

HIGH HOPES AMIDST A WASTED LEGACY

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When asked by a foreign journalist a few days after the February 7 snap polls what he thought was his biggest mistake thus far, Ferdinand E. Marcos replied, "calling the presidential elections". Ironically, what was intended to bolster his 20-year reign as president of the Republic instead paved the way for his downfall. The campaign certainly unleashed a forceful tide of popular sentiment towards Mr. Marcos's opponent Corazon C. Aquino, a sentiment that could be matched only by the people's repudiation of his 20-year rule.

Thus when military leaders Fidel V. Ramos and Juan Ponce-Enrile, long-time Marcos allies and loyalists, announced that their president had won the elections as a result of massive cheating, thousands of citizens rushed to their defense at Camps Crame and Aquinaldo. The rest is history. Seventy-seven hours later, on February 25, Mr. Marcos, his family and close friends fled the country under the protective wing of another long-time ally, the US government. They left in a hurry — though not forgetting to bring with them over \$40 million in cash, and much more in valuables and secret documents.

The Marcos family must learn to live in exile, itself a constant reminder of their rejection by the Filipino people. *But they will live in luxury.* In contrast, many Filipinos will have to wait a "while" until they can savor the taste of freedom amid prosperity. For the economy, after two decades of plunder, is in ruins. And rebuilding it is no mean task.

The snap election was not only Mr. Marcos's last political encounter, it was also his final assault on the Philippine economy. Snap election spending dealt brutal blows on an economy already on its death throes. These consisted principally in irregular flows of money. Among the first to be reported was the flowing back of some \$700 million presumably from wealth hidden abroad. This was followed by reports that the Marcos-led party, the *Kilusang Bagong Lipunan* (KBL) spent P10 billion during the campaign.

As the money started flowing, "miracles" began occurring. Multiple bills with the same serial numbers were discovered by unsuspecting citizens. Reports alleged that the Central Bank overprinted these bills. Crony banks were reported to have served P9 billion in election-related withdrawals while in December alone, the Central Bank released P7 billion to the national government.

In fact the effects of this final blow are still to come. Already, an earlier projected modest growth rate of the economy of 1.5 percent is even now considered unattainable. The much-vaunted "controlled" inflation (down to 6 percent in December 1985 from above 60 percent in October 1984) is expected to get out of hand and perhaps match if not overshoot the rates reached after the May 1984 Batasan elections. Even the other prided achievement of mopping up excess liquidity in 1985 was not preserved.

In an interview with *Mother Jones*, a US-based magazine, seven months before he was brutally assassinated, Benigno "Ninoy" S. Aquino Jr. was asked what he would do if he had to take over from Marcos as president. He replied:

"If you made me president of the Philippines today, my friend, in six months I would be smelling like horseshit. Because there's nothing I can do. I cannot provide employment. I cannot bring prices down. I cannot stop the criminality spawned by economic difficulties . . ."

Mr. Marcos is now out of the country, driven away by an angry, awakened nation. And Ninoy's widow Cory is now left to lead a country which has been bled dry of its resources, talent and energies. Building from the devastation wrought by Mr. Marcos involves a lengthy process — certainly longer than it took to hold a snap election, and perhaps as long if not longer than 20 years. Fortunately, President Aquino enjoys

the massive support of the citizenry, to make her task, though difficult, not impossible.

Valuable lessons can be learned from the 20 years of Marcos rule. This article reviews the 20 years in retrospect and discusses 10 major issues arising from the conditions on which the economy stands at this moment of rebuilding.

1. Poverty

Meeting Basic Needs

Two solid decades in the hands of a strong leader are more than sufficient to ensure a decent level of living for the majority of the population. Yet the average Filipino family has never been as poor as today.

A World Bank study states that the highest incidence of poverty in 1983 was ironically among the country's food producers: palay-farming families (33.5%), corn farmers (62.5%), coconut farmers (41%) and other crop farmers (52.6%). The proportion of families living below the poverty line increased from 66 percent in 1965 to 71 percent in 1983. In real numbers, some 15.8 million more Filipinos were pushed below the poverty line, from 21.1 million in 1965 to 36.9 million in 1983.

