Abandoning the Pork-Barrel State, Rethinking Economic Policies*

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Globalization. Borderless societies. The decline of closed markets and protectionism. The triumph of liberalism and free enterprise. The emergence of a new global economic order.

The winds of change are sweeping all over the globe, bringing in new patterns of survival and growth. These patterns dwell mainly on economics, but with repercussions in every sphere and course of existence and transformation.

The struggle is no longer communism versus democracy, or Blacks versus Whites, or Asia versus the West. Economics, not armed forces, politics, nor ideology, is now the dominating force in charting

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*This piece is a consolidated version of two papers written by Rep. Payumo namely, "Paradigm Shift: The Call of the Future," delivered before the Philippine Futuristics Society Conference on "Organizing, Developing, and Managing a Philippine Commission for the Future" held May 26-27, 1994, at the Asian Institute of Management, and "Abandoning the Pork-Barrel State, Re-Thinking Economic Policies."

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the course of a nation. This means economic competition, free trade, investments, and balance of payments — all for economic survival and growth.

In Europe, the common market is finalizing plans for a common currency. In the Americas, the United States and its neighbors have formed the North American Free Trade Agreement (NAFTA). Here in Southeast Asia, the Association of Southeast Asian Countries (ASEAN) member countries have committed themselves to the ASEAN Free Trade Area (AFTA). Around the globe, nations await the implementation of the complex and ambitious General Agreement on Tariffs and Trade (GATT).

The agenda is to rise up to the challenge paved by economic transformation. The end in view is to gain a bigger share of the global market, promote more investments and, in turn, create more employment, as well as lower prices to benefit consumers. The hope is to attain a stronger economy that will eradicate poverty and ensure a better life and a brighter future for the people.

The Philippine Economy in Perspective

The Philippines cannot just stand idle and watch these economic changes take place all over the globe. It has no other choice but to respond to the challenges and seize the opportunities carried by these changes.

This means veering away from the 'pork barrel' mentality of protectionism and patronage that most often lead to corruption and inefficiency which, in turn, result in government's failure to uplift the people's standard of living.

This 'pork barrel' mentality has trapped us in the vicious cycle of economic 'boom and bust.'

This cycle has typified our economic growth for the past decade. Growth is not sustainable. In the Southeast Asian region, the Philippines remains a basket case while our ASEAN neighbors such as Singapore, Malaysia, Thailand, and Indonesia are leapfrogging into the future. This pattern of 'boom and bust' is depicted by the following:

Huge debt overhang. Our foreign debt has piled up to $34 billion while our domestic debt has now reached P696.3 billion. The financial, social, and political costs of these loans are too high. In addition, servicing these debts has greatly reduced the government's capability to finance education, social services, infrastructure, and other basic needs of the people.

Declining levels of investment. Our share of investments to gross domestic product (GDP) has declined from 26.7 per cent in 1971-1980 to 20.4 percent in 1981-1990 and 20.5 percent in 1991-1992.

On the other hand, our ASEAN neighbors registered increases. Malaysia's share increased from 30.5 percent in 1981-1990 to 35.7 percent in 1991-92, while Thailand's increased from 24.5 percent in 1981-1990 to 33.5 percent in 1991-1992.

Poor savings mobilization. Our failure to mobilize savings is among the main reasons for poor capital formation which is an important source of growth. Our gross domestic savings per GDP has drastically declined from 26.5 percent in 1971-1980 and 22.3 percent in 1981-1990 to 14.6 percent in 1993. In contrast, our ASEAN neighbors registered increases: Indonesia was up from 21.6

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percent in 1971-80 and 32 percent in 1981-1990 to 38 percent in 1993; Malaysia was up from 29.1 percent in 1971-1980 and 32 percent in 1981-1990 to 38.3 percent in 1993; while Thailand was up from 22.2 percent in 1971-1980 and 24.4 percent in 1981-1990 to 37.1 percent in 1993.

Latin American industrial structure. This is typified by a small sector of the labor force employed in capital-intensive industries that thrive on the government's protectionist policies. In addition, the industrial sector is highly inefficient, producing mainly for a small domestic market.

Such low labor force absorption and inefficient industrial sector hinder the economy from attaining high and sustained economic growth.

