Philippines 2000 and the Politics of Reform

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When government was still putting together its *Philippines 2000* plan, one got the feeling that we were in for a leadership that meant business. The initial confidence-building measures were enough to evoke curiosity even among hardened cynics. The moves geared towards political stability were sweeping; speculations were afoot that the move on the Philippine Long Distance Telephone (PLDT) company was to start a domino-like fall of monopolies; Lucio Tan was to be an example of what would happen to big tax evaders; finance officials were talking back at the International Monetary Fund (IMF); and the leading 'national industrialists' were in panic over liberalization (which meant that government was pushing market reforms at a threatening pace).

A lot of people were proclaiming with certainty that the General *had* a plan. Those who scoffed at the project seemed merely reassuring themselves. In short, *Philippines 2000* was like a rampaging train ready to run over people who were not quick (and wise) enough to board it.

This essay then is an attempt to wade through the perceived ongoing changes in state politics. Indeed, how does one, couched in the analysis that the state is a mere appendage of *comprador* capitalists, react when the state starts to condemn the 'oligarchy'?

Philippines 2000 as a Radical Project

Alternative projects, especially if proceeding from a very low starting point such as ours, are naturally attractive. Any serious alternative project is in itself a critique of reality which involves a sensible plan for getting out of the present quagmire. People compare alternative projects with reality in two ways: what it promises and how it will be done. In other words, whether it is superior to the status quo and feasible at the same time.

The promise of *Philippines 2000* — Newly-Industrializing Country (NIC) status and a better quality of life by the turn of the century — is its own attraction. Rapid and sustained economic expansion is seen more and more as a requisite for development, that is, a sustained expansion in production becomes the material basis for improving the people's quality of life. Being showcases of phenomenal (and presumably sustained) economic growth, the NICs are taken as models of this type of development.

Former President Aquino would have promised as much had she been given a second term. However, she might have tried to carry them out through means already discredited by bitter failures. What makes the *Philippines 2000* project different is its pronouncement to break away from past economic and political practices of the state.

This radical imperative proceeds from an analysis of what is fundamentally wrong in the economy — that its direction remains beholden to narrow 'oligarchic' interests, a situation made possible by the privilege and protection extended by the state to the members of the oligarchy.

The state-oligarchy nexus is viewed to be responsible for the persisting structural constraints to the development of the country. The protective structure of trade, investment, and finance made it unnecessary for the oligarchy to innovate in order to profit. Furthermore, the expansion of monopolies and the concentration of economic power in the hands of a few became synonymous with non-competitiveness and inefficiency, particularly in the manufacturing sector. It is this system of privilege and protection which the project *Philippines 2000* seeks to address.

Yet, this analysis is not new even from the viewpoint of the government. It is considered by many as the working assumption of Marcos' New Society. But the Marcos solution, which relied more on the role of the state in the process of economic transformation, became part of the problem. Marcos was successful only in introducing his own crony capitalists, such that the system of protection and special privileges became even more entrenched.

Such a paradox in state autonomy became the major basis for the Ramos revision. It is asserted that, even with the initial intent of moving away from particularistic interest, a government which exercises too much power in allocating resources has the inherent tendency of creating its own system of patronage. The Ramos revision calls for a much greater reliance on markets.[1]

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The economic policies attendant to the government's thrust of relying more on markets are expected to serve the purpose of breaking the oligarchy's hold on the economy. Thus, competition is promoted through privatization, deregulation, and liberalization of the trade and financial system.

The reform measures touch the very foundation of the system of protection and economic patronage, seeking to create a 'level playing field' which should unleash private sector initiatives. The government's task is reduced to ensuring that markets work by providing the infrastructure requirement and the favorable macroeconomic and political environment.

