

The Question of Development and Democratization

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Recent political developments in the Philippines have provided the impetus for a high degree of popular politicization and mobilization. Widespread resistance to the Marcos dictatorship evolved from a critique not only of authoritarianism but also of the model of development-from-above that necessitates the authoritarian political form.

In February 1986, a popular uprising displaced the Marcos regime and brought to power a loose coalition of political forces broadly committed to rebuilding the institutions of representative democracy. The new government of Corazon C. Aquino quickly convened a commission to rewrite the constitution, called legislative elections on the basis of the newly ratified charter and committed the whole government to transparency and accountability.

The new Philippine Constitution reflects the hope for a just society in the wake of an uprising. The provision on social justice and human rights reads: "The Congress shall give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic and political inequalities by equitably diffusing wealth and political power for the common good." [1]

Three years after the Philippine February, social inequalities remain, popular organizations are kept outside the decision-making process, and the new government itself has been cited for human rights violations by Amnesty International. Events of the last few months signal a rise of discontent and a decline in the optimism that followed the rise of a popularly-endorsed government. In May

this year, workers forced government to raise minimum wages by threatening to stage a general strike. In June, peasant organizations were mobilized to protest the slow implementation of the agrarian reform program as well as the ineptitude of the agency tasked with overseeing the program.

This article shall not attempt an explanation of the complex interaction between social structure, political institutions, and power blocs. (Such an attempt has been made elsewhere.) [2] Rather, it shall focus on the competing models of development in the Philippines and the dilemmas that burden present policies.

The Critique of Authoritarianism

The Marcos dictatorship represented a model of rapid economic "take-off" on the basis of extensive state intervention that was popularized throughout the Third World during the sixties and the seventies. Such intervention was financed by extensive external borrowing. The social consequences of a large debt burden caused the model to be severely discredited and provoked pressures for redemocratization in Asia, Africa, and Latin America.

To facilitate national planning, the state had to be reorganized into a command bureaucracy, internal opposition suppressed, and civil liberties suspended. By imposing martial law and closing down the Congress, the Marcos government transformed itself into a "technocratic authoritarian" regime where the planners, backed by military force, were unhampered by traditional institutional mechanisms of accountability. [3] The destruction of democratic institutions was justified by the standard logic of "developmen-

talism" [4]: it was a necessary measure to put the motors of economic growth and social modernization in place. In the case of the Marcos regime, developmentalism justified a repressive political order that eventually failed to realize reforms in a basically iniquitous social structure. [5]

Although cloaked in the scientific language of the technocrats, authoritarianism in the Philippines fostered dependence on the state and created powerlessness in civil society. One political scientist aptly described the process as one of "refeudalization". [6] With the demobilization of conventional political parties and the closure of effective channels for the redress of grievances, resistance to the regime began to coalesce around the clandestine armed revolutionary movement. A process of intense political polarization ensued from the late seventies onwards as it became clear that the dictatorship could not deliver on its promise of instant development. [7]

The developmentalist model assigned to the state the role of capital accumulation. A number of authoritarian regimes in the Southeast Asian region played this role with varying degrees of success. [8] In the Philippine case, the development strategy adopted at the start of the seventies anticipated expanding markets for labor intensive exports and a steady flow of foreign investments. The oil shock and the resultant world recession pulled these premises from under the strategy. [9] To offset the effects of recession, the Marcos regime began to borrow heavily from international banks awash with petrodollars and strapped by low capital demand in the recession-ridden industrial economies. Without the mechanisms of checks-and-balances in place, the temptation to plunder became too great for the political faction in power. The Marcos family and their cronies were estimated to have squirreled away billions of dollars, mainly from state-guaranteed loans. [10]

When interest rates were low and loans abundant, the Marcos regime expanded the state structure, indulged in extensive nationalization of industries and dramatically increased the absolute number of state personnel. [11] When demand for capital from industry increased and interest rates rose, the Marcos regime found it difficult to subsidize the state apparatus. It quickly entered into what may be termed a "crisis of political reproduction". [12]

