

The Political Economy of Popular Democracy

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At this time when our country is facing the challenge of rising above the ruins brought by two decades of a dictatorial regime, it is now imperative that we come to terms with the real issues which confront us as a nation.

Indeed, we are now in a transition period, a critical period which shall bridge our country into the future. And how well we perceive and understand the peculiarities and unique features of this period shall spell the outcome of our future.

Our colleague Randy David has written that there is now a growing consensus that "the present world crisis is not only of the economy of the State but also of social science". He says that "the crisis of social science manifests itself in the directions of social events, to uncover the key element that are at work, as well as to indicate the future course of desirable development".

This statement indicates the urgency of rigorously examining the situation in the country, where, an understanding of the interplay of political and economic forces, both internal and external, would lead us to the appropriate directions which we have to take for our country to achieve development. Such a rigorous analysis is necessary because for a country like ours, development would not be meaningful and authentic if it is not able to effect social transformation.

In the present period we are considering, which is viewed mainly as a transition stage, the turn of events we have been witnessing, to name a few, the conservative stance of the Constitutional Commission, the continued campaign of the military versus the underground leftist movement, the economic recovery that never gets going, are but symptomatic of a political-economic crisis that has created the fluidity of the country's present situation.

This crisis is the result of the increasing contradiction between traditional and progressive political forces, mainly represented by those who espouse elite democracy on one hand and popular democracy on the other. The tension created out of this contradiction has produced a far-reaching scope, as political forces of various segments start to realign

and profess a political stand. Much of this tension has also been derived from the inability of the present government to consolidate itself. It has abstained from taking a hard line policy on the communists and the labor sector, while at the same time it hasn't formally aligned itself to any specific political group.

This position of the Aquino government is understandable as it tries to rise above the prevailing tension by taking a mediating stance. Although well-meaning, it has gained little in easing the tension of a situation which offers its own warning, as the turn of events may compel the government to take sides with those forces which are inclined to frustrate the progressive elements.

As we presently witness the realignment of political forces in the country, we must seek to relate this with the three-fold issue of economic recovery, reform and development.

It is on this note that traditional or elite democracy, which is now fastly inching its way back into the limelight is being challenged by popular democracy. In its bid to make a strong comeback, popular democracy has come to challenge it and pursue the issue of genuine democracy that can only mean empowerment of the people--empowerment in both the political and economic aspects.

Features of Popular Democracy

What are the features of popular democracy? The first feature of popular democracy is political pluralism. This means that in addition to the traditional elite parties, popular democracy calls for newer political parties representing either middle class and lower class interests, or other political tendencies like nationalism, social democracy, national democracy, or even socialism.

The second feature of popular democracy is people's participation. This implies a system where the people's power is expressed directly and permanently through people's organizations and alliances that are officially recognized by government.

If elite democracy is predominantly composed of conservative democrats, popular democracy, could be considered as the joint project of liberal democracy and radical democracy. By itself, popular democracy is not necessarily nationalist, much less socialist. But the popular democratic coalition includes nationalism and socialism among the variety of political and social philosophies that it considers legitimate.

Popular democracy is perfectly compatible with an advocacy of capitalism although this will tend to be more nationalist capitalism because of its commitment to the interests of the middle and lower classes.

Considering the present alignment of forces, a *de facto* coalition government under Cory Aquino's leadership still prevails. The conservatives still constitute the bigger bloc, while the liberals and progressives although in the minority, continue to exercise initiative.

Although the coalition, through the on-going peace talks and other programs, is looking for way and means of accommodating the left forces, both nationalists and socialists could say that the coalition is still led by political forces committed to capitalist development.

If we look at the different political forces which are part of the popular democratic alliance, we can say that there are two distinct perspectives. All the forces either belong to those who subscribe to a capitalist development framework or to a socialist development framework.

But while the long-run perspective of the various political forces differ, they are forced by the present situation to agree on a common political stance and forced by the economic imperatives to work within a common transition program.