Anemic exports and high import dependence. Years of protectionist policies and the wrong kinds of incentives to industries have promoted imports rather than encouraged exports. Thus, it is not surprising that in the past 23 years, we always had a trade deficit, except in 1973 when we registered a surplus of $240.57 million.

In addition, our manufactured exports have a very high import content, with industries adding a thin slice of local value added to imported goods before reexporting them. Such is the case for semiconductors and garments.

Inadequate science and technology. This hinders our capability to innovate, increase technology, and produce high quality economic goods that can compete in the international market.

Low revenue collection effort. Our revenue collection effort has been among the lowest in Asia. Government has focused more on imposing new taxes instead of enhancing tax collection efficiency. Our revenue collection effort, which means percentage of tax collection to GNP, amounted to only 15.3 percent in 1993, while as of 1990, Thailand had already reached 18.8 percent, Korea, 16.4 percent, and Indonesia, 15.9 percent.

The low revenue collection effort, coupled with high levels of government spending, results in chronic fiscal deficits.

Today, things are turning rather well. During the first quarter of this year, the economy had grown by nearly five percent, international reserves had reached an all-time high of $7.3 billion, and foreign investments amounted to $1.6 billion. Our efforts must be geared towards sustaining this growth so that we can catch up with our ASEAN neighbors.

With this perspective of the country's economy in mind, a rethinking of current policies and socio-economic realities which, if not reexamined and reformed in the future, would maim, if not hinder, our efforts towards sustained economic growth, is thus, in order.

Rethinking the Requisites for Sustained Economic Growth

The overriding consideration in rethinking Philippine economy is to push it to grow faster on a sustained basis and to preserve the gains brought about by an encouraging performance last year. Before this objective could be accomplished, however, a reexamination of the prevailing paradigms in governmental policies and approaches to economic growth is required. Moreover, social and economic realities in the country need to be 're-appreciated' in light of the emerging global economic order. Through this process of rethinking, it is hoped that the requisites for the sustained economic growth of the country will become more apparent for government to subsequently operationalize in terms of consistent socio-economic policies.

Wage War Against Poverty

While we may see a whole complex of afflictions crying for attention, on closer analysis, we find that they all spring from the one central problem of our economy: poverty. All other issues worth our attention are either subordinate to or the result of it. Therefore, our entire economic strategy must focus on progressively reducing, if not eventually eliminating, poverty. All reforms and development objectives will amount to nothing, no matter how much of these are attained, if we cannot solve the basic problem of poverty.

Statistics show that, in 1991, the upper 15.8 percent of our population cornered almost half or 48.6 percent of our total income, while the lower 16.8 percent of our people received a measly 3.6 percent of our total income. This very wide income disparity bespeaks of the wide gap existing on the level of resources and opportunities available between the rich and the poor.

It is a worthwhile goal to achieve a newly-industrializing country (NIC) status, but our country's problem is not that it is not an NIC. It is not that its per capita income is only about $805, or still below the $1000 targeted by the year 2000. (In fact, achieving this target would hardly qualify us as an NIC.) But if being an NIC simply means achieving that target per capita income, then we can be an NIC and still miss addressing our true and foremost economic concern. Thus, government's goal of reducing the incidence of poverty should be placed on the same plane as increasing our per capita income.

Poverty is not just a social and moral evil. It is also bad economics. Where the overwhelming number of the people are poor, markets are restricted and resources are limited.

By definition, poverty is the wide incidence of extremely low incomes. We can endlessly debate what level of income constitutes the so-called poverty line, and what proportion of our people — some say it is 40 percent, while others, 60 percent — is poor. The point is that widespread low incomes do not constitute the massive and growing purchasing power that attracts and encourages investments which, in turn, further increase output, income, and employment.

Poverty also constricts the availability of the most important resource we need to move forward: manpower. People, we have in abundance. Manpower, we do not. Manpower implies a high level of education and state of health which are beyond the reach of the poor majority.