Burdened by a "crony" bourgeoisie dependent on state patronage, challenged by an expanding countryside insurgency, confronted by declining popular confidence and strapped by a contracting economy, the Marcos regime lost the ability to effectively govern by the middle of the eighties. Development by way of dictatorship proved to be illusory. [13]

The Promise of February

By the time the Aquino assassination occurred in August 1983, Filipinos had sensed that the political -- and probably also the social -- order represented by the Marcos regime reached a terminal crisis. From late 1983 to 1985, intellectuals met at the University of the Philippines to dissect the problems plaguing the nation and explore alternative paths to the future. [14] These meetings crystallized the rejection of state-centered, foreign investment-led growth and debt-fueled development. Filipino economists, in particular, articulated economic de-regulation, the privatization of public enterprises and import liberalization as a possible route out of the economic crisis. [15]

The swiftness of the political transition, the amorphousness of the political coalition leading the insurrection, and the great pressure to restore some semblance of stability to the economy were conditions that disposed the new government towards policies that were altogether pragmatic, conservative, and segmented. The Marcos dictatorship unravelled quickly when capital flight had taken its toll on public confidence. [16] In its wake, the regime left a devastated economy where "recovery" seemed more immediate than "reform". [17]

Of the various blocs composing the loose political coalition, the big business factions disfavored by the Marcos regime proved to be best positioned to influence the basic policy dispositions of the new government. They effectively blocked demands from the mass organizations for a highly confiscatory land reform program and selective debt repudiation. They succeeded in pushing for the restoration of a bicameral Congress where representation tended to favor the landed oligarchy. [18] A number of close observers quickly noted that the "elite democracy" that had earlier invited the pessimism that Marcos capitalized on to impose an authoritarian order was being restored. [19] The popular movements that resisted the dictatorship and helped propel the new government into place

expected immediate reform in a number of areas. They expected a sweeping land reform program that would break the oligarchic stranglehold on the expansion of the domestic market. They expected the new government to put a cap on debt service in order to free resources for self-propelled growth. They expected greater popular control over natural resources essential for the people's livelihood. They expected the demilitarization of society and a comprehensive political settlement to end the internal war. Nationalists expected President Aquino to arrange for the termination of US military presence in the archipelago as she promised prior to her accession to the presidency.

In all these areas, however, disagreements between the new government and the popular movements developed.

Instead of enacting a sweeping land reform measure on the basis of the emergency powers she once possessed, Mrs. Aquino left the detailed legislation to be done by a landlord-dominated Congress. Instead of imposing a ceiling on debt payments, Mrs. Aquino followed a policy of full and prompt payment. Consequently, 50 percent of the 1987 budget and 45.5 percent of the 1988 budget went to servicing the foreign debt. [20]

Instead of drastically cutting down the number of military and civil service personnel, the new government left the bloated bureaucracy intact. The large expenditure on state personnel subsequently reflected in large deficit spending. [21]

Although, in its first few months in office, the Aquino government agreed to a ceasefire

with the insurgents and began talks for a comprehensive political settlement, it eventually bowed to pressure from the military establishment and declared "total war" against the revolutionary forces. As a consequence, a state of war continues to exist in some parts of the Philippine countryside and instances of human rights violations continue to be high. A number of popular organizations have taken the initiative in organizing "peace zones" to mitigate the effects of the armed conflict and create some space for dialogue. [22]

Asiaweek, July 7, 1989



Beyond the configuration of domestic political and social forces, the IMF-WB has emerged as a significant influence on the drift of policies. Earlier this year, the Aquino government agreed to the recommendations of the IMF-WB in exchange for a financing package that would help the country service its external debt. The decision sparked objections from economists who had been generally supportive of government policies

other than its strategy on the foreign debt. [23] In June 1989, the Director of the country's main economic planning agency, the National Economic and Development Authority (NEDA), resigned due to differences with the Central Bank Governor and the Secretary of Finance.

