of governance. It gives rise to a theory of governmental decision-making designed to promote technical solution to political problems.” Technocrats in the Philippine government during the Macapagal administration (1961-1965) included Sixto K. Roxas Jr. and Armand V. Fabella Jr. Recruitment of technocrats into government, however, intensified under the Marcos administration, which began in 1965. These included Virata, Sicat, and Mapa. Technocrats in the Philippines are not monolithic in their vision of how to address the country’s economic and political problems. During the pre-martial law period, there were two major contending economic visions for the Philippines. One was protectionism and reliance on developing heavy industries, which was espoused by the National Economic Council (NEC) headed by Filemon S. Rodriguez, its first chair. He was supported by those referred to as “nationalist” technocrats, such as Hilarion M. Henares, and “nationalist” economists like Alejandro Lichauco. Henares pursued his PhD in Economics in MIT while Lichauco has a PhD in Economics from Harvard. “Nationalist” politicians who supported this group included no less than Senate President Gil J. Puyat who was in the galvanizing and flour-milling businesses as well as other import-substitution industries. The “nationalist” technocrats of the NEC would go against the technocrats in Marcos’s Presidential Economic Staff (PES), which succeeded the Macapagal administration’s PIA, which included Virata, Sicat, Mapa, and Fabella who believed that an export-led industrialization policy should replace the country’s import-substitution policy (C. Virata, personal communication, November 23, 2007). The decision of what economic strategy to follow lay in the hands of the leadership. In this case, Marcos preferred the economic vision espoused by his technocrats in the PES. This was further signified in the creation of the NEDA with Sicat as its first director. The NEDA pursued the Marcos administration’s intention of pursuing the PES technocracy’s economic program of development, i.e., liberalization and foreign investments as the prerequisites for economic progress. The technocrats, in their attempt to redirect the economy away from the import-substitution, laid down the foundation for the export-oriented industrialization (EOI) program of the country which stressed the production of export goods and commodities for the world market. The integration of the local economy with the world capitalist market was given a further boost with the passing of the Investment Incentives Act of 1967 and the Export Incentives Act of 1970 in the Philippine Congress (Bello, Kinley, & Elinson, 1982, p. 30).

### **Rationalizing Martial Law**

Technocrats in general believe that “techniques must replace politics and define their own tasks in ‘apolitical’ terms” (Fischer, 1990, pp. 21-22). Moreover, they are

“skeptical and even hostile towards politics and political institutions and they see politics as a problem rather than a solution” (Fischer, 1990, pp. 21-22). Such a characteristic has also brought about an antidemocratic bias whereby the “idea of majority rule is replaced by the idea of policy formulated by specialized experts” (Glassman, 1997, pp. 78-79). Because of these general characteristics, technocrats have been viewed as being open to authoritarian regimes.

The initial reaction, however, of Philippine technocracy to the declaration of martial law seemed to go against this general description of technocrats when it comes to politics. As pointed out by the technocrats interviewed, they felt that there was no need for martial law as they had no problem dealing with the members of Congress in getting the laws they wanted for their economic policies (C. Virata, personal communication, November 21, 2007). For Mapa and Virata, the declaration of martial law was all about power. As Mapa clarified, the Marcos government did not want to yield its power and give in to what the private sector wanted for its benefits. He added that it was also about accumulating wealth not as an end but as a means to perpetuate the leadership in power (P. Mapa, personal communication, March 13, 2009). Despite this negative view of the reason for Marcos's declaration of martial law, the technocrats, in general, welcomed it. A major reason was that they perceived that their policies and programs would no longer be subjected to congressional debates, which they saw would pave the way for efficiency and effective policy implementation. As Alba pointed out, for the technocrats, this was an opportunity to change things in the Philippines (M. Alba, personal communication, December 12, 2008). Laya, on the other hand, articulated another reason why the technocracy welcomed the declaration of martial law, and this was because he believed that this was very positive for the business community. He said that this was evident in the statistics that showed all foreign investments and loans were quite high in the 1970s (J. Laya, personal communication, February 9, 2009). Such an attitude by the technocracy highlights a technocratic trait whereby, historically, they view the state as a positive instrument in the pursuit of economic and social progress. This stems from the state's central position in society; essentially, the state is the only institution capable of engaging in comprehensive system-wide planning and management (Fischer, 1990, p.25).

### **The Technocracy's Base of Power<sup>1</sup>**

Marcos needed the technocrats for the much-needed foreign loans. For this, he relied heavily on Virata and his clique of technocrats, which included Mapa, Sicat, Alba, Paterno, and Laya. Virata and Mapa, in particular, dealt with economic and financial matters pertaining to trade negotiations, and representations in the World

Bank, IMF, and the Consultative Group meetings (C. Virata, personal communication, December 13, 2007). The Consultative Group consists of the prominent donor countries and multilateral institutions and banks to the country, e.g., the U.S. and Japan and the International Monetary Fund. Negotiations seemed to be no problem as the United States, as well as these international financial institutions (IFIs), did not go against Marcos's declaration of martial law, seeing how the local technocracy was having a difficult time implementing policies favoring foreign capital because of opposition mainly from the nationalist economists and the growing nationalist movement. As pointed out by Mapa, during martial law, the president's technical staff would just draft the executive order that Marcos would study; once he approved it, it would become law or, he would issue a presidential decree which had the same effect as legislation. Thus, economic planning and implementation were faster (P. Mapa, personal communication, March 13, 2009). As for Virata, he remained governor for the Philippines in the World Bank and the Asian Development Bank (ADB) until 1986, positions he assumed when he became secretary of finance.<sup>2</sup> He also formed a consultative group composed of major donor countries (like the United States and Japan) and multilateral institutions. The consultative group embodied the hegemonic ideology advanced by corporate/finance capital—that which has been called “corporate liberalism,” (Heffren, 1982; Jose, 1983; Stauffer, 1979) which is identified with technocracy.