Our response to this stark fact of life is not simply to declare war on poverty but to actually *wage* war against it. Declaring such a war requires only words, Waging it requires imagination, creativity, and energy. We also do not alleviate poverty any more than we alleviate a life-threatening disease. You eliminate, eradicate, and cure it, completely. By calling for its mere alleviation, we only betray our regard for poverty as a mere side problem, a nuisance, or a condition to be largely accepted and perhaps sidetracked, rather than one overriding problem that leads to all the others and cries for total eradication.

Reexamine Preference for Capital-Intensive Industries*

What we have done so far is develop an obsession for the dazzle and the glamor of the 'sexy' types of industries: capital-intensive, high technology, export-oriented. Unfortunately, poverty is not glamorous but brutal and horrid. We prefer industries that beautify our penthouses rather than those that strengthen our weak and crumbling foundations.

Our past failure in the basic task of problem-definition has entangled us in a web of absurd contradictions. We have a surplus of people and a shortage of capital, yet we provide incentives to industries that require massive capital and employ minimal labor. We have institutionalized our obsession with what products our industries produce rather than how many people they employ. We encourage exports and rightly so (we have in fact passed bills such as the Magna Carta for Export Producers) but we should not neglect expanding our home markets, which by definition is what eliminating poverty is all about. The more incomes all around, the bigger our domestic market, and the less the incidence of poverty.

Let us go into specifics. Over the past four decades, government has been granting pioneer and preferred enterprise status to industries included in its Investments Priorities Plan. These industries are selected according to what they produce. If their products fall within the list of pioneer or preferred industries, they are granted incentives. These incentives are so structured that they encourage capital-intensiveness rather than labor-intensiveness. Such incentives as accelerated depreciation allowances, exemptions of capital imports from taxes and tariffs, and the like, encourage industries that employ relatively more

*Originally titled as "Labor-Intensive vs. Capital-Intensive" equipment and relatively less people per dollar invested. Yet what we need are industries that employ higher numbers of people per dollar invested in our capital-short and labor-abundant country. Our government is now rethinking its policy on this.

"It is not that our workers are overpaid, but wage legislation cannot make their market value higher. It can only work against them, price them out of the market, except where both employer and employee agree and conspire to break the law."

Remove Obstacles to Labor Employment*

In addition to providing incentives that encourage the use of capital, we provide blocks and obstacles to the employment of labor. The legislation of mandatory wage levels serves to lock out of the legal labor market millions of our jobless countrymen who are unemployable at the minimum legal wage, especially the just out-of-school youth, who are single and have no family of their own to support but are willing to add to their parents' income. The options available to them and their would-be employers would be either to agree on less than the minimum wage and violate the law, or leave the former jobless.

We all know that any good or service priced higher than its market value will not be bought. Labor is no exception. Labor priced above its market rate will not be hired. In a community where land sells for P500 per square meter, no similar property will sell for P700. In a region where untrained people *can* be economically employed at no more than P80 a day, the same *will not* be employed at a minimum of P128 a day. The market value of workers depends on the degree of skill they possess, their distance from Manila, the training costs that have to be incurred to increase their capabilities, and on other costs such as those borne by an employer in locating and investing in a remote low-cost labor area. It is not that our workers are overpaid, but wage legislation cannot make their market value higher. It can only work against them, price

*Originally titled as "Pricing Labor Out of the Market" them out of the market, except where both employer and employee agree and conspire to break the law.

These perverted policies — lavish incentives on capital employment and legal obstacles to labor employment — have served to encourage the types of investments which prefer to operate in urban areas using capital equipment and economizing on labor, confining their recruitment largely to skilled manpower, thus neglecting the great mass of the unemployed and unskilled poor. Prosperity at the narrow top of the 'economic triangle' is enhanced. Poverty at the wide bottom is perpetuated.

The major measures called for are obvious. The first is to eliminate further government intervention in labor pricing. Plan for higher wages, yes, but do not impose them. Encourage industries to hire unskilled labor and they will do the skills training more efficiently than any government training center can. As more people are employed and labor gets scarce, wages cannot but go up. It is worthwhile to note that labor, to its credit, did not ask for higher mandatory wage increases but only pressed for the enforcement of already existing laws during the last Labor Day celebration. What good is enacting more laws that will only be honored in their breach? Who will say that labor, who will ultimately benefit from increased employment, cannot appreciate such a situation?