In this paper, we will try to show why these forces will share a common transition program.

There are two sets of reasons why we argue for a common transition program. One set is practical, the second is theoretical.

Practical Factors

The first practical factor is the common starting point both capitalist and socialist perspectives have to deal with -- the state of Philippine economy.

Although the three concepts of economic recovery, reform and development overlap and cannot be strung out in a mechanically linear sequence, it is still possible to identify economic recovery as a distinct and immediate common task. Recovery means at least returning to 1983 (before August) levels of economic activity which can be quantified. It also means the utilization of existing productive facilities, although this is harder to fix more precisely.

The common immediate task of economic recovery calls for the same measures whether the long term perspective is capitalist or socialist development. In addition, the task of economic reform and development have to deal with certain givens that will not change overnight. Among these are the following basic features of the Philippine economy: 1) it is mainly agricultural; 2) its industry is heavily owned and controlled by foreigners, and c) it is quantitatively, qualitatively dependent on international trade and finance relationships.

The second practical factor that make for a common

transition program is the international economic situation. The Philippine economy is in no position to dictate significant changes in the international economy, at least not in the short term.

Theoretical Factors

At first glance, there would not seem to be any theoretical reason for a common transition program between capitalist and socialist development. There are, in fact, theories of socialist and capitalist development that would argue against any common transition program.

However, there are variations in capitalist development theory and socialist development theory which not only allow, but support our argument for a common transition program.

The first, and more elaborate theory, is the so-called "structuralist" approach. This is a variation of capitalist development theory originally formulated and systematized by the Economic Commission for Latin America (ECLA), especially Raul Prebisch, the first executive secretary of ECLA. It has been modified and expanded by Cambridge School economists and the International Labor Organization (ILO).

The structuralist approach is relatively unknown in the Philippines, at least among economic government planners and the main schools of economic thought. What dominates the Philippine economic theory is the neo-classical approach, which is essentially laissez-faire capitalism. Some government agencies, however, appear to be following other variations of the neo-classical approach, particularly, the basic needs approach.

The socialist counterpart of the structuralist approach is less elaborated and systematized. A group of Soviet Union economists have tried to develop what they call a "non-capitalist" path to development, which is, in essence, similar to the structuralist approach. But even those who advocate an orthodox socialist theory of development acknowledge the need for a "transition" approach, especially if the starting point is an underdeveloped capitalist society.

Such a transition approach calls for "historically-specific policies that reflect inherited conditions, including the level of development of the class struggle and external constraints on development".

Programmatic Framework of a Political Economy of Popular Democracy

Putting such a framework to bear on the empirical nomenclature of our politico-economic inquiry, we confront the peculiar characteristics of the crisis that besets the country now. Let us apply this to how the government views the situation.

Government defines the problem as a depressed economy that must recover and poverty that must be alleviated. It seeks to solve these problems through greater economic productivity with minimum government intervention. Government mediates in the recovery effort but when recovery comes, the market regains free rein. Throughout, growth and equity are presumably fulfilled through a mix of investment and redistri-



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butive policies.

I have previously mentioned, however, that the real problem that we must confront is the nagging issue of underdevelopment. Poverty is only the symptom, not the problem.

To pose therefore a solution that does not confront the roots of underdevelopment is to mistake the trees for the forest. Popular democracy acknowledges the need for addressing immediate economic problems particularly our overwhelming debt burden and huge public sector deficits but it puts the strategic problem of underdevelopment as the proper context within which the short-range difficulties must be attacked.

It calls for asset and income distribution as the centerpiece of its economic program that should be attained through a thoroughgoing agrarian reform and an industrialization strategy that gives increasing attention to the domestic market and a more substantive role for national capital. Generally, agrarian reform bolsters agricultural development upon which a viable industrialization strategy should flourish.