Through the intense policy debates that have been raging over the last three years, radical intellectuals associated with the popular movements have initiated a new discourse critical of "transitions from above". [24] This opens a new perspective differentiated from the standard lines of debate within the formal decision-making process. [25]

Privatization and De-nationalization

Over-all, the development model followed by the Aquino government – disagreements over the handling of the debt question notwithstanding – is characterized by liberalization, privatization, and de-nationalization. [26]

This development perspective is as much a reaction to the excesses and failures of the Marcos regime as it is a concession to the fact that without capital inflows via external borrowing, the state is in no objective position to play an interventionist role in the economy. It is also consistent with prevailing opinion among international lenders.

The model of rapid, state-directed economic growth espoused by the previous regime inspired extensive state involvements in the capital sector, the expansion of public enterprises, and the institution of broad economic regulative mechanisms.

On the one hand, state-interventionism – and the extent of national planning facilitated by it – allowed the integration and coordination of economic activities on a national basis. This is particularly significant in an economy with a large plantation component and a low level of articulation between regional economies. [27] Economic intervention allowed state revenues to be raised from the capital accumulation process, a factor that encouraged subsidies for public service enterprises. Such subsidies contributed towards enhancing the role of the state as a mechanism for improving social equity.

On the other hand, extensive state interventionism created the necessity for freeing the technocratic apparatus from the realm of pluralist politics and the conventions of public accountability. It allowed the governing elite to centralize political patronage and, in a general way, provided a climate hospitable both to autocratic governance and official corruption.

The unpopularity of the previous regime and the insurrectional manner by which it was deposed encouraged a sharp turn from its policies. Public enterprises, characterized by inefficiency and over-regulation, have been defined as disincentives to investment.

Available figures do suggest that government corporations were inefficient users of capital resources. While they accounted for a large part of total investments (14.4 percent of total gross domestic investment from 1975 to

1984), they contributed only 1.8 percent of the gross domestic product and generated only 1.6 percent of total domestic savings. They also utilized 21.7 percent to 84.6 percent of external loan availments during the 10-year period mentioned above. By 1984, they accounted for 49.3 percent of the country's external debt. [28]

To quickly relieve the twin pressures of debt servicing and a mounting budgetary deficit, the Aquino government introduced a debt-to-equity conversion scheme and put government corporations up for privatization. Equities were often sold at basement prices and at great loss to government. Most of the corporations that were privatized were precisely those that were profitable. [29]

In the enthusiasm for state withdrawal from the economy – an enthusiasm particularly distinct among the business elites – the social welfare and equity functions of public enterprises tended to be underemphasized and perceived economic inefficiencies magnified. It is possible to argue that it is the lack of political and managerial autonomy of directors of public enterprises that cause inefficiency – and that inefficiency is not intrinsic to the nature of these enterprises. Also, a number of enterprises that perform equity or welfare functions (e.g., mass transport) are, by their nature, not expected to show profit.

Also, the rather simplistic reduction of state intervention to authoritarianism and the naive equation of economic liberalization to democracy ought to be put under more critical light.

The model of state withdrawal from the economy in the Philippines is not an unproblematic one. In general, the big business elites derive greater control of productive assets while the poor suffer the decline of the equity functions performed by the interventionist state.

The purchasing power of the peso has eroded, using constant 1978 prices, from 0.2763 in February 1986 to 0.2357 as of March 1989. [30] Due to liberalization, the balance of trade deficit increased from 202 million dollars to 1,085 million dollars by the end of 1988, seriously draining the nation's capital resources. [31] The growth rate of national expenditure for social welfare declined from 31.0 percent in 1987 to only 22.6 percent for 1989, compared to a growth rate this year of 23.8

percent for defense and 25.6 percent for economic services. [32]