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Reorient Philosophy on Incentives*

Another solution is to completely revamp the mission of the Board of Investments (BOI). The BOI itself agrees that in time, government should withdraw from the business of granting incentives altogether, deciding which industries producing which products are worthy of grace and which are not. Taking the cue from Deng Xiao Ping who once said: "I do not care what color the cat is, as long as it catches mice," our country should not care what legitimate products an enterprise produces as long as it employs people. The more people, the better.

We should totally reorient our philosophy on incentives. The incentives we provide, in the form of taxes and other policies, should be those that would make the Philippines preferable to other countries as an area of investment, not those that would make one industry preferable over another within the Philippines. That is the essence of our bill amending the Foreign Investments Act of 1991. As it is, our present incentives scheme does not level the playing field at all; instead, it makes the ground smooth for some and rough for others, based on the government's preference for certain products over others. I say make the ground equally smooth for everyone investing in the Philippines, whether local or foreign, for export or for domestic consumption, regardless of product.

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Optimize Sale of EPZA Products

Let us take the case of the Export Processing Zones (EPZAs). Except under special and limited cases, they are not allowed to sell to the

*Originally titled as "The Color of the Cat Does Not Matter" domestic market. EPZA-produced garments and shoes, for instance, cannot be bought by our people, except for the 'rejects' which find their way into the Mega Malls and are sold at 'imported' prices. Think of the 60 million bodies to clothe and the 60 million pairs of feet to shoe and the additional employment they will generate. Who will fill this market now? The *biyaheras* (commuters) from Bangkok and Hongkong. The garments they bring in by the trunk-full escape taxes anyway. Worse, our market benefits the sewers of Thailand and China rather than Filipino hands.

Allow the EPZAs to sell locally and many good things will happen:

1.) Our people will have access to quality clothing and shoes (perhaps watches from Mactan?) at affordable prices.

2.) We will upgrade the quality consciousness of local consumers, thereby encouraging our manufacturers to produce quality products that will be competitive in the export market.

3.) Aside from the additional employment it will generate, domestic sales can absorb the overhead expenses of manufacturers and enable them to compete internationally through 'transfer-pricing.'

For starters, we can still impose the corresponding tax on the fabric (only) used for local sales, until it is reduced or eliminated completely. We are already practicing it but in a circuitous way — EPZA enterprises' sales to the Subic Freeport is considered 'constructive' export sales which are exempt from paying taxes. Subic, in turn, sells them, along with other imported finished products, to every Filipino who shops there. But why must all roads lead to Subic? Why not to Mariveles, Baguio, Cavite, Mactan, or Batangas? What they will sell, at the very least, are all produced by Filipino hands.

The House of Representatives is presently drafting a bill establishing a number of Special Economic Zones in strategic areas of the country.

What about the textile industry that will be affected? We should also reduce the duty on raw materials so that local textile can compete with imported fabric. But if it still cannot, after 40 years of protection, it should not be assisted at the expense of the garments industry.

The textile industry supplies only 16 percent of the fabric used by garment manufacturers. For the rest of their fabric requirements, it cannot meet the quality standards of the export market. Hence, the need to import, which adds to the turn-around time of garment manufacturers. The textile industry employs 60,000 workers, very much lower than the one million Filipinos employed by the garments industry. The latter can definitely employ more if it is allowed to sell locally and, in turn, be able to compete internationally.

The protective tariff on fabric has only abetted smuggling. There is basis for this conclusion: The Philippines' per capita consumption is 1.5 kgs. versus 3.0 kgs. for Sri Lanka. But since observation does not support the view that Sri Lankans are better clothed than Filipinos, we shall assume that Filipinos consume the same 3.0 kgs. per capita for our population of 60 million. Total domestic consumption should be 180,000 metric tons versus 80,000 tons presently supplied by textile mills. The difference can only be attributed to smuggling.