In accomplishing this, it seeks to muster the broadest coalition of political forces to spur recovery efforts and ensure sustained growth. Implicitly therefore, it recognizes that the political reforms gained through the current democratic space must be channeled toward the attainment of more comprehensive economic reforms.

A programmatic framework spells out popular democracy's positioning vis-a-vis the immediate problem of recovery and the structural problem of underdevelopment through five key elements:

1. *An activist government.* Although traditionally associated with the socialist perspective because of central planning as the purported norm of macroeconomic management, an activist government is also a derivative of non-socialist development perspective such as those of the Latin American structuralists. Popular democracy applies this to the Philippine situation with a call for government to mediate in the market in certain sectors for both efficiency and welfare considerations.

At this juncture, government mediation is called for particularly because of the need to consolidate deployment of financial resources that are obviously scarce. While some would argue that the private sector may be a more efficient manager of resources, this sector's hesitance to spearhead the drive toward recovery obligates the government to take the lead.

Over the long-term, government may have to grant the private sector a more decisive role but it cannot abdicate its implicit task of setting the groundwork for both recovery and growth. In this context, the delineations as well as the synthesis of planning and market must be carefully set.

2. *Plan and Market*

The plan and market mix for popular democracy implicitly call for a mixed economy. Four economic sectors interplay in this system: traditional businesses in the private sector, state sector, cooperatives, and the peasant and artisanal sector.

Concommitantly, macroeconomic management relies on the combined use of market and planning instruments.

Planning is done in a mixed fashion depending on the economic areas for which the plans are being drawn. For vital sectors such as utilities where public regulation is called for, central planning is inevitable. Government regulation of vital social services such as health, education, and welfare is also called for. Public goods, of course, shall still fall within the province of government. For essential consumer and producer goods industries, indicative planning is necessary. Government provides corresponding policy guidelines to spur productivity. For all non-essential consumer industries, the market operates unencumbered by government intervention.

In agriculture, indicative planning dovetails with bottom-up-planning through rural people's organizations in projecting production targets and determining government support needed in achieving targeted outputs.

The rationale for the choice of the different methods for planning the national economy may also be invoked for the marketing and distribution of national production. Coordinated marketing schemes are best adopted for tradable export crops and exportable light manufactures. The role of the government shall be limited to one of coordinating and supervising the movement of goods in and out of the country.