A Project of Flaws

Reasonable critiques of *Philippines 2000* cite three fundamental flaws of the project: 1.) it lacks an understanding of the role of the state in economic transformation; 2.) it does not involve any thoroughgoing

[1]This learning from history should be taken in the context of important factors other than the Marcos experience. These include the social learning derived from the strong IMF-WB advocacy of its orthodox analysis, the advocacy of the technocratic elite, the sorry experiences of many state-led economies, and the sheer bankruptcy of government which compels it to rely on the 'private sector' (We might as well elevate this unfortunate reality into ideology!).

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wealth and income redistribution scheme; and, 3.) it tends to leave agriculture behind.

The failures of the Marcos project on one hand, and the success of the NICs on the other, inspired the Ramos government's campaign for minimal state intervention. Yet, market-orientation cannot appropriate the success of the NICs. On the contrary, these economies, in fact, relied on strong state intervention to direct their development priorities.

Still, it would be myopic to indict market reforms just because they were not really the basis of the NICs' performance. It is more accurate to pin down export orientation and industrialization as guideposts of the development of the NICs, but that these can be consistent with either a statist or a market-oriented model. In other words, market orientation is but another means of achieving development goals, just as a strong state is.

The task at hand then is to assess the viability of using market-oriented reforms in attaining the goals spelled-out by the *Philippines 2000* project. Will greater reliance on markets result in sustained growth at NIC levels and consequently, translate to a better quality of life for every Filipino? Stated differently, what makes market-oriented reforms insufficient and state intervention necessary?

The basic pitfall of the adoption of a minimalist state strategy for the country is the assumption that our private sector, *by itself*, can propel development. Greater reliance on the market will remove the political source of oligarchic power, thus enabling the private sector to compete on even grounds.

What is overlooked is that the state constitutes only half of the problem in Philippine underdevelopment. The other half lies in the structure of the private sector itself. Minimizing the role of the state in development does not necessarily create a level playing field. The highly unequal distribution of wealth still gives undue advantage to the same oligarchy that market-oriented reforms supposedly seek to break.[2]

It would have been different had the vote for market-oriented reforms been the result of an overwhelming demand by a wide entrepreneurial class.[3] In this case, the productive potential of a sizeable set of ready actors is indeed being suppressed by state intervention. In turn, it becomes reasonable to assume that development can proceed from comprehensive market-oriented reforms.

Unfortunately, such is not the case. The fact is, the emergence of a sizeable entrepreneurial class has been derailed by patronage politics coupled with a long history of highly skewed asset distribution. Thus, policies with preferential option for entrepreneurs are not needed as much as policies that will create the conditions for an entrepreneurial class to emerge are. In this case, state intervention, beyond providing the standard public goods, becomes necessary.

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[2]An oft-cited example is that of privatization. Even the World Bank observes: "Much of the buying activity has so far been confined to local business elites and their foreign partners, with limited participation from the broad business class due to resource considerations." Of course, we may differ in our appreciation of how 'broad' the business class is.

[3]It can be argued that the most visible advocacy that proceeds from an entrepreneurial perspective is that of the segment of the export sector which supported Senator Angara's 35-1 proposed one-shot devaluation. It would not be surprising if this segment of the export sector also supports market initiatives which seek to break the bank cartel and lower interest rates.

The rest are opposing market reforms. The oligarchy would not want to lose their protection, while the rest of the people would not want to disturb consumer prices, showing the general bias towards consumerism rather than investment.

A thoroughgoing redistribution of wealth is clearly a precondition for any workable development strategy in the Philippines.[4] Especially in agriculture, the development of a broad-based entrepreneurial class would be difficult, if not impossible, without state intervention. Rural families will remain poor and caught in the vicious cycle of subsistence production, if no asset reform is undertaken and no support services are provided. Hence, a minimalist state strategy at this time will have the natural consequence of leaving behind the agricultural sector.