Filipinos have been eating food in less quantity and of inferior quality. The yearly per capita consumption of protein-rich foods, for instance, dropped from over 90 kilograms in 1970 to just over 50 kilograms in 1981. This is only 45 percent of the recommended amount of this food group. By 1984, the average Filipino diet provided only 45 percent of the required protein and mineral intake. This level of food consumption is the second lowest in Asia, next only to that of Bangladesh.

In 1965, the daily wage of a common laborer was P6.34. Twenty years later, the daily minimum wage for a Metro Manila worker stands at P57.08. Based on 1965 prices, however, this is worth only P4.57 — a loss of P1.77 in the real wage of Metro Manila workers after two decades. The loss is probably greater

given the fact that in 1982, about 60 percent of the labor force surveyed in Metro Manila received less than the minimum provided by law. By the end of 1985, even this minimum covered only half of the daily cost of living for a family of six, estimated at P114.05 a day.

It is the bulk of the nation — most of the people who voted President Aquino into power; who guarded their votes to make sure it was counted; who went out into the streets to install her into the presidency — who are carrying the heavy burden of the economic debacle of the past years. Yet they are Cory's real assets, and they are the real heroes of the February uprising.

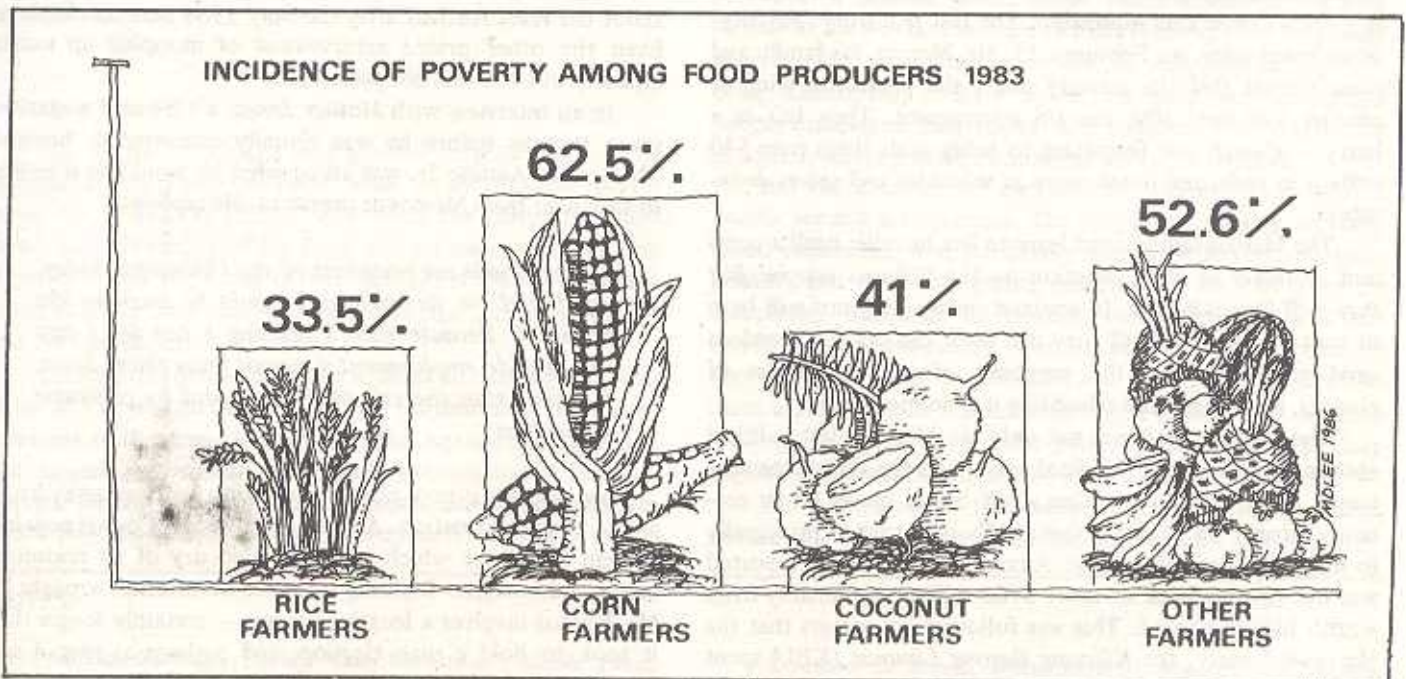
They have made the most difficult sacrifices in this struggle. They are probably ready to make more sacrifices for the sake of recovery. But one cannot and should not demand from Filipinos who can ill afford one, much less two square meals a day.