### **TECHNOCRACY DYNAMICS WITH ECONOMIC POWER BLOCS DURING THE MARTIAL LAW PERIOD<sup>3</sup>**

The nature of the economic power blocs during the martial law period can be characterized into two major categories as can also be seen in other authoritarian regimes. One is the economic bloc which is identified with the IMF/World Bank, i.e., their power base is their role as conduits of external loans to the country, particularly from the IMF/World Bank and members of the consultative group. The other bloc is that which is characterized by their patrimonial relationship with the president. These mainly consist of the presidential family and relatives as well as their cronies. In this bloc, their monopoly of industries is sometimes characterized as “nationalist” as they are pitted against foreign capital which is supported by the IMF/World and its allied technocrats. In the case of Indonesia, for example, the dominant economic ideas have been described as nationalist instead of internationalist. That is, ever since Indonesia achieved independence in 1949, “important sections of the country's political and bureaucratic elite have argued that extensive state intervention in the economy is necessary to promote national economic development...” (Jayasuriya & Rosser, 2001, p. 240). Thus, there exists a nationalist faction of technocracy. Such a faction existed in the Philippines during

the pre-martial law period as seen in the NEC technocrats. But unlike the NEC technocrats, some of the Indonesian “nationalist technocrats” were also viewed as Suharto cronies.

There were, however, other factors which impinged on technocratic policy-making in other authoritarian regimes but which were not present in the Philippine case. One was the impact of ethnic issues and concerns on economic contentions as was seen in the Malaysian case under Mohammed Mahathir. Another was the close relationship of technocrats and political movements in the country as seen in Augusto Pinochet’s Chile whereby the technocrats known as the “Chicago Boys” worked closely with the “Gremialists” who belonged to a political movement which arose in the 1960s. Its members had actively participated in student politics and in demonstrations against the Popular Unity Government, and many of them later joined forces at ODEPLAN (Office of National Planning). They were both part of a common political project which “Pinochet knew how to interpret from the start” (Huneus, 2000, p. 501). This enabled the “Chicago Boys” to extend their political influence beyond the economic setting through the various ministries and regional governments (Huneus, 2000, p. 464). A third technocratic trait which was not present in the Philippines was that of the technocrats augmenting their political leverage by forging political ties with influential mass movements. This was the case of Indonesian President Suharto’s technocrat B.J. Habibie who was closely linked with the Muslim modernist group which gave birth to the political Islam movement. Political Islam, which is viewed as the “long struggle of Muslim modernists to establish an Islam-based state ideology,” gave Habibie an important political mass base to sustain his political leverage as he succeeded Suharto as President (Sulfikar, 2007, p. 95). Lastly, a fourth factor was seen in the Algerian experience in 1965 when Col. Houari Boumedienne came to power in a bloodless coup and installed a technocratic elite drawn partially from the military (Layachi, 2011, p. 483).

What was key to the power base of all these technocrats and the economic blocs they belonged to in policy-making was their relationship with the leadership and the responsibilities given to them by the latter. In the Philippines, for the technocrats identified with the IMF/World Bank, Marcos generally limited them to the economic sphere of policy making. As observed by Marcos’s press secretary Francisco S. Tatad, the technocrats enjoyed the trust and confidence of President Marcos but that did not prevent him from creating second walls between them and the military for security or the business cronies (F. Tatad, personal communication, October 21, 2009). How Marcos defined the role of the technocracy would provide the context in which the dynamics among fellow technocrats as well as among

other powerful economic blocs would be characterized. In general, the technocracy is viewed as taking on the “place of intermediate groups where they perform mediating functions in antagonistic social relations at the highest levels, as managers and staff technocrats of private capital and state enterprises” (Johnson, 1985, p.16). This can be seen in the following experience of the Philippine technocracy.

### **The Virata-IMF/World Bank Power Bloc**

Contrary to popular perception during the martial law period, the Philippine technocracy was not monolithic. Virata was perceived as the “leader” of the technocracy bloc that had the closest ties with the IMF/World Bank in terms of access to loans. This bloc included Sicat, Laya, Paterno, Alba, Mapa, and Fabella, among others. Some of their relationships began even during the pre-martial law period in the PES (P. Mapa, personal communication, April 22, 2009). For Fabella, a lot of the reforms instituted during the martial law period might be attributed to Virata (A. Fabella, personal communication, August 11, 2008). There were also differences among them. For example, Sicat did not agree with Virata’s institution of different tax levels in the Investment Incentives Act of 1967 to make it acceptable to the families who were involved in import-substitution. Paterno, on the other hand, also did not agree with Sicat’s policy of all-out liberalization with emphasis on the market forces. Paterno said he was for guided industrialization (C. Virata, personal communication, May 28, 2008). Virata, however, felt that he just had to correct Sicat in many ways and the former got his way (C. Virata, personal communication, May 28, 2008). Given these differences within this clique, Virata seemed to have the last say.