Build the Necessary Infrastructure*

Our markets can be distorted not only by wrong policies but also by misdirected infrastructure designed and built to support those policies. Obviously, our markets can be made more efficient by the right policies and infrastructure that support them. Our liberalized BOT Law was intended to assist the government correct past neglect in this area. But our infrastructure program should, by means of transport and communications, aim to attack the central problem of poverty by providing access to large and unemployed pools of labor in the rural areas. It should not reinforce the concentration of investments in urban, capital intensive areas. If the pricing of labor is left to the market rather than to legislation, and access to infrastructure is dispersed to where unemployed labor (and materials) can be sourced, we shall encourage industries to spread out over the country and employ our otherwise

Originally titled as "If You Build It, They Will Come" jobless countrymen. As somebody has said, "if you build it, they will come." If we build the necessary infrastructure, the investors will come.

It is high time that we leave the product markets, the capital, the capital markets, and the labor markets alone to make their own choices. Leave investments and production decisions to the investors themselves, whether foreign or local, without discriminatory incentives which result only in distortions. Obviously, businesses will produce products that they believe they can sell and given no differential incentives, they will not care whether their sales are domestic or offshore. What will drive them in one direction or another is the prospect of superior profit, or rate of return on their investments. If we insulate labor pricing from legislative distortion, and make our domestic markets more efficient through well-crafted policies and well-planned infrastructure, many enterprises which would otherwise look elsewhere would find it highly profitable to employ the unemployed and give jobs to the jobless, and thus progressively reduce and eliminate poverty.

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Take the case of the debate on the Banking Liberalization Act. The fear that we may be overbanked should be the lookout of the investors, not the government. Even matters like where to put their branches, the situation is no different from the case of the hamburger or pizza market — if a corner already houses several burger stands or pizza parlors, neither McDonald's nor Jollibee nor Pizza Hut will add another outlet, unless it has something better to offer. And who says we cannot compete against the best foreign outlets? In every corner

*From the movie "Field of Dreams"

where Jollibee squares off with McDonald's, Jollibee emerges the victor.

The form or mode of their entry — whether as a branch through purchase of equity in existing local banks, or via an incorporated bank — should not really matter as long as they bring in capital and technology, and employ people. As noted above, the color of the cat is not important, as long as it catches mice.

Develop Our Human Resource Base

People, not capital, are the greatest and most dependable assets of a nation. Thus, a nation needs to invest massively on its people, mainly through educational and skills training, values formation, on-the-job training, research, health and nutrition, and similar human resource development strategies.

The goal here is to breed a workforce with the right work ethic, as well as an entrepreneurial class that can seize market opportunities and motivate co-workers to attain higher levels of productivity.

Our society must also invest in education and health, not just to expand their coverage but to improve their quality. The Dual-Tech Program to build our skills pool deserves full support. These are what transform people into manpower; human beings into productive human resources. However, there are two other areas in which we are miserably failing. Our teachers are going abroad in droves to work as domestic helpers. Our educational system is training doctors to practice in hospital environments in urban settings; in Manila, Cebu, Davao, and in Chicago, San Francisco, and New York. Again the solutions we are pursuing here are futile. We can not coerce the doctors we train to serve in the rural areas. But then again, who says only M.D.'s can cure the sick? This is a Western convention that need not imprison us. Why can we not design another health care profession and develop another type of health care professional more suited to work on the rampant diseases that affect the majority of our people in the rural areas rather than on the fancy diseases of the elite? Why use a Mercedes 600 on a terrain that requires only a Corolla?

With respect to hospitals, government annually spends half-a-billion pesos for the operation and maintenance of specialty hospitals such as the Heart, Kidney, Lung, and Children's Centers. True, they also serve the poor, but why must the taxpayers equally subsidize patients from Makati enclaves who have to be confined at the heart center for an ailment caused by excessive food intake? This is happening even as in the countryside, in the aftermath of the Mt. Pinatubo eruption, barangay folks have to pass the hat for oil and chemicals needed to fumigate their barangays hit by the dengue fever epidemic.

What if we lease out these centers at P1.00 a year each to a cooperative or group of doctors and businessmen? A cooperative running a hospital? Yes, that is what they are doing in Davao. Makati Medical Center is also owned and run by a group of doctors. They run their operations more efficiently. In return for the concessionary lease rate, they will be required to set aside a number of beds for charity cases while charging correctly, in a socialized manner, for their services to the affluent.