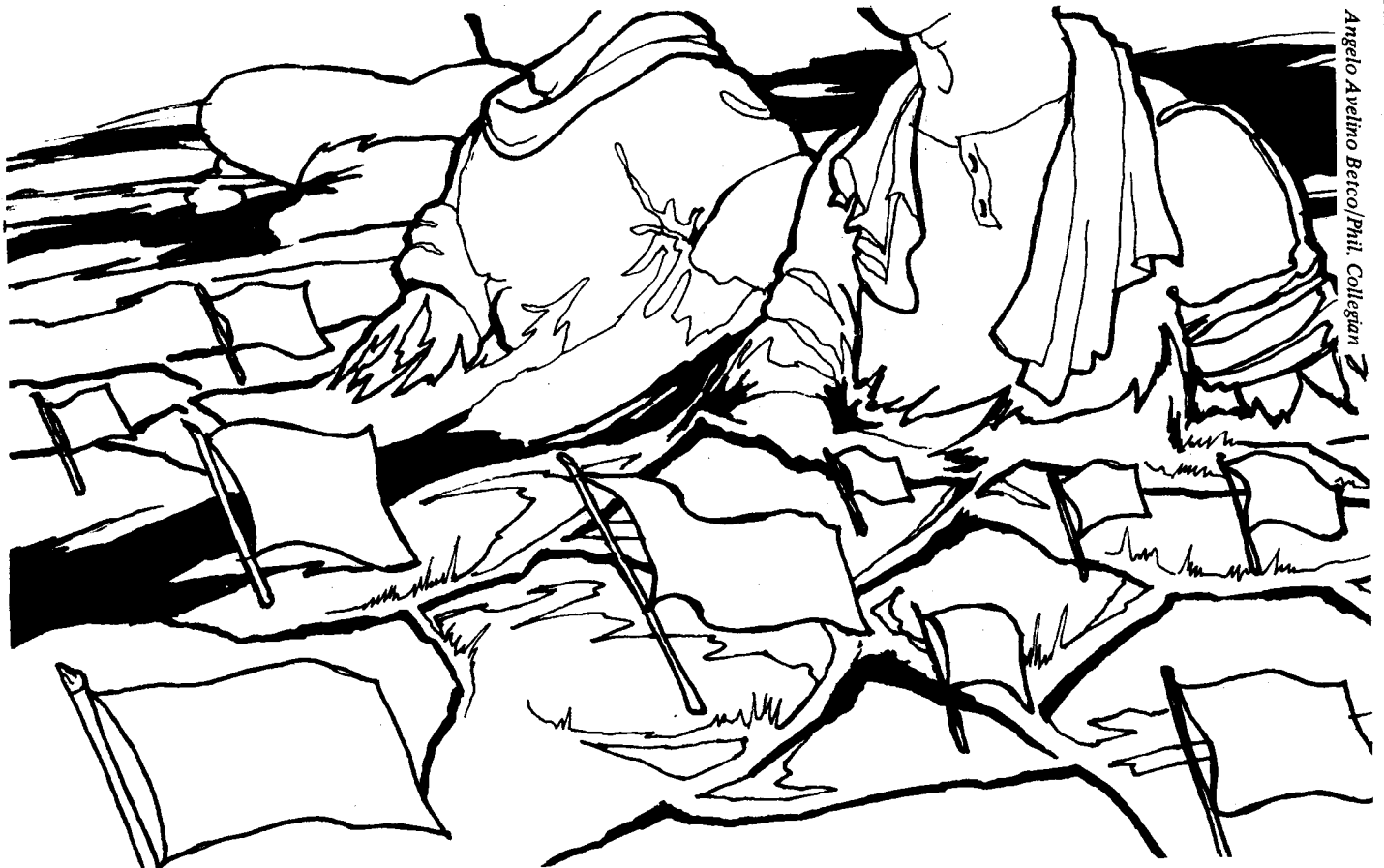
Overall, market pricing and allocation shall still govern the bulk of economic decisions. The areas where government mediates in the market have already been circumscribed: natural monopolies such as utilities, vital consumer, as well as producer goods industries, and crucial social services (health, education, and welfare) are guided through indicative plans but are not controlled by the government.

In effect, government will still wield the traditional tools of fiscal and monetary policy in managing the national economy. Government's continued mediation in the market is deemed necessary not only because of macroeconomic coordination but to effect the impact of lopsided concentration of resources which would otherwise be overlooked if the neo-classical obsession with free markets is left unqualified. In a developing economy where structural imbalances persist, welfare-ameliorating policies cannot be avoided as the market efficiency criterion alone does not necessarily promote the equity criterion.

A distinct feature of economic management in popular democracy is the pervasive presence of people's organizations and cooperatives that can help government promote efficiency and effectiveness, especially in the public sector. As mentioned earlier, assumption of functions usually performed by government gives people's organizations the chance to save on bureaucratic waste. At the same inter-cooperative trade should stimulate enterprise agreements that could help cooperatives compete with their more entrenched competitors in the private sector. As cooperatives gain greater efficiency and stronger clout in the national economy, peasants, agricultural laborers, urban workers, and all those who belong to the underprivileged classes should enjoy greater economic leverage that would bring them their rightful share in production that has eluded them for long.

B. *Fiscal and Monetary Policy*

Popular democracy espouses steeper direct taxation



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for higher income brackets and the deliberate reduction in the incidence of indirect taxation which actually penalizes the lower income brackets. Tax policy should increasingly emphasize ability to pay even as non-tax revenues should increasingly be tapped to augment revenue generation. Deficit financing should no longer be countenanced in the guise of public investment when it is obviously meant to gain political capital. Non-government organizations should be mobilized to monitor rationality of public investment projects.