### **“Stand-Alone” Technocrats**

There were, however, technocrats who on their own had a direct line to Marcos. An example was Roberto “Bobby” V. Ongpin who became the minister of trade and industry in 1979. He replaced Paterno who was then minister of industry, resulting in the change in policies of the Board of Investments (BOI), which was previously headed by Paterno (V. Paterno, personal communication, August 15, 2008). Ongpin’s apparent closeness to Marcos was seen when Paterno, who belonged to the Virata clique and was then the head of the BOI, was moved to head the Ministry<sup>4</sup> of Public Works and Highways, which was then headed by Baltazar Aquino. It was believed that Marcos wanted to rein in the corruption in the ministry (M. Alba, personal communication, May 2, 2008). Other sectors, however, viewed this as Marcos’s preference for Ongpin as he brought about major changes in the Ministry of Trade and Industry. There was the union of the ministries of trade and industry into one and the downgrading of the BOI. Furthermore, Ongpin preferred big industrial

developments—for example, the ASEAN 11 industrial projects. This was in contrast to the preference of Paterno for small- and medium-scale industries. Paterno believed that the bigger the loans especially for these big industrial projects, the bigger the corruption. Mapa and Alba observed that Ongpin had a big say on industrial policies during the Marcos administration as he had a direct line to the president (P. Mapa, personal communication, April 22, 2009).

Marcos's minister of energy, Geronimo Z. Velasco, was also looked upon as a faction of his own (M. Alba, personal communication, December 12, 2008). As Mapa and Alba pointed out, Velasco had his own line to the president like Ongpin (M. Alba, personal communication, December 12, 2008; P. Mapa, personal communication, April 22, 2009). Virata also expressed his differences with Velasco on some energy policies, such as his proposal for relatively large projects like the petrochemicals. In general, Virata said that he argued against these capital-intensive projects (C. Virata, personal communication, December 19, 2007). Mapa said that the conflicts of these technocratic factions were highlighted in the NEDA, which was headed by Sicat of the Virata clique. NEDA attempted to reconcile these conflicts and to work with other agencies as coordinator and referee. In general, however, Mapa observed that sometimes it was very hard to get colleagues to reconcile their differences and he believed that it generally had to do with cabinet secretaries like Velasco and Ongpin who had their direct line to the president (P. Mapa, personal communication, March 13, 2009).

### **The Chief Cronies' Bloc**

Another major economic bloc that impinged on the power base of Philippine technocracy—the Virata power bloc in particular—was the Marcos cronies, especially his “chief cronies,” particularly Eduardo “Danding” M. Cojuangco Jr. and Roberto S. Benedicto who controlled the coconut and sugar industries, respectively. These industries were the country's two top export earners during this period. Unlike Ongpin and Velasco, Cojuangco's and Benedicto's involvement in economic policy-making were perceived as closely linked with patronage politics. In the case of the coconut industry, for example, Virata was kept out of the coconut levy controversy that involved Cojuangco.

The coconut levy was a tax imposed on coconut farmers that was intended to assist them in times of economic crisis in the industry. As Alba pointed out, there was a view that the use of this coconut levy to establish the United Coconut Planters Bank (UCPB) was illegal as this was public money. For Cojuangco, however, the levy was a private fund (M. Alba, personal communication, December 12, 2008).

The coconut levy episode seemed to epitomize the view that although the technocrats in general had never approved the cronies' practice of using their ties with the regime to enrich themselves, they had more or less come to accept it because of a common interest that initially brought them together. This was their concern to place the country's major export crops under the control and supervision of the state. Conflict of interests, however, ensued between these two parties on the question of whether or not export crops should become a center of state or private accumulation. The technocracy believed the former while the cronies believed otherwise. The technocracy feared that the cronies would use this source of private accumulation to achieve their political ends (Hawes, 1984).

This experience brings to mind a similar episode in the history of the Suharto regime wherein it was argued that "patrimonial officials can develop a vision for their nation's development" (Budd, 2005, p. 38). There were those who viewed Cojuangco's control of the coconut industry as representing the country's "national bourgeoisie" vis-à-vis the incursion of multinational corporations into this vital sector. Such was also the experience in Indonesia where "powerful corporate conglomerates and politico-business families began to emerge under the umbrella of nationalist policies of protection and subsidy, and within monopolies of structures of political favour bestowed by patrons with their hands on the levers of state power" (Robison, 2001, p. 111). Moreover, Indonesia's economic technocrats "proved unable to enforce much needed regulatory reform in the face of opposition from the conglomerates and the politico-business families" (Robison, 2001, p. 115). A similar kind of monopoly in the Philippines was not favorably viewed by the World Bank and the IMF which, together with the Virata bloc, saw that crony monopoly of vital industries in the Philippines would ward off present as well as potential foreign investors in the country because of the absence of competition and "free enterprise." The American government, to show its disapproval of crony monopolies, even filed a lawsuit against Cojuangco/Enrile's coconut conglomerate—Granex, Crown Oil Corporation and Pan Pacific Commercial— for conspiring to create a shortage of oil in order to drive up its prices (Bello, Kinley, & Elinson, 1982, p. 191). Juan Ponce Enrile was Marcos' Secretary of Defense under the martial law regime.