What does the government gain? It stops the hemorrhage of P500 million a year. It can shift the money to preventive and basic health care in the countryside — where the majority of mortality and morbidity cases are still the result of respiratory or water-borne diseases, such as bronchitis, pneumonia, diarrhea, malaria, measles, etc. There is undue emphasis on curative rather than preventive care with government spending running a ratio of 1:2.5 in favor of curative services. In 1986, Rural Health Units (RHU) and Barangay Health Stations (BHS), which comprise the backbone of the country's promotive and preventive health care service, have the following ratio to population in 1986: RHU - 1:28,129 and BHS - 1:6,870.

We have succeeded in increasing the percentage of the rural population who have access to potable water from 46 percent in 1986 to 75 percent in 1992 with the implementation of the Water Wells Act. We have now slid back since the task of constructing wells and spring development projects were devolved to the local government units (LGUs). The LGUs either do not have funds or do not think it should be a priority undertaking.

Provide Access to Information Technology

We cannot talk about the future and ignore the explosion that is happening in Information Technology. CD-ROMS are now extensively used by students and professionals in other countries. The information highway will soon be a reality although its exact shape and form is still being debated on. Every economist and management expert points to the information or knowledge industry as the area where we enjoy or should enjoy a competitive advantage. But what are our prospects? The performance will be short of the promise — unless we do something about it now. Our students do not even get hands-on exposure to computers until they reach college, and then again, only in select schools for the privileged. Why? Because computers are expensive. Why are they expensive when prices for computer hardware tumble down almost every month in other countries because of competition? Because we tax them. Yes, even those donated by local schools' alumni residing in the United States. We can buy golf sets tax-free because they are now available in duty-free shops such as those in Subic but not computers. The irony is that there is not even a computer hardware industry that we should protect by means of taxes!

In a bill entitled 'Magna Carta for Information Technology,' it is proposed that we allow duty-free importation of computers, parts, and peripherals, thereby making them affordable to professionals, small businessmen, and students, and establish a Center for Software Development. Corollary to this, an honor section at every Grade Five and Grade Six Level, and at each year of High School and College with more than five sections, should be created. The students in this section will be equipped with computers and trained teachers. It is likewise proposed that these Honor Sections be given more Math and Science subjects — a sort of mini-Philippine Science High School in every high school. Moreover, they should be taught by select master teachers specially trained and who are paid commensurately. We should embark immediately on this program for excellence. This is a must.

Facing the New Global Economic Order

The aforementioned reforms will be effective only if we rethink and refocus economic policies to adapt to the changing trends and directions of the new global economic order.

An open-market economy — with competition and free trade — still provides the best solution for economic survival and sustained economic growth.

In view of the changes in the new global economic order, the only way to survive is to be competitive. This means that the economy must be able to generate products that will have an edge in the local and international markets. With competitiveness as the cornerstone, a number of specific recommendations, based on our understanding of the problem-areas in the economy which we need to reform, may be made. As starting points, consider the following:

Empower and encourage the private sector to be the engine of growth. Experience has taught us to never depend on the government bureaucracy, more so where the economy is concerned. Naturally, the private sector has to take over, bringing with it its tested qualities of initiative, efficiency, and prompt delivery of services.

Encourage competitiveness in the export sector. Exports must grow faster and be able to compete in the international market for foreign exchange to come in. Industries must be competitive at both the local and international levels. Our incentive system must be restructured to encourage and support efficiency and higher productivity through trade reforms and trade liberalization.

Stabilize the macroeconomic environment. The macroeconomic environment must remain stable, i.e., inflation must be tolerable and nominal interest rates acceptable, to give domestic and foreign investors more confidence in their operations. This can be done through fiscal and monetary restraint to attain a manageable budget deficit and a tolerable expansion of money supply.

Moreover, we need an economy with ample 'transformation capacity' to readily adapt to changes in this dynamic global economic order. Our industries must be able to respond effectively in a world where technology and demand changes every minute.

Limit the government's role to 'technical monopolies.' The government's role is to ensure peace and order, political stability, basic infrastructure, and social services. It should not interfere in activities that belong to the private sector, except in 'technical monopolies' that can best be provided by the State, such as communications, water utilities, and electricity.