Corollarily, borrowing as a source of revenue should now be downplayed. Tax administration should be improved further at the same time that non-tax revenue performance should be optimized.

Participation of non-governmental organizations in budget planning should help trim down budget deficits by scuttling at the planning stage expenditures that are without social relevance.

Fiscal incentives to stimulate investment should be granted as long as they do not compromise revenue generation. Credit allocations should have as priority agricultural production and vital consumer industries. Where resource efficiency hinges on market determination of interest rates, this should be allowed free rein but an elbow room should be available for subsidized credit whenever special funds that come as grants or concessionary loans are available.

2. *A Vibrant Network of People's Organizations.* Over the long-term, government's activist role must go hand in hand with a vibrant network or people's organizations to support and sustain all initiatives spearheaded by government. This recognizes the role of people's organizations in responding to the peculiar requirements of a society in transition. Government's active role does not necessarily mean the exclusion of people's organizations but instead the mobilization of people's organizations to support all meaningful activities of government.

Popular democracy proceeds from the fundamental premise of people empowerment in the realm of both politics and economics. Empowerment here means the long-term strategic process of transferring economic and social power from one center to another and/or the creation of new centers of socio-economic power complementary to or in competition with the traditional centers.

The appropriate mix of power transfer, usually indicated by the changes in the effective control, access or ownership of key resources such as land or facilities and its creation of new centers, is a situational one and may not be completely predictable. By centers, we can mean specific social classes or factions of social classes, and can involve the particular regions and areas in the country.

Empowerment, therefore is a dynamic process of shifting the balance of social power from one social class or group of classes, from the political importance of one area or region to another, resulting in a different configuration.

Empowerment taps the people's own potential to enable them to take responsibility for their own development. Self-reliance and self-management are seen as inherent in the process of community development. Thus, for example, mass organizations are transformed into decision makers. Socio-economic organizations operate as lower-level organs of

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popular power. Consultative committees and institutions are constituted into bodies capable of wielding effective power at the community level.

In the countryside, this will entail three types of organizations: community organizations, peasant associations, and cooperatives. Hopefully, these organizations should embrace virtually all the classes and sectors in the rural villages and build a broadly-based democracy.

Village-wide community organizations by their nature will be of a federation type. They will admit and unite all kinds of organizations, be they of the rich peasant or the poor peasant. They will be built around issues common to all.

Peasant associations will be more class-based, to be composed mainly of poor peasants. Emphasis will be on this group as it is the sector which needs empowerment most.

Socio-economic organizations or cooperatives will be established to enhance the viability of any economic enterprise that will be set up. Grouped according to economic sectors, they can set up their own banks to serve their own sectoral requirements. Enterprise agreements can be forged among the different cooperatives across vertical and horizontal levels. At the national level, they can federate into apex cooperatives.

On a higher plane, all these types of organizations will combine to form people's consultative councils. These councils will then concentrate on people's participation and mediate the autonomous activities of the rural masses. Horizontally, these councils can group together into communities of interests to accommodate convergences of group interests while vertically they are linked by their sectoral affiliations into national federations. The binding force linking all these organizations to a common vision is a social compact that lays out



consensus on policies such as macroeconomic targets. The social compact, which derives inspiration from the Yugoslavian model of self-management socialism, bears the force of the law once they are signed by contracting parties.

Crucial to the operationalization of such framework for people empowerment is a devolution of government power that should allow for a broader role for people's organizations in policy formulation, program planning and project implementation. Some functions can be shared by government while others can already be assumed by people's organizations.

3. *A Thoroughgoing Agrarian Reform Program.* This element is closely bound to the activist role of government. Whether the perspective is socialist or capitalist, a thoroughgoing agrarian reform program needs substantial government intervention, politically and economically.