As for Roberto S. Benedicto, he was Marcos's classmate and fraternity brother at the U.P. College of Law and is regarded as one of the president's earliest and most trusted cronies (Manapat, 1991, p. 100). Virata pointed out that sugar was out of the hands of their technocratic group and it was Benedicto who was in charge of this (C. Virata, personal communication, November 28, 2008). In particular, sugar trading was set up to go through the National Sugar Trading Corporation (NASUTRA) which

was headed by Benedicto (C. Virata, personal communication, May 2, 2008). Mapa, who hails from the sugar-landed elite of Iloilo and Bacolod, Negros Occidental, said that the sugar quota imposed by NASUTRA on the sugar landowning elites was very unpopular with his family and relatives (P. Mapa, personal communication, March 13, 2009).

### **The First Lady Mrs. Imelda Marcos Bloc**

A fourth economic power bloc was the clique of the First Lady, Mrs. Imelda Marcos, which could be deemed as the most powerful because she was the wife of the president. Like the bloc of the “chief cronies,” Mrs. Marcos’s intervention in the country’s development was also viewed as a form of patronage politics, but unlike Cojuangco and Benedicto, she did not control any key economic industry and was known more for her taking the lead in economic projects which were financed by government agencies that Virata had no control of. This was despite the fact that Virata had refused a number of her project requests, particularly her penchant for building edifices that were not in the budget (C. Virata, personal communication, November 23, 2007). She, however, also had her own set of “technocrats” that included Benitez, Ismael “Mel” A. Mathay Jr., and Eduardo Morato (C. Virata, personal communication, September 30, 2008) and she also cultivated her connections with the ruling political party (i.e., the Kilusang Bagong Lipunan [Movement for a New Society] or KBL) as well as a faction in the military. Mrs. Marcos and her technocratic faction, however, were not part of the sugar and coconut industries controlled by her husband’s “chief cronies.”

For Alba, the power of Mrs. Marcos lay in the fact that she could easily implement her own projects because together with the president, they were the key persons in the cabinet. For him, this was only understandable as she was the First Lady and the technocrats had to be pragmatic and realize that Mrs. Marcos has advantages and power, too, and thus one cannot ignore her (M. Alba, personal communication, January 23, 2009). The power of the First Lady in the administration could be gleaned from the popular observation that the cabinet was divided between “his” (President Marcos’s) and “her” (Mrs. Marcos’s) people (M. Alba, December 12, 2008; P. Mapa, March 13, 2009).

For Benitez, however, this was not the real issue but the differences in strategies or programs. For him, Virata and Ongpin were very much more for the World Bank and industrial projects, particularly Ongpin’s ASEAN 11 industrial project vision that Mrs. Marcos and her group of technocrats did not agree with. The technocrats with Mrs. Marcos believed that what the country really needed were small and medium

industries and countryside development, which Paterno also advocated (J. Benitez, personal communication, August 7, 2009). Benitez saw Laya in the middle, supportive of sectoral groupings. He also said that Alba was very close to their group. Benitez added though that they could not get anything organized for Imelda unless it was cleared first with Marcos (Benitez, personal communication, August 7, 2009). As for Virata, Benitez felt that he was control-oriented. Although they were not hostile to each other, Benitez felt that Virata was always very suspicious of what they were trying to do (Benitez, personal communication, August 7, 2009).

Corruption in the presidential family of authoritarian rulers, however, seemed to be more of the exception rather than the rule. As seen in the Indonesian experience under the Suharto regime, the presidential family dominated the coalition of state and its officials over the control of the oil industry, the country's number one industry (Robison, 2001, p. 116). In the case of Thailand, "the technocrats in the late 1970s also attempted to reduce the economic power of families particularly those controlling the banks and which managed the supply of domestic investments" (Hewison, 2001, p. 87). Such was also seen in the experience of Argentina and Mexico whereby the IMF/World Bank's neo-liberal policy of minimum state intervention, privatization and liberalization to bring about more efficiency and lesser corruption failed due to "backroom deals, cronyism and procedural irregularities..." (Williams, 2006, p. 122).

### **DOMESTIC AND EXTERNAL FACTORS AND THE POLARIZATION OF THE ECONOMIC POWER BLOCS**

In general, the various economic blocs in Marcos's authoritarian regime seem to epitomize "some form of class struggle which technocrats experience when they are pitted against professionals, technicians" (Tourraine, 1971, pp.109-132). What, however, impacted on the changes of the political dynamics and balance of power among these blocs were determined by domestic as well as external factors. The appointment of Virata as prime minister in 1981, for example, seemed to signal an alteration of the bargaining leverage of the economic power blocs, giving the Virata-IMF/World Bank faction the upper hand vis-à-vis that of the Imelda Marcos-cronies faction. This move by Marcos was in line with his plan for a French model presidential-parliamentary system and the lifting of martial law in 1981.<sup>5</sup> Such a move surprised Virata because he knew that members of the ruling party KBL wanted Mrs. Marcos to be the prime minister (C. Virata, personal communication, November 28, 2007). Benitez said he was aware of the gossip that because Marcos was sick, Mrs. Marcos was being groomed to replace the president in case anything happens to him. But he did not see Mrs. Marcos becoming prime minister and he