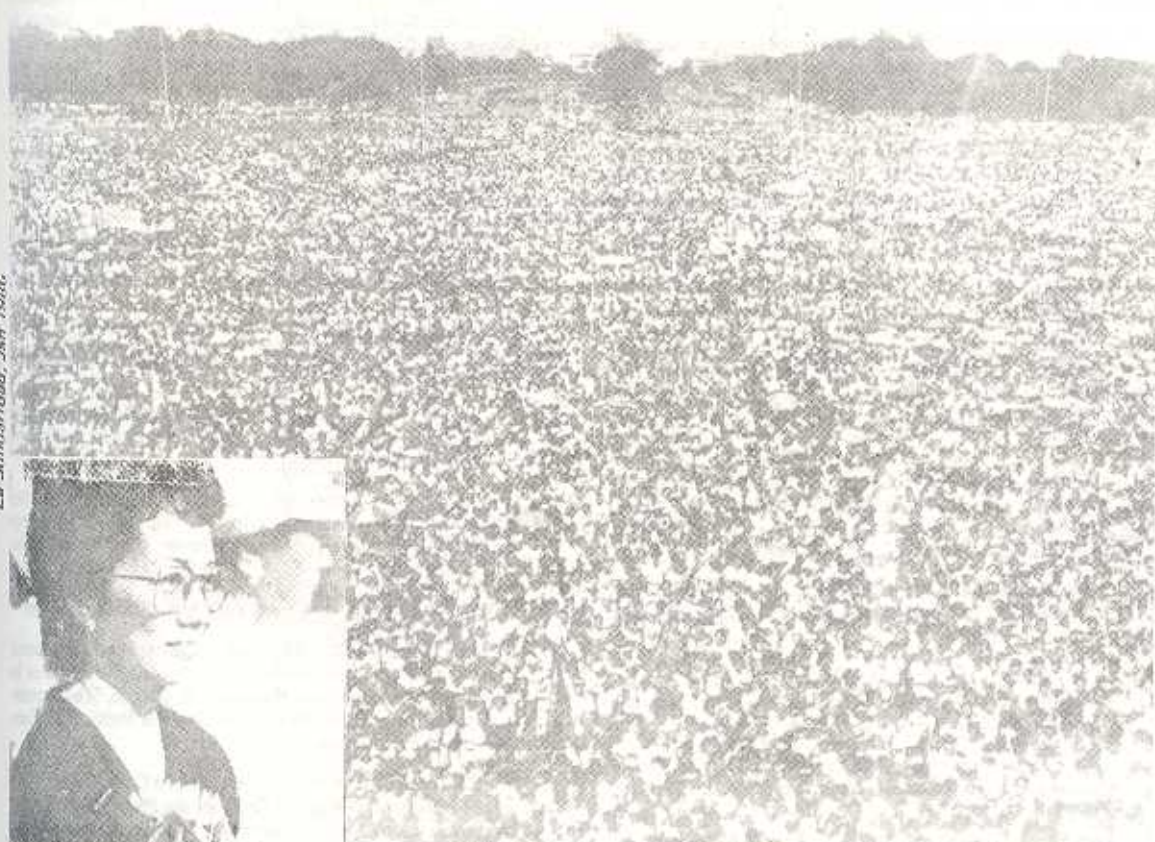
Development and Democracy

For the popular movements and organized communities, the problematique of development is posed quite differently. This is notable because the politicized grassroots movements will tend to adopt a different measure in assessing the success or failure of the present government.

In the Philippines, as elsewhere in the Third World, development is increasingly viewed from the grassroots as a process that enhances "people's control over the forces which shape their lives". [33] As the Marcos regime declined, progressive intellectuals and leaders of the popular movements anticipated the succeeding period to be characterized by the devolution of power to the communities. [34] This vision is summed up in the notion of "popular democracy", a phrase used by President Aquino herself when she inaugurated her new government. [35]

The late ex-Sen. Jose W. Diokno, closely associated with the popular resistance to the dictatorship, summed up the alternative popular vision in terms of three themes: Human Rights, Nationalism, and Sovereignty. [36] The alternative vision calls for an activist government sponsoring an industrialization strategy hewing closer to the domestic market and national capital. It envisions a proper combination of planning to expand the domestic market and the conscious development of people's organizations to facilitate grassroots control of productive assets and environmental resources essential to their livelihood. [37] Such a vision involves conscious organizing along a general strategy of popular empowerment. [38]

The vision of popular democracy appears attractive to most tendencies composing the Filipino Left. [39] It is a vision that presumes a vibrant atmosphere of political pluralism and strong initiatives from grassroots movements and non-governmental organizations. [40]



Can she bring back EDSA?