It is a firm commitment of popdem to undertake a genuine land reform program. Popdem believes that in order to implement a successful programme, the government should insulate the decision-making machinery from landed interests and create organizations capable of translating central decisions into "decentralized" implementation in the rural area.

The scope of the land reform program will include all type of farm lands and cover the whole peasantry (i.e. the whole spectrum of major peasant sub-groups from landless workers to tenant farmers to sharecroppers.)

It will also redress the shortcomings (e.g. the stratification of the major peasant subclasses, the limited scope which included only rice and corn lands, the lack of people participation) at the grass roots levels of previous land reform programs. As a whole, popdem's agrarian reform thrust would be more scope, less exemptions, more participation, less

centralization, more speed, less cumbersome technicalities, and most of all integration and not stratification of the peasantry.

The tensions between policy and actual practice will be ironed out as soon as possible to include: 1) tillers of farm land other than rice and corn; 2) since previous agrarian reform left out a sizeable number of tillers particularly the landless workers, they will now be included within the scope of agrarian reform; 3) land tenure reform will be completed speedily and according to its original objectives. From the history of successfully land reform programs in Asia, tenure shift has to be accomplished within 2-3 years if it is expected to create any impact socially, economically and politically; 4) No exemptions will be granted whether to small landlords of specific agricultural areas of the last traces of landlordism (and its drain of land rentals from rural areas) is to be successfully eradicated. This will also mean that landlord capital will be transferred to industries; 5) A package of services will accompany agrarian reform. Among these services will be credit and marketing facilities, extension services, and infrastructural development in terms of irrigation, farm-to-market roads, rural electrification, etc.; 6) there will be an emphasis on the use of appropriate technology which are ecologically relevant and versatile, simple, sparing in use of capital relative to labour, applicable to small productive units, and minimizes market risks; 7) "People's participation" will be an indispensable condition for land reform. The active participation of farmers in the planning, implementation and evaluation of reform policies is rendered essential; 8) Group farming schemes based on the principles of cooperativism and the entire community's control of local resources will pervade throughout popdem's agrarian reform programme. Ultimately, the effects of agrarian reform will bring about a fairly homo-

genous society of small farmers based on cooperative cultivation.

4. *An Industrialization Strategy Hewing Closer to the Domestic Market and National Capital*

In the area of industrialization, popular democracy calls for a progressive, employment-creating, anti-poverty, and income-generating industrialization policy. This emphasis is invariably hinged on the principle of economic efficiency, but at the same time acknowledging the need for welfare ameliorization, with production addressed to both the domestic and foreign markets.

In order that this may be achieved, the thrusts in the industrialization priorities of the previous administration have to be corrected towards the export market, with domestic consumption left out as a residual concern of an import-substitution but foreign raw-material dependent strategy. The immediate consequence of this, of course, was that the best of Filipino workmanship somehow automatically became earmarked for foreign markets, and that the domestic market had to be content with either the surpluses, rejects, and spoils of the country's industrial manufactures, or their imported counterparts.