never heard her say that she wanted to be one (J. Benitez, personal communication, August 7, 2009). According to Virata, Marcos did not appoint Mrs. Marcos as prime minister because the Constitution was amended to separate the powers of the president and the prime minister. By nominating his wife, Marcos would be putting the powers back in Malacañang. Virata said it was Mrs. Marcos who nominated him for the position (C. Virata, personal communication, May 28, 2008). The popular perception, however, was that the regime's cronies led by Mrs. Marcos did not take kindly to the leadership's accommodation of the technocracy's increased power even though a great part of this was nominal in nature. They believed that a technocrat-dominated Cabinet would usher in a tighter hold on their activities by the IMF and the World Bank group whose policies were not popular with them (Bowring & Sacerdoti, 1983). These events made the technocrats view themselves in a different light. When martial law was declared, technocracy perceived its role in Philippine society as "the cutting edge for needed reforms." During the post-martial law period, there was a shift in perspective, and they now considered themselves as a bulwark against the contradicting interests of the cronies (as well as the military). They believed that their presence in the regime would help prevent further abuses from these elements (Business International Research Division, 1980). They were now perceived to be having not only economic but also political leverage.

The political power which Marcos allowed Virata to exercise, however, was very much limited as it lay more on administrative and procedural process—that is, to review the submissions from cabinet members on matters to be taken up in cabinet meetings. Although as prime minister he was getting not only economic reports but political ones as well, Virata recognized that the president could still reverse any decision made by the cabinet members (C. Virata, personal communication, November 28, 2008). Furthermore, Marcos could dissolve the legislative body, thus discarding the possibility of any form of impeachment led by the prime minister.<sup>6</sup> As for the other technocrats who were not with the Virata clique, it was observed that they still had direct line to the president, as in the case of Ongpin and Velasco (M. Alba, January 23, 2009; P. Mapa, April 22, 2009). As to the technocrats associated with Mrs. Marcos, Benitez said that even when Virata was prime minister, "they could still do their own thing" (J. Benitez, personal communication, August 7, 2009). Mapa also pointed out that Virata, as prime minister, continued to have a difficult time in producing a coherent policy among the cabinet ministers. He noted that although issues were generally discussed in the cabinet and each of the ministers could give their inputs, there were other meetings where things were decided but not in the presence of everyone. This specially refers to those who had direct access to the president and could make decisions without involving Virata

(P. Mapa, personal communication, March 13, 2009). The role of the leadership, therefore, seems to reflect how the technocracy views the state in general—that is, “as the institution that can stand above the destructive play of competing interests and thus only the state is potentially capable of providing the coordinated leadership needed to oversee a complex technical society” (Fischer, 1990, p.25).

### **The 1981 Global Economic Crisis**

The 1981 global economic crisis was a double-edged sword concerning the political leverage of the Virata-IMF/World Bank bloc. The crisis sparked by oil price hikes due to the 1979-1980 Iran-Iraq war precipitating the Mexican default of August 1982 whereby Mexico could not pay its external debts to its international creditors, e.g., the IMF and multinational banks, which was followed by Brazil, Argentina, Chile, Ecuador, and then the Philippines in October 1983 (C. Virata, personal communication, September 30, 2008), adversely affected the Philippine economy. This situation also proved to be the same for Brazil, Argentina, Ecuador and Chile. Virata pointed out that this was not helped much when Dewey Dee, a textile magnate, fled the Philippines in 1981 and left behind more than USD 80 million in debts (“Friends in Need,” *Time Magazine*, August 24, 1981). Although Virata said that this amount was relatively small, some banks were affected and the government had to help these banks (C. Virata, personal communication, December 19, 2007).

The economic instability during this period highlighted further the important role that Virata and his technocracy clique would play in assessing the needed loans from the IMF/World Bank and other creditor agencies and banks. Virata, however, noted that the IMF and the World Bank began to withhold or tighten assistance. When Virata would inquire about the economic help to the Philippines, these two IFIs would give their usual reply that the matter was being processed or considered (C. Virata, personal communication, November 23, 2007). Virata, however, was able to secure USD 60 million in 1982, although the loan was subjected to very strict control over foreign exchange utilization (C. Virata, personal communication, June 24, 2007).

### **The Assassination of Ex-Senator Benigno Aquino Jr.**

For Virata, Alba, and Mapa, the bargaining leverage of their economic bloc turned for the worst when ex-Senator Benigno “Ninoy” Aquino Jr. was assassinated on August 21, 1983, giving further impetus to the antidictatorship movement. Both the “Marcos” and “Mrs. Marcos” technocrats said they did not know anything about the assassination (J. Benitez, personal communication, August 7, 2009). At this point, Virata offered his resignation to Marcos, which the president refused (C. Virata,

personal communication, June 24, 2008). Mapa agreed with Virata's view that this political instability frightened local and international bankers in extending loans to the Philippines. As pointed out by Mapa, who was at that time with the state-owned Development Bank of the Philippines (DBP), the DBP generally had no problem in getting needed loans as banks were lining up to offer more loans to them. When Aquino died, however, the tide turned because suddenly the international creditors no longer wanted to lend to the DBP because they knew that there would be political chaos. For Mapa, there is no dichotomy between politics and economics—that is, the political cannot be divorced from the economic and vice versa because one affects the other. For Mapa, this made it very tough for Virata to do his job as prime minister (P. Mapa, personal communication, March 13, 2009).