The emerging model closely links democratization in civil society with the process of meaningful development. It expects a strong push for reform from both government and the popular organizations. It is a perspective of development that does not sit well with the entrenched economic elites who have, so far, restrained the implementation of social reform.

At the present conjuncture, the Aquino government finds itself caught between the pressures for state withdrawal from the economy coming from the business elites and the pressures for rapid social reform via an activist state coming from the grassroots. The earlier authoritarian model has been thorough-

ly discredited. The present dominant model has begun to show its inherent limits vis-a-vis the demands for a more equitable and prosperous society. The model of popular democracy as the framework of development emerges as the distinct challenge of the future.

As the Aquino government moves from the mode of economic "recovery" that has preoccupied it for the last three years, it must now decide on the problem of social reform. Should it postpone entry into this latter mode there is danger that it shall lose the support of the popular movement, now teetering between actively supporting it or actively opposing what is increasingly perceived to be an "elite democracy". [41]

Notes

1. Section 1, Article XIII, *The Constitution of the Republic of the Philippines*.

2. Alexander R. Magno, "The World Capitalist System and the Philippine Economy: Structural Constraints on Alternative Policy", *Constraints to Reform: Four Papers on the Two Years of Liberal Democracy in the Philippines* (Jakarta: Southeast Asian Forum for Development Alternatives, 1988).

3. A. R. Magno, "Technocratic Authoritarianism and the Dilemmas of Dependent Development" in Gunatilleke, et al, eds., *Ethical Dilemmas of Development in Asia* (Lexington: Lexington Books, 1983).

4. For an excellent discussion of the evolution of the developmentalist argument, see: George Aseniero, "A Reflection on Developmentalism: From Development to Transformation" in Herb Addo, et. al., *Development as Social Transformation* (Boulder: Westview Press, 1985).

5. A. R. Magno, *Developmentalism and the 'New Society': The Repressive Ideology of Underdevelopment* (Quezon City: Third World Studies Center, 1983).

6. Robert B. Stauffer, "The Political Economy of Rerefeudalization" in David A. Rosenberg, ed., *Marcos and Martial Law in the Philippines* (Ithaca: Cornell University Press, 1979).

7. For a detailed chronicle of this, see: Permanent People's Tribunal Session on the Philippines, *Philippines, Repression and Resistance* (London: Komite ng Samayanang Pilipino, 1981).

8. Germelino M. Bautista, "The State and the Process of Accumulation in Southeast Asia", *New Asian Visions* (Vol. 3, No. 1, 1986).

9. G. M. Bautista, A. R. Magno and E. R. Sta. Romana, "The Philippines and the World Capitalist System", *Journal of International Studies* (No. 18, January 1987).

10. Belinda A. Aquino, *Politics of Plunder: The Philippines Under Marcos* (Quezon City: Great Books Trading, 1987).

11. For a detailed inquiry into the expanded state apparatus, see: A. R. Magno, "Popular Democracy and the Politics of Transition", *Kasarinlan* (Vol. 2, No. 2, 4th Quarter, 1986).

12. A. R. Magno, "The Marcos Regime: Crisis of Political Reproduction", *New Asian Visions* (Vol. 2, No. 1, 1985).

13. Randolph S. David, "Dictatorship and Development: The End of an Illusion", *New Asian Visions* (Vol. 2, No. 1, 1985).

14. The proceedings of these meetings were eventually published in two volumes: A. R. Magno, ed., *Nation in Crisis: A University Inquires into the Present* (Quezon City: University of the Philippines Press, 1984); A. R. Magno, ed., *The University Inquires into the Future: Nation in Crisis Part II* (Quezon City: University of the Philippines Press, 1986).