While the issue of poverty may be tackled on a general and long-term basis, the gravity of the problem calls for concrete actions to ease the hunger and suffering of a growing number of Filipinos. For one, workers would immediately benefit from an increase in the minimum wage. If Metro Manila workers, for example, were paid a daily wage of P79.19 instead of the current P57.08, their purchasing power would simply be restored to the buying power workers had in 1965. In the case of farmers, an increase in incomes would raise their standard of living and provide them with a concrete gain after a long wait of 20 years.

2. Unemployment

Providing Jobs

Not only did incomes shrink in the past two decades; job creation, too, did not keep up with the expansion of the labor force. The total number of unemployed and underemployed Filipinos increased from 3.5 million in 1966 to 4.9 million by the second quarter of 1985. In fact the 1985 unemployment rate of 7.3 percent (1.6 million unemployed) represents the highest rate ever recorded by the National Census and Sta-



tistics Office (NCSO). This dismal record of layoffs only proves the wastefulness of supposed employment generating programs such as the export processing zones, and reveals the stop-gap nature of overseas placements.

Even the kinds of jobs held by those employed indicate the inability of the economy to absorb the productive capacity of the work force. This is seen in the number of teachers who work overseas as domestic helpers, nurses employed as chambermaids and engineers who take on sales jobs. Even among the self-employed, the odd jobs include various types of jeepney dispatchers, peddlers, windshield wipers and the like.

There is little need to stress the benefits to society of creating jobs for the millions of Filipinos forced into idleness and a life of poverty. Not only would jobs offer a much-needed source of income. They would also provide a major impetus for more production, especially since, armed with purchasing power, more Filipinos will be able to effectively translate their needs into demands at the market place.

While providing jobs would be welcomed by many, jobs by themselves are not enough. Can a worker be truly satisfied if he has no security of tenure, if his wages cannot support his family, if he is denied his rightful share of the fruits of his labor or if his dignity as a member of the working class is trampled upon? Under these conditions, would an employed worker be more fortunate than one who is unemployed?

3. Agrarian Reform

Redistributing Land

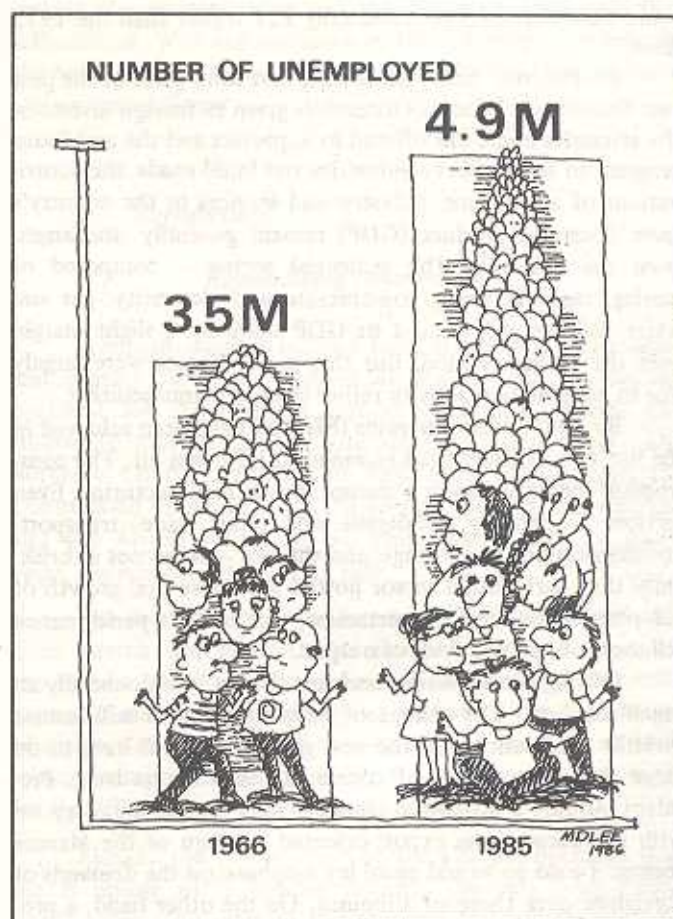
Any effort to tackle poverty would have to consider the plight of the rural population. They comprise two-thirds of the people and belong to the poorest strata of Philippine society.