### **Marcos's Failing Health**

Marcos's failing health seemed to have given the upper hand to the economic bloc of Mrs. Marcos and her cronies. As observed by Mapa, Virata, and Alba, for example (M. Alba, personal communication, December 12, 2008)<sup>7</sup>, this led Marcos to be more dependent on the First Lady and her clique to carry out the affairs of the government (C. Virata, personal communication, December 13, 2007). Virata believed that Marcos, because of his sickness, could not address the power struggle going on between Armed Forces Chief of Staff General Fabian Ver and Minister of Defense Juan Ponce Enrile (C. Virata, personal communication, December 13, 2007). During this time of political crisis, Alba said the technocrats talked among themselves about what was happening, but he felt that they could not do anything as they were mere bystanders (M. Alba, personal communication, January 23, 2009). As Mapa pointed out, Virata and Alejandro Melchor Jr, Marcos's former executive secretary, were trying to salvage the situation but there were issues, such as those that involved Mrs. Marcos who was positioning herself for succession, that they were not in a position to act on or were not within their control. Because Virata was also considered for succession, there were also groups that made it difficult for Virata to succeed Marcos as president (P. Mapa, personal communication, April 22, 2009).

Such a situation highlighted the weak power base of the Virata-IMF/World Bank bloc, which further disintegrated following the withdrawal of support by the United States for Marcos and, consequently, that of the IMF/World Bank for the Philippines. For Virata, this was because the United States now had a pliable alternative leader to Marcos in the person of Mrs. Corazon C. Aquino, the widow of ex-Senator Aquino (C. Virata, personal communication, May 2, 2008). All these led to Marcos's call for snap elections because, as Alba pointed out, the president was deeply bothered by complaints that he was "dictatorial" (M. Alba, personal communication, January 23, 2009). Here was, therefore, a situation in which "state power attempts to manage,

channel, contain and repress conflict and struggle and the technocrats who assume a middle-class state function become front line in a broad field of social struggle” (Johnson, 1985, p.16).

### **THE TECHNOCRACY’S ALIENATION FROM PHILIPPINE REALITIES AND ITS FURTHER DEBASEMENT**

What further debased technocracy as a power elite in Philippine society was a general trait of technocracy that was “fundamentally unsympathetic to the openness and equality of political democracy” (Fischer, 1990, pp. 21-22). On the one hand, their nonassociation with patronage politics and corruption, which generally characterized the martial law regime technocrats, seemed to be a plus factor for them, earning them the support of the business community and the middle class in general. This gave them the upper hand in gaining public support over the economic bloc of Mrs. Marcos and her cronies. On the other hand, their inability to address the political and economic instability further heightened their alienation from the general public. The negative view of the public against the Marcos regime in general and the technocracy in particular was expressed in the burgeoning of the antidictatorship movement, which included the influential business community, the Catholic Church, and the mainstream left movement (i.e., the Communist Party of the Philippines or CPP).

The technocrats were aware of this. Alba, for example, personally witnessed huge demonstrations of activists carrying placards with his own as well as the president’s caricature in opposition to World Bank-funded projects, including the Presidential Commission to Survey Philippine Education, which he headed (M. Alba, personal communication, January 23, 2009). A reason for this is that the technocrats were perceived to be “witting” or “unwitting” conspirators to the martial law regime. As pointed out by Amando Doronila, a known oppositionist journalist jailed by Marcos, politics for the technocrats was “too messy.” For him, they were “like eunuchs” in that sense (A. Doronila, personal communication, November 4, 2009). This created a vast distance between the technocrats and the public in general, which was aggravated by the differing perceptions by the technocrats and the general public of the “sins” of the Marcos government, which are discussed in the sections that follow.

### **Differing Views on Marcos’s Corruption<sup>8</sup>**

One point of difference was the public’s perception of the massive corruption by Marcos, the First Lady, their relatives, and their cronies. For Alba, what existed was “controlled democratized corruption” – that is, although corruption was not

eliminated under Marcos, projects were taking place much more efficiently. Furthermore, Alba pointed out that he believed that if ever Marcos committed any corruption it would not be through the raiding of the national treasury as this was guarded by all laws protecting the funds. He pointed out that one way to engage in corruption was through the differential in oil pricing and sugar pricing (M. Alba, January 23, 2009; P. Mapa, April 22, 2009). Mapa expressed similar views. His belief is that if all the accusations the critics made against Marcos in terms of his wealth abroad were true, a very small portion of that wealth could have been used to correct the situation. As Mapa argued, the fact that Marcos did not do that may precisely be an indication that Marcos did not have the kind of wealth he was being accused of amassing (P. Mapa, personal communication, April 22, 2009). For Paterno, who was the only technocrat with cabinet rank who joined the opposition, the main crime of Marcos was not so much stealing money as it was taking money out of the country. He impoverished the country. Paterno thinks that Suharto had probably stolen even more but most of it stayed in projects for Indonesia (V. Paterno, personal communication, August 15, 2008).