15. Emmanuel de Dios, ed. *An Analysis of the Philippine Economic Crisis* (Quezon City: University of the Philippines Press, 1985).

16. A.R. Magno, "The Anatomy of Political Collapse" in *The February Revolution: Three Views* (Quezon City: Karrel, 1986).

17. For a survey of the damage, see: Randolph S. David, "The Philippines, 1983-1986: A Macro-Economic Picture", *New Asian Visions* (Vol. 4, No. 1, 1987).

18. Renato Velasco and Sylvano Mahiwo, *The Philippine Legislative Reader* (Quezon City: Great Books Publishers, 1989).

19. Francisco Nemenzo, Jr., "From Autonomy to Elite Democracy" in Javate-de Dios, et al, eds., *Dictatorship and Revolution: Roots of People's Power* (Manila: Conspicua, 1988).

20. Source: Department of Budget and Management

21. Leonora C. Angeles, "Constricted Economic Reforms: Policy Initiatives of the Aquino Government in its First 18 Months" and Francisco A. Magno, "The Aquino Government and the Pitfalls of Centrist Politics" in *Constraints to Reform* (op cit).

22. See: *International Conference on Conflict Resolution in the Philippines, Waging Peace in the Philippines: Resolutions and Recommendations for Action* (Quezon City: CIDS, 1989).

23. The largely university-based economists had issued a position paper. See: Ruperto P. Alonso, et. al., "Till Debt

Do Us Part: A Failed Marriage", *Kasarinlan* (Vol. 4, No. 2, 4th Quarter 1988).

24. Francisco A. Magno, "Problems of Redemocratization in the Third World: The Philippines and Latin America", *Kasarinlan* (Vol. 3, No. 4, 2nd Quarter, 1988).

25. For fairly comprehensive accounts of the Filipino political process, see: De Guzman and Reforma, *Government and Politics of the Philippines* (Singapore: Oxford University Press, 1988); and, David Wurfel, *Filipino Politics: Development and Decay* (Quezon City: Atenco de Manila University Press, 1988).

26. See: *Republic of the Philippines, Medium-Term Philippine Development Plan 1987-1992* (Manila, 1986).

27. See: Third World Studies Program, *Political Economy of Philippine Commodities* (Quezon City: University of the Philippines, 1983).

28. Source: Department of Finance.

29. Francisco A. Magno, "Development Crisis in the Philippines", *Kasarinlan* (Vol. 4, No. 1, 3rd Quarter 1988).

30. Source: National Statistics Office.

31. Source: Central Bank of the Philippines.

32. Source: Department of Budget and Management.

33. Michael Edwards, "The Irrelevance of Development Studies", *Third World Quarterly* (Vol. 11, No.1, January 1989) pp.116-135.

34. See: R. J. May and Francisco Nemenzo, *The Philippines After Marcos* (London: Croom Helm, 1985).

35. A. R. Magno, "Agenda for Popular Democracy", *The University Inquires into the Future* (op cit).

36. Priscilla S. Manalang, ed., *A Nation for Our Children: Selected Writings of Jose W. Diokno* (Quezon City: Claretian Publications, 1987).

37. Horacio Morales, Jr. "The Political Economy of Popular Democracy", *Kasarinlan* (Vol.2, No. 2, 4th Quarter, 1986).

38. A. R. Magno, "Memorandum to Popular Democrats", *Kasarinlan* (Vol. 2, No. 1, 3rd Quarter 1986).

39. Third World Studies Center, *Marxism in the Philippines: Second Series* (Quezon City: TWSC, 1988).

40. Philippine Assistance in Rural and Urban Development (PARUD), *People's Alternative* (Quezon City: PARUD, 1986).

41. A. R. Magno, "Between Advocacy and Opposition: The Popular Movement Two Years After the Philippine February", *New Asian Visions* (Vol. 5, No. 2, 1988).

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