In fact one of Mr. Marcos's first acts after declaring martial law in September 1972 was to declare the entire country a land reform area. Land reform was to be the "cornerstone of the New Society". As usual, what Mr. Marcos said and what he did were two distinct matters. Only a month after the noble pronouncement, Presidential Decree (PD) No. 27 was issued, which limited the scope of land reform to rice and corn lands. PD 27 excluded coconut, sugar and abaca plantations, where tenancy is more prevalent and whose tenants live in subhuman conditions.

The already narrow scope of PD 27 was trimmed down further with the issuance of PD 1942, which exempted owners of lands newly converted to rice and corn from land transfer. Thus the Marcos land reform program covered only 12 percent of the nearly seven million hectares of rice and corn farms, and less than half of all tenants in these areas.

By 1981, merely one half of one percent of rice and corn tenants could claim ownership to the land they tilled. All the while private corporations were amassing large chunks of lands even as the number of landless agricultural workers swelled to 1.4 million by 1983.

Likewise, agricultural development programs were more concerned with raising farm productivity than with alleviating the poverty of the rural population. The Masagana 99 credit subsidy for rice farmers, for example, was designed to benefit the bigger landowners. Farmers still depended on loan sharks and other non-bank, informal sources of credit for the much needed cash. Over the past two decades, a bigger portion of their loans has gone to pay for the fertilizers, high-yield variety



seeds, pesticides and other farm inputs – whose prices have continued to increase. Meanwhile, because wages in the urban areas were deliberately kept low by the Marcos government to attract foreign investors, prices of rice and other farm produce were likewise kept low by the government. If anyone benefited from this set-up, it was the domestic traders and the multinational seed, chemical and fertilizer suppliers – not the "cornerstone of the New Society".

Clearly, the redistribution of land to small farmers remains a daunting task of the new administration. A sincere effort in this direction would be a big step towards popular democracy and mass participation in rebuilding the economy. The sugar industry is a case in point. With poverty so widespread in Negros, notes UP economics professor Emmanuel de Dios, a transfer of ownership of excessive sugar lands to the unemployed sugar workers, even for subsistence farming alone, would be a concrete step towards alleviating poverty and raising agricultural production.

4. Growth

Reviving Production

One of the more blatant indications of the economic devastation wrought by the Marcos regime is the slump in the country's production. From a yearly average growth rate of 4.8 percent in the late 1960s and 6.4 percent in the 1970s, real gross national product (GNP) slowed down to an average of 2.2 percent a year from 1981 to 1983. Things went from bad to worse in the past two years: Production fell by 5.2 percent in 1984 and by another four percent in 1985. By 1985, the per capita GNP in real terms of P1,644 was merely P400

more than that of 1965, and only P21 higher than the 1975 level.

Despite the heavy borrowing that took place in the past two decades; the generous incentives given to foreign investors; the attractive come-ons offered to exporters and the ambitious program to set up heavy industries and build roads, the contributions of agriculture, industry and services to the country's gross domestic product (GDP) remain generally unchanged from the mid-'60s. The industrial sector — composed of mining, manufacturing, construction and electricity, gas and water utilities — increased its GDP share by a slight margin over the 20-year period. But this sector's gains were largely due to construction activity rather than to manufacturing.

By 1985, whatever gains that may have been achieved in the last two decades quickly vanished into thin air. The construction industry was in a slump; so was manufacturing. Even services — banking, wholesale and retail trade, transport, communications and storage, and the like — were not as brisk. Only the agricultural sector posted a positive real growth of 1.3 percent last year. Nevertheless, this sector's performance fell short of its 1982 level of output.

Getting the economy back on its feet is undoubtedly an urgent concern. The change of government itself will restore investor confidence. But the new government will have to do more than that. A lot, of course, depends on its trust. President Aquino's economic planners may choose to carry on with the decade-long export-oriented strategy of the Marcos regime. To do so would again lay emphasis on the demands of foreigners over those of Filipinos. On the other hand, a production strategy based on the domestic market would be more directly attuned to the poverty of the Filipinos, especially if this were accompanied by a strategy aimed at an equitable distribution of wealth and income.

5. *Workers' Welfare*

Strengthening Labor

The new government took its oath of office at a time when labor unrest is a glaring reality in the business scene. The past three years saw labor unrest reach record levels. The economic crisis, with its attendant ills of mass layoffs, stagnant wages, rising prices and unfair labor practices, to name a few, is largely responsible for the recent rash of strikes.