Take note, however, that even in these so-called technical monopolies, competition can do wonders, as can be seen in the experiences of the telephone, telecommunications, and power generation industries. In areas where government intervention is appropriate, priority must be placed on basic infrastructure such as transportation, communications, power, social services, education, nutrition, and health services.

Press local executives to undertake development initiatives. This is encouraged especially with the passage of the Local Government Code of 1991. Local government units, not the national government, interact more closely with the people, and thus, can address problems more promptly and deliver basic services more efficiently.

The issue is that many local executives still have the 'pork barrel' mentality of patronage; they depend too much on the 'higher ups' to address local development concerns. What we need here are self-reliant and dynamic local executives who are able to tap funds for investments and revenue generating projects.

Promote balanced development. Our investment policy bias towards the urban areas must be eliminated so that the countrysides will grow and prosper. The idea here is to maximize the production potentials and geographic advantages of each locality and provide them with the opportunity to grow and develop.

The urban bias perpetuated the migration of the rural poor to the cities. This, in turn, causes urban slums, which serve as the holding pen for migrants, to swell.

Ensure a 'built-in' capacity for productivity growth in the economy. This means increasing productivity levels in a 'self-sustaining' manner. Productivity is crucial in that it leads to income increases that translate to higher savings and investments which feed back into higher productivity levels. Economists point to increasing productivity of resources as a major source of increased output.

Back to the Basics of Development

Lastly, in redefining and refocusing economic policies, it is important that we remain steadfast to the basic objectives of development:

1.) Increase the availability and widen the distribution of life-sustaining goods such as food, shelter, health, and protection.

2.) Raise the levels of living. This means higher income, more jobs, and an emphasis on humanistic values. The end goal is not only to enhance material well-being through entitlement but to uplift individual and national self-esteem through the creation of jobs. A working person is a person with self-respect.

3.) Expand the range of economic and social choices available to our people, and thus, emancipate them from the forces of ignorance and misery.

As we focus on these basic economic thrusts and objectives, we must consider that the destiny of each and every nation, rich or poor, big or small, will become increasingly tied up with each other in this new global economic order. Among nations, greater economic cooperation is not only necessary for survival; it is also inevitable. It is our hope that reason and good sense will prevail in order to ensure a better life and a brighter future for our people.

We must also consider that there are factors which cannot be sacrificed for development. Among these fundamental factors are environmental concerns, human freedoms and dignity, and social justice. After all, economic development means human development.

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Escape from Jurassic Park

"We must break away from two traps: the trap of the protectionist mind-set that still hobbles the minds of many politicians and bureaucrats...and the trap set by our archaic laws and 'Jurassic Park' vintage structures that continue to imprison us within the strictures of the past."

In conclusion, what we need, as should be obvious, are not marginal adjustments in our thinking. What we need, to borrow a phrase from the lexicon of modern management, is a 'paradigm shift.' We must break away from two traps: the trap of the protectionist mind-set that still hobbles the minds of many politicians and bureaucrats who have not escaped from the classical notions of the 1950s and the 1960s, and the trap set by our archaic laws and 'Jurassic Park' vintage structures that continue to imprison us within the strictures of the past.

Thus, while we must strive to increase the economic pie so that more of it can go around, the test of our success is not whether we attain a per capita income of $1,000 in the year 2000, or any per capita income at anytime, for that matter. Per capita income is a mere arithmetic average. It is possible for us to attain it by making the rich richer and keeping the poor just as poor. The true test of our success is not just the growth of the total Gross National or Domestic product, but also its equitable distribution.

This is not to refer to a growth strategy that starts at the top and trickles down; that is mere poverty alleviation. Here, we refer to a growth strategy that starts at the bottom and pushes up: that is poverty elimination. It is a strategy that not only elevates the base but shrinks it, at the same time that it broadens the middle class.

Ultimately, we need to revamp and relearn our economics. Someone once said that war is too important to leave to the generals. Similarly, as a non-economist, I feel that economics is too important to leave only to economists. It is also too critical to leave to politicians and bureaucrats imprisoned in their stereotyped cliches. We must remove it from their hands and entrust it to people with imagination, passion, and vision.