### **Differing Perceptions of the Role of the Cronies**

As for corruption among the Marcos cronies, Alba pointed out that Cojuangco merely implemented programs and projects that have contributed to the economy, and he could not have grown rich in these projects. He agrees that Marcos cronies got close enough to Marcos so that they could let a presidential decree be signed “just like that” (M. Alba, December 12, 2008; January 23, 2009). As for Laya, the involvement of Marcos cronies in projects was not because Marcos or his cronies wanted to grab control of that particular company or industry; this could also be interpreted as Marcos wanting some industries critical in economic development to be run by people he knew or who were competent enough to do it (J. Laya, personal communication, February 9, 2009). Such views, however, were not shared by the public in general and the business community in particular.

A popular perception was that, politically, technocratic centralization, which was encouraged by the IMF and the World Bank, allowed the increasing concentration of power in the hands of President Marcos. A major consequence of this was the lessening of checks on the leadership, which allowed the monopoly of state power by the relatives and friends of the Marcos regime. Economically, this ruling bourgeois alliance used the government as a vehicle for enriching themselves. These “bureaucrat-capitalists” or “Marcos cronies” as they came to be known, greatly benefited from the local technocrats’ efforts to attract foreign capital because they had the right connections with the regime to enable them either to enter into joint ventures with multinational corporations or to avail of foreign loans acquired by

the state (Bello & Kelly, 1981). The politico-economic dominance of this ruling group was also perceived to be further enhanced by the obsession of technocracy to create a strong state that will play a major role in supporting private accumulation as well as in controlling and directing economic development (Hawes, 1984, p. 263). This was a situation that reflected the general nature of the technocracy that was resented by the Philippine business community in general—that is, as managers, they were “beginning to control the economic system over and above the businessmen who owned the companies” (Glassman, 1997, p. 307).

### **Differing Views on the Cause of Economic Instability**

The general public also disagreed with the technocracy about the failed economic policies of the Marcos regime, which for them was the cause of the economic instability. Mapa noted that martial law was initially welcomed by the private sector. He believed that business was able to function more efficiently under martial law as its first few years were considered efficient, even by foreign observers. According to Mapa, even the growth rate went up very fast, close to 9 percent until the oil crisis occurred in 1981 (P. Mapa, personal communication, April 27, 2009). The same view was expressed by Laya who said that the original reaction of the business community to the declaration of martial law was “very positive” (J. Laya, personal communication, February 9, 2009). Paterno pointed out that even during martial law, the technocrats enjoyed a kind of linkage with the business community. He said that his constituencies were the industrial-commercial people whereas those of Virata were the financial-bank people (V. Paterno, personal communication, August 15, 2008).

There were, however, contrary opinions concerning this. Even before the 1981 economic crisis, some sectors of the local business community had already expressed discontent with the economic policies being pursued by the technocracy. These sectors were mostly those who had no connections with the First Family and thus could not avail of foreign loans, or the capitalists who could not compete or ally themselves with multinational corporations in the country. As early as 1973, these local capitalists had been vehemently objecting to the substantial concessions being given by the regime to foreign investors in the country and the technocracy’s bias for export industrialization strategy. They perceived this as the regime’s vicious scheme to eliminate the “national entrepreneurial class” (Bello & Reyes, p. 114). These policies were closely associated with the IMF/World Bank development thrust for the country, of which the technocracy was the purveyor.

Deep resentment against the technocracy and the IMF/World Bank was further heightened with the inability of the country to pay off its debts and get more loans.

Because of this, the government had to give in to the severe structural adjustment programs (SAP) of these multilateral agencies. These generally included the lessening of government funds for social services and the laying off of workers in the public sector. The technocracy and the business community's relationship turned for the worst during the country's economic crisis in 1981. The state of financial distress of various government corporations and institutions headed by local technocrats also further eroded public confidence in local technocracy. For example, the government's Philippine National Bank, headed by Mapa, was plagued with so many delinquent accounts. This also led some observers to suggest that the Bank should be allowed to collapse (Galang, 1981). Disillusionment with the technocracy was reinforced by the "window-dressing" fiasco of Central Bank Governor Jaime C. Laya, which led to his resignation. Window-dressing was a scheme used by the technocracy to prevent the IMF/World Bank group from seeing that the level of international resources had reached a dangerously low level. There was an unaccounted amount of USD 600 million, which comprised nearly 40 percent of the declared reserves by end of March 1983. Virata was also blamed for this (Galang, 1981). Virata said that he was aware of Laya's wrong report about the Philippine reserves so he told Laya to report this to the IMF and the Economic Committee of the Banks. At the same time, however, he also knew that he had to recommend to Marcos a replacement for Laya as Central Bank governor (C. Virata, personal communication, May 2, 2008).

### **Differing Perceptions of the Social Impact of Development in the Local Communities**

Among the technocrats interviewed, only Benitez of Mrs. Marcos's faction saw the need to counteract the growing influence in the local communities of the Communist Party of the Philippines; its military arm, the New Peoples' Army (NPA); and the illegal united front, the National Democratic Front or NDF (J. Benitez, personal communication, August 7, 2009). For Virata, the problem of controlling the NPA was in the purview of politics in general and the military in particular, which was not his responsibility. Moreover, he believed that one way to stop the growth of the NPA was through the establishment of diplomatic relations with China, Russia, and other Eastern European countries. Although the major objective of this was to promote trade, the Philippine government took advantage of these diplomatic ties to get assurance from these communist countries to stop any form of military and financial assistance to the NPA (C. Virata, personal communication, December 13, 2007).