During his first presidential term of office, Mr. Marcos had to deal with an average of 110 strikes a year, involving about 55,000 workers and an average annual loss of 6.2 million manhours. The declaration of martial law brought with it a ban on strikes and the arrest of some labor leaders. Likewise union organizing that stressed workers' rights was severely stifled. Consequently in the early '70s very few strikes were declared by workers. The few that were called had to confront the brazen might of the armed forces, and risk arrest, torture and even death.

By 1985, however, labor unrest could no longer be contained. A total of 366 strikes were declared — the highest since 1937. The number of workers involved in these strikes was 108,945, double the average figure during Mr. Marcos's first years in Malacañang. Over the same period manhours lost tripled to 19.5 million.

Strike-related violence has also intensified. Among last year's fatalities were workers of Cosmos Bottling and Fortune

Tobacco Corporations. Only last January, a sugar worker in Negros was picked up by the military and found dead five days later.

To be sure, the labor sector has been on the losing end of the Marcos program of export-led industrialization. Such a program was based on a deliberate policy to keep wages low, a policy which was reinforced by the ban on strikes. Nor could workers organize themselves freely and independently. The need to recover the benefits foregone in the past 20 years will be strongly felt by the working class under the Aquino administration.

Some members of the business community may believe, however, that the way to ensure economic recovery is to prevent any disruption of operations. But the strike ban is not the only, nor the most effective, means of achieving this goal. The past record has shown that this may in fact work to the disadvantage of producers sooner or later. Harnessing the full productive capacity of labor will entail a guarantee to workers of a decent wage and standard of living, and a fair share in the fruits of their labor.

6. *Foreign Loans*

Renegotiating Debt

What to do with the legacy of a huge foreign debt of close to \$30 billion is a prime question that faces the new administration. The cost of repaying these debts, even under the present restructured terms, is crushing to the economy and the people. In 1985, interest and principal payments already ate up more than two-thirds of export earnings. On the other hand, the new government cannot simply forget these loans, damn all creditors and proceed to other tasks.

Nonetheless, a second look at the restructuring agreement that the Marcos regime entered into with the International Monetary Fund and its foreign creditors could yield some positive gains for the economy and the new government. As has been pointed out in the past, IMF loan conditions ignore the Filipino people and subordinate their welfare to the servicing of these loans. Such policies as the devaluation of the peso, lifting of price controls, wage freeze, steeper taxes and less public spending penalize the poor and the fixed-income earners. They lead to higher prices and even less social services extended to those who need them most.

In reality much of the bad loans or non-performing assets (NPAs) of government banks and government-acquired banks are those extended to close associates of Mr. Marcos. But instead of passing on the burden of the soured loans to the latter, the Marcos government planned to write off these "NPAs", thus freeing the cronies from the obligations that ironically, helped to strengthen his and their financial and economic base.

Who is to pay for the profligacy of the Marcos regime is a matter that requires more thorough study. With Mrs. Aquino occupying the presidential seat the Filipino people will hopefully have greater access to information about the full extent of the loans contracted in the past two decades, who benefited from them, and who should be made to account for them.

Perhaps also the new administration can take a cue from other Third World countries that have dared to assert their interests against international lenders. Peru, to cite a recent example, anchored its debt policy on its ability to pay. Only

10 percent of export earnings will be used to repay foreign debts. Other Third World nations have resisted the usual IMF conditions on defaulting countries, though to varying degrees of success, arguing that they cannot sacrifice the welfare of an already impoverished people for the maintenance of foreign bank profits.

A selective repudiation of our foreign debts should not be out of the question, more so when it can be shown that they were used to finance overpriced projects of dubious value, or were pocketed by individuals and stashed abroad. Considering that these were not completely without the knowledge of creditors should push the new administration to review the terms of all loan agreements and the conditions under which they were concluded. At the same time, a new policy on foreign loans may be needed and strictly enforced to avoid the continuation of the folly of the past.

7. Foreign Investments

Asserting Sovereignty

The export-oriented thrust of the past decade was accompanied by a policy of opening Philippine doors to foreign capital. Presidential decrees provided more room for the entry of transnational corporations and other foreign investors even into non-pioneer areas. By 1983 the Batasan's Investment Incentive Policy Act (BP 391) had completely abandoned any claims to develop the economy along the principles of economic nationalism and self-reliance.