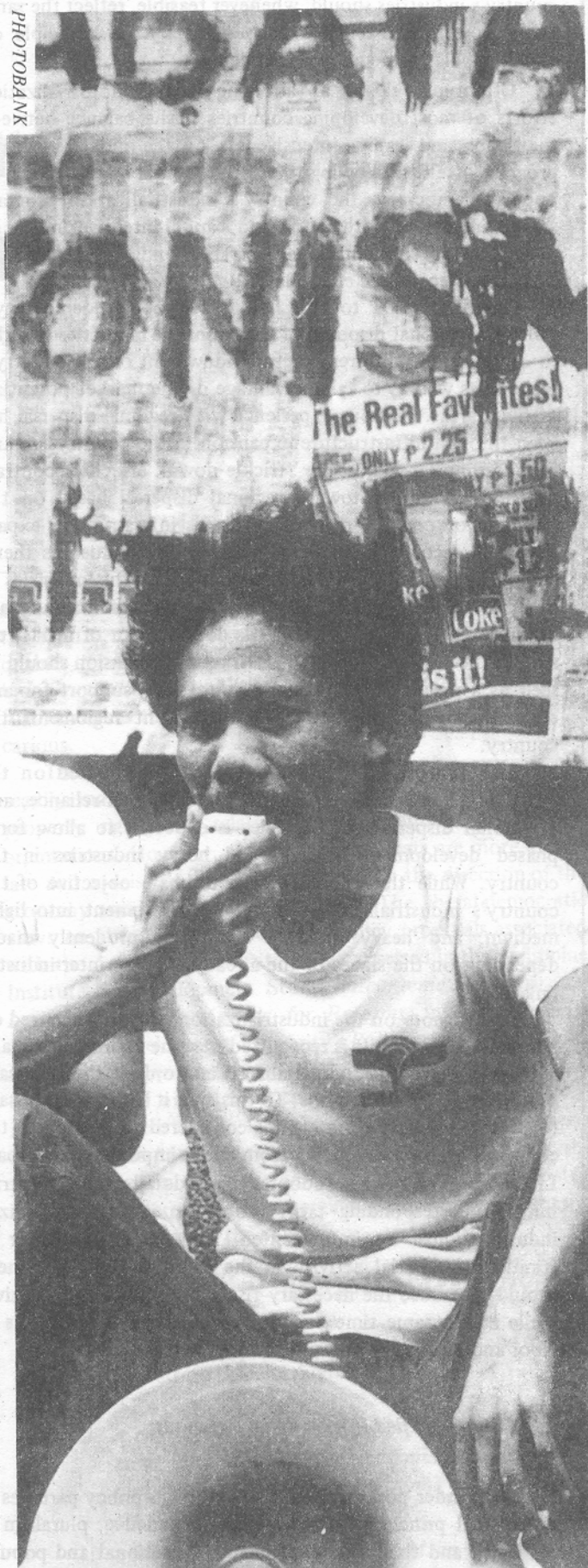
While the foreign exchange earnings argument for exports is valid and recognized to be crucial especially for a developing country like ours, popular democracy calls for greater people's participation in the economic life of the country, and this should be read to include a proportionate increase in the production of manufactures for the domestic market. For this reason, the inordinate emphasis on the export market insofar as the country's industrial manufacturers are concerned must necessarily be rectified. The requirements of the domestic market must now occupy increasing prominence in the country's industrialization drive. However, by recognizing that the foreign exchange earnings from the export of light manufactures already being produced in the country are equally important for economic recovery, the continued production of these light manufactures must be encouraged.

While economic efficiency underpins the industrialization drive, it is necessary for government to mediate in the market to foster welfare ameliorization concerns. To this end, popular democracy recognizes that "natural monopolies" must be publicly owned and managed. With these natural monopolies under state control, rational planning of these critical areas of the economy should be enhanced. At the same time, economies of scale should be operational.

Outside of natural monopolies and utilities, all other industries must be left to the private sector subject to the national guidelines of encouraging production for the domestic market and for export generation.

Alongside the promotion of greater productivity in industry, popular democracy also calls for the promotion of self-sufficiency in the country's industrialization policy. To this end, the sourcing of capital should reflect an increasing reliance on domestic sources. However, this does not mean that foreign participation in industry is precluded. Foreign participation is in fact encouraged in all the non-critical industries of the economy (e.g., communication, power, transport, education, and water). In similar fashion, the sourcing of producer goods and intermediate inputs for the

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country's industries should, whenever feasible, reflect the same thrust toward self-reliance encouraged by the principle on which popular democracy is founded.

Oftentimes raised as an issue in the industrialization efforts of most developing countries is the balance between the labor and capital-intensiveness of the industrialization program itself. Following the fundamental assumptions of popular democracy, the country's industrialization program should allow for both labor and capital-intensive industries depending on considerations like factor endowments and the criterion of economic efficiency.