Benitez, however, had another view in stopping the growth of recruitment into the NPA. He believed that their technocratic group instigated social community

development projects to mobilize the community and empower them to bring about development (J. Benitez, personal communication, August 7, 2009). The technocrats of Mrs. Marcos thus saw the need “to win the hearts and minds of the masses” (J. Benitez, August 7, 2009). For Benitez, this was a populist approach to development as opposed to the other technocrats who had an “elitist” view of development. Whether it was a “populist” or an “elitist” approach, however, the development projects during the martial law period had an adverse impact on the local communities and did not erase the glaring poverty and socioeconomic inequalities during this period, allowing these communities to become target recruitment ground for the NPA.

### **Differing Perceptions of the Curtailment of Political and Civil Rights**

The technocracy also differed with the public on views of what constituted Marcos’s violation of human rights and military abuses in the countryside in relation to pursuit of technocratic development projects. As the technocracy extolled the virtues of martial law for the speedy, efficient, and effective implementation of economic policies, sectors in society accused Marcos in general and the technocracy in particular of justifying an apolitical and probusiness atmosphere, which gave the leadership a “legitimate” excuse to pursue repressive labor policies such as banning the right to strike, and disbanding and constantly harassing labor unions. These actions were implemented with the excuse that “these labor activities were a threat to internal security” (Lim, 1983, p. 19). For Alba, the technocrats could not feel the curtailment of these civil and political rights as they were not deprived of civil liberties because their own areas of concerns did not require that their pronouncements be controlled. He also believed that it was the press, the politicians, and the Church who were deprived, but not the grassroots. Such differing perceptions were highlighted in their prediction of the outcome of the snap elections. Their sense was that Marcos was not going to win in Metro Manila but that he would in the rest of the country. Alba believed that Marcos felt he could manage the elections as the local and provincial leaders would support him (M. Alba, personal communication, January 23, 2009). These differing perspectives on the political and economic crisis highlight a characteristic of the technocracy that believes that “social and political conflict is, at best, judged to be misguided, and at worst, contrived” (Fischer, 1990, pp. 21-22). It was not surprising, therefore, that until the end, the technocrats—with the exception of Sicat, who left for the World Bank, and Paterno, who left the government in 1980 (V. Paterno, personal communication, August 15, 2008; National Secretariat for Social Action, Justice and Peace, 1983, p. 152)<sup>9</sup> and joined the opposition in 1983 when Ninoy Aquino was assassinated—all stayed with Marcos until the end and together with him fell from power.

## CONCLUSION

The Philippine technocracy exemplifies the characteristics of the technocracy in general—that is, their assumption to the power elite in society is due to their technical skills and expertise. Marcos needed the technocracy for his authoritarian regime espousing an economic vision which hinged on the development strategy of its chief lending institutions (i.e., the IMF and the World Bank), of which the technocracy was viewed as purveyors. Their power base, however, was dependent on the economic leverage given to them by Marcos vis-à-vis the other economic power blocs—that is, the cronies who controlled vital sectors of the economy and the First Lady who had her own technocrats. It also did not help that the technocracy was not united; technocrats like Ongpin and Velasco could go directly to Marcos, as could his wife and cronies. The technocracy's trait of being apolitical initially was a plus factor as the IMF/World Bank saw it as a safeguard against corruption, which led to Virata's appointment as prime minister. The 1981 economic crisis, the assassination of ex-Senator Aquino, and Marcos's failing health, however, rendered the political power of the Virata-IMF/World Bank faction negligible. The technocracy's apolitical trait also proved fatal as their differing views of corruption, the socioeconomic impact of their development projects, and the dictator's violation of human rights highlighted the vast disjuncture between the technocracy's and the public's perceptions of Philippine realities. Thus, with the downfall of Marcos also went his technocrats.

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## ENDNOTES

- <sup>1</sup> For further details please see Encarnacion Tadem (2012).
- <sup>2</sup> Based on Cesar E. A. Virata's biodata.
- <sup>3</sup> For further details please see Encarnacion Tadem (2012).
- <sup>4</sup> Government agencies were referred to as departments instead of ministries when the Philippines shifted to the presidential-parliamentary system in 1981.

- <sup>5</sup> This move by President Marcos was to appease the critics of his martial law regime. Marcos, however, enacted Amendment 6, which allowed him to overrule the legislative body. Thus, unlike Virata, the Marcos opposition did not believe at all that martial law was lifted.
- <sup>6</sup> Marcos could still invoke Amendment 6, which gives the leadership awesome political powers to cope with the government's option for coping with emergency situations without having to resort to martial law again (Sacerdoti, 1984).
- <sup>7</sup> As noted by Alba, everybody knew that Marcos was sick and he had a private clinic for this.
- <sup>8</sup> For further details please see Encarnacion Tadem (2012).
- <sup>9</sup> Paterno told Marcos that he only wanted to be in his Department of Public Works and Highways job for 16 months.

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