The gradual assault on the financial system during the Marcos years best depicts the extent to which his government subverted national interests for the sake of foreign interests. Barely two months after the imposition of martial law, major monetary reforms required domestic banks to raise their minimum capitalization. Consequently, they accepted foreign banks as equity partners. In 1976 the Marcos government allowed foreign banks to set up offshore banking units (OBUs) in Manila. OBUs were allowed to lend dollars to Philippine-based borrowers even if as offshore banks, their transactions should have been with non-resident clients. By 1982, there were 57 foreign banks doing business in the Philippines.

The degree of self-reliance that the economy will seek to achieve will be significantly influenced by the country's dependence on foreign assistance and foreign transactions. The US as a leading partner had signified its readiness to aid the new administration.

While aid may be very much needed, the conditions under which such aid will be obtained need to be carefully examined. Experience has taught us that there are far too many strings attached: The Masagana 99 program prohibited the use of locally sourced pesticides. Public Loan 480 requires that we avail ourselves of rice loans even if the country reaps a bumper harvest. Other loans are tied to the liberalization of imports.

The non-monetary costs of foreign capital may be as heavy and damaging to the economy as the interest we pay on our foreign debts. Mr. Marcos has time and again sold the country's sovereignty in exchange for several million dollars,

and in the process prevented the economy from achieving self-reliance. With the economy in the doldrums, this may be the best opportunity to learn to depend on our own resources and resourcefulness.

8. Bureaucracy

Reorganizing Government

President Aquino inherits from the dark past a civilian and military bureaucracy which Mr. Marcos built, molded and nurtured for 20 years. It was a bureaucracy formed and trained to support his "constitutional authoritarianism". The Supreme Court, the Batasang Pambansa, the Comelec, the Commission on Audit, the Civil Service, the local governments and the Armed Forces of the Philippines were, for many years, instruments of one-man rule.

The President could, of course, rebuild this bureaucracy from scratch, and retain the services only of those who meet the highest standards of morality and integrity. On the other extreme, she could also accept at face value the declarations of support of all former Marcos loyalists in the hope of minimizing animosities and mobilizing the most number of people for the difficult task of national reconstruction.

Already the composition of the Cabinet indicated that she is opting for a balance between the two. Juan Ponce Enrile retains his post at the National Defense Ministry; so does Jose B. Fernandez at the Central Bank. General Ramos, Mr. Marcos's vice chief of staff, has been promoted to the position of Armed Forces chief of staff. Mr. Marcos's former executive secretary, Ernesto Maceda, is now Minister of Natural Resources. And heading the Commission on Government Reorganization is Mr. Marcos's former trade minister Luis R. Villafuerte.

Among the new faces in government are businessmen Jaime Ongpin, Jose Concepcion Jr. and Ramon del Rosario, and doctors Alfredo Bengzon and Mita Pardo de Tavera.

The new government has also inherited a vast network of corporations that cover a broad sphere of economic activity. The Marcos government under the guidance of the World Bank was in the process of reorganizing these corporations which number over 300. The new administration will have to decide not only what to do with these corporations, but also where to place those it decides to retain. Already there are signs that the uncertain fate of the Ministry of Energy may evoke a scramble for the state-owned Philippine National Oil Company and its 25 subsidiaries.

On the question of local officials, the scheduled May local elections provides an automatic mechanism for the people to choose their own leaders. Another option is to postpone or cancel altogether the local elections, because the economy will not be able to withstand more spending and so as not to reopen old political wounds at a time when many are calling for reconciliation. In certain cases, Local Government Minister Aquilino Pimentel has simply appointed new local officials to replace unpopular KBL officials. Already Minister Pimentel has come under fire for actuations which could be construed by some as partisan.

9. *Graft and Corruption*

Cleaning Up Government

While the Marcos regime did not invent cronyism, graft and corruption, it certainly excelled in these activities.

The highest officials of the land initiated, participated in, condoned and refrained from punishing acts of plunder. As a result, graft and corruption in the government as well as cronyism have become so widespread that it is now the norm rather than the exception in most offices. Nowadays it is no longer surprising to learn, for instance, that non-existent consultants draw salaries of up to P10,000 a month from such agencies as the Metro Manila Commission.