Closely related to this would be popular democracy's call for a regional dispersal of the country's industries in order to optimize the different factor endowment of the country's regions, as well as to take advantage of the market potentials of these areas. Previous experience with regional dispersal has been through infrastructure expansion in the countryside and the inordinate hope on the "trickle down" effect. In contrast to this, the thrust toward regional dispersal based on the principle of popular democracy places infrastructure expansion only secondary to the dispersal of the industries themselves. In other words, the impetus to relocate the industries to other areas aside from the national capital region should not be made to depend solely on the development of infrastructure in the regions. Rather, infrastructure expansion should be seen as a means of providing the necessary support for any effort to bring industries to the different regions of the country.

The industrial expansion outlined above, based on the principle of economic efficiency, increased self-reliance, and a regional dispersal of industries is expected to allow for a phased development of light and heavy industries in the country. While this should be the ultimate objective of the country's industrialization policy, the movement into light, medium, and heavy industry should be prudently made, depending on the stages of the already existing inter-industry linkages.

A final note on the industrialization strategy anchored on popular democracy. It is recognized that the country can make a go of its effort to industrialize if and only if the necessary support systems are in place. To this end, it becomes necessary to protect the various industries considered to be vital to the country's economic recovery from cheap imports from abroad. Liberal policies may be adopted towards all other industries but the corresponding tariff protection in these liberalized industries must be implemented. And finally, in order to stimulate industrial activity in the country, the government should introduce the necessary fiscal and monetary incentives while at the same time ensuring recognition of the rights of labor and stability in the nation's payments balance.

5. *Diversified International Relations*

Under popular democracy, foreign policy partakes of the overall principle of increased independence, pluralism of relations, and the pragmatic pursuit of national and popular interests.

While the Philippines will not be able to immediately

extricate itself from its dependence on the US, it should begin a process of actively seeking to reform the terms of such a relationship in order to achieve more equitable terms, for instance, in economic relations while working for the removal of the most dangerous and onerous aspects of security relations as the bases agreement.

At the same time, a policy of diversifying relations with Western industrialized countries in the OECD (Japan, EEC, Canada, etc.) in order to loosen the excessive dependence on the US and to increase our economic and political options and leverage vis-a-vis the US can be pursued.

Economic relations based on mutual benefit with socialist and communist states can be further expanded especially where economic gains can clearly be achieved and again to further diversify external economic relations and lessen vulnerability to fluctuations in world trade.

Realistic expectations from our relations with Third World countries built on a continuing solidarity with them on the NIEO issues and other UN or North Sea issues will be maintained. Greater solidarity within the Asia-Pacific regions especially on disarmament and arms control and nuclear free zones in the region can be pursued vigorously.

Relations with other countries on a people-to-people basis especially where alternative development experience can be studied and learned by our people will be expanded.

Conclusion

In closing, may I stress that the political economy of popular democracy which has been spelled out offer an alternative that has been drawn from a rigorous understanding of the present fluid political situation. It also considers the transitory nature of the current set-up and as such responds to urgent short-term requirements which meanwhile have a bearing on long-term objectives. In essence therefore, it responds to both the immediate and long-term real needs of the country.

As an alternative today, popular democracy is surely our only best bet against the resurgence of the reactionary tide which is all out to gain ground in the political and economic system of the country.

The political economy of popular democracy gives us a viable solution to the current economic crisis that could be used by some men of dubious intentions to invoke a fascist restoration in the guise of benevolent despotism while keeping a longer view toward the structural causes of underdevelopment that beset the country.

We have arrived at our conclusions only because we did not allow ourselves to be constrained by the artificial distinctions that divide politics from economics or both from the general context of the social sciences. After all, political economy, when considered in its essence is an art and discipline of the simultaneous -- that is to say, its real standpoint requires it to view the social processes in a specific society as having simultaneous political and economic dimensions. We have therefore freed our minds from the confining perspective of a social science that puts divisions among disciplines where there should be none. **K**