It has been estimated that in the last years of Marcos's rule, government lost P20 billion annually due to graft and corruption. In 1984, over 200 government officials were implicated in malversation cases discovered by the Commission on Audit.

Last year, Filipinos were shocked to learn that the Marcos family and its close associates owned multi-million dollar properties in the US. Among those named by the San Francisco newspaper which carried the scoop were Geronimo Velasco, Juan Ponce Enrile, Eduardo Cojuangco Jr., Antonio Floirendo and Nemesio Yabut.

Filipinos will certainly welcome moves by the new government to stop this widespread wastage and abuse of government resources. Even more welcome would be steps undertaken by President Aquino to recover the stolen wealth and to put an end to acts of thievery by public servants. It does not need much imagination to put to good use the annual P20 billion wasted on graft and corruption.

10. *National Budget*

Reallocating Government Funds

Mrs. Aquino inherits a P92.9-billion national budget of which over one-fourth is allocated for debt service, some P10.6 billion for defense (including part of an intelligence fund of P385 million), and over P2 billion for government corporations.

Starting with expenditures of only P2.5 billion in Mr. Marcos's first fiscal year as president, the government's budgeted spending mushroomed 37-fold over a span of 20 years. And its priorities have remained warped. For example, at no time did health spending exceed 50 centavos for every peso spent on defense. In recent years, the portion of the budget allotted for servicing public debts rose to 25 percent of total spending, from a mere 5 percent in fiscal year 1966.

How all the questionable allocations will be reviewed will be of great significance. Many eyes will be focused on the much-contested defense budget which tops all ministry allocations. Will basic services now receive the savings generated from current subsidies for the Kidney Foundation (P20 million), the Lung Center of the Philippines (P10 million), the Philippine Heart Center for Asia (P13.7 million) and others?

Financing the budget is yet another question. This year's budget is expected to be paid out of tax and non-tax revenues

of P80.7 billion and borrowings of P14.8 billion. The new sales tax and other tax measures are expected to raise revenues to 10.5 percent of GNP.

Under a government with a clear mandate of the people, taxpayers may prove more willing to contribute to its coffers. Nevertheless the tax structure need to be altered so as to shift the burden on those who are more able to pay, and away from those whose incomes are meager to begin with. Under Marcos rule, indirect taxes comprised more than 70 percent of government tax revenues. Easing the burden of onerous taxes would raise people's incomes, thus enabling them to spend more and consequently stimulate more production.

Redefining Priorities

Underlying the above concerns is a need to redefine economic priorities. In a recent interview with the *Asian Wall Street Journal* (5 March 1986), Finance Minister Jaime Ongpin said the Aquino government's primary obligation is to feed the people. "We don't want to be seen as favoring the capitalists, the businessmen, and neglecting the commitment to the farmers and the poor," he said.

Among the major thrusts of the new government are an extensive land reform program, an end to agricultural monopolies, "fair and consistent" investment incentives (mainly in agriculture), less interference by government in business and renegotiation of the foreign debt.

Exports production will continue to be promoted, though not at the expense of domestic production. Likewise, foreign investments will be encouraged, and a "mini-Marshall plan" will be negotiated with the US, Japanese and European governments. "One of the things I want to end is this incestuous relationship between the Philippines and the US," added Minister Ongpin.

Despite the enormity of the damage left behind by Mr. Marcos, there are positive factors that, if properly harnessed, will enable President Aquino and the entire nation to surmount the difficult problems that confront them and move forward.

Firstly, Mrs. Aquino enjoys a clear mandate of the Filipino people. Secondly, investor confidence is already picking up in the business community, which will no longer have to endure the tough competition posed by Mr. Marcos's government and his cronies. Thirdly, Mr. Marcos left the economy in so dreadful a state that it is so easy to show improvements. Simply putting a stop to the rampant graft and corruption in the government, for example, should immediately make available funds which could be used for productive purposes. Simply reducing the bloated military budget would immediately make available millions of pesos to raise the salaries of impoverished government workers or to improve the government's services to the people. Using the people's savings such as the Pag-Ibig, SSS and the GSIS funds solely for the members' own interests rather than for bailing out crony corporations or white elephants should immediately help the people to improve their living standards.

The decisive factor is the people's strong support for Mrs. Aquino. As long as this unity between the leader and the led is preserved, these obstacles can be hurdled. And Cory may yet attain the objectives that looked impossible even to Ninoy.