Moreover, other requirements of an emerging entrepreneurial class need to be provided. These include technology assistance, market information, credit, and other support and extension services. Traditional economic and social services by government must be reoriented and expanded towards supporting (and even creating) an emerging entrepreneurial class, and should not merely be confined to social welfare.[5]

Finding Space For Market Reforms

Even assuming that a sizeable entrepreneurial class exists, competitive markets will remain insufficient for development needs. Some of the assertions are as follows:

1.) In certain areas of the economy, public and strategic interests will require the state to continue to take a leading role;

2.) Competitive markets derived from trade liberalization produce optimum resource allocation only in terms of static comparative advantage. But beyond faith in comparative advantages, development will require the state to consciously promote certain industries by violating free market principles; and,

3.) Violations of free market principles, by forming business conglomerations, for instance, may in fact be necessary in order to maximize industrial innovation.

While these are correct specifications for state intervention, confusion arises when one fails to distinguish between a condition where a sizeable entrepreneurial class exists and one where it does not. Failure to distinguish between these two conditions can lead to a wrong response to *Philippines 2000*.

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[4] It should be understood that state intervention along redistributive lines will have the consequence, in fact, of expanding markets.

[5] Entrepreneurship should not be confined at the level of the individual. All production organizations that display entrepreneurship must be encouraged and developed. These include cooperatives, enterprises with labor participation in management, and even state enterprises.

Consider the second assertion. Proponents of industrial development tend to be critical of market reforms and favor state intervention to promote specific industries. Such state intervention can take the form of tax exemptions, tariff and non-tariff trade restrictions, subsidized credit, etc. However, without a sizeable entrepreneurial base, such incentives can only be captured by those belonging to the so-called 'oligarchy.' Wittingly or unwittingly, the state acts in favor of oligarchic interests. Although the privilege proceeds from an economic standpoint rather than from political patronage, the same result is generated! Under current circumstances, an advocacy for state intervention of this kind is nothing more than a pitch for the status quo.[6]

Aware of its limits and fundamental flaws, it is necessary to analyze the viability of *Philippines 2000* and the kind of market reforms that will be implemented. This exercise becomes even more important in view of the failure of the progressive movement to present an alternative blueprint for development.

A program anchored on a determined implementation of market reforms will undoubtedly subject existing firms to competition, particularly from foreign competitors.[7] Such competition can prove sufficient to break monopolies and cartels, and to a certain extent, promote efficiency and international competitiveness. In this sense, the *Philippines 2000* project can register potentially positive results.

One should also recognize that *Philippines 2000* is not 'all market.' While market reforms provide the anchor, other identified areas of state intervention make up the rest of the locus of the project. It promises to provide the infrastructure requirement and the favorable macroeconomic environment for growth, in addition to giving emphasis to the achievement of political stability. There is also the rhetoric about moving-in on big tax evaders to bridge the financial requirements of governance.

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[6]State intervention proceeding from the earlier assertion is excluded from this judgment. Whether a sizeable entrepreneurial class exists or not, public interest requires us to be critical of mindless privatization.

[7]Precisely because there is no sizeable set of ready actors who can compete even with a de-protected oligarchy, the Ramos government is in a travel binge to look for foreign investors. The role of foreign investment in development cannot be denied. However, this will have implications on the stability of development. For instance, Dr. Walden Bello argues that while Japanese foreign investment pushed development in the NICs, their dependence on Japanese technology is now becoming a problem. A sore point, indeed, is whether development led by foreign investments is sustainable, and whether this can result to the attainment of a better quality of life for the majority (foreign investments are maintained by suppressing wages). At the very least, a strong state will still be required to resolve issues of technology transfer and environmental impact.

All these produce the net effect of a 'disciplined' oligarchy relying not on political goodwill to earn profits, but on their entrepreneurship, to tide them against the onslaught of foreign competition. Notwithstanding the long-term problems that may arise from foreign investments and from the precarious structure of the private sector, a viable export sector can emerge to provide the foreign exchange requirement of economic expansion.

Furthermore, the resulting growth can be sustained through the creation of additional employment, the trickle-down effect of economic gains, and the setting-up of conditions and structures to encourage investments from new entrepreneurs.

In the light of the stabilization program and with a relatively friendly international climate in terms of interest rates and petroleum prices, observers believe that there is indeed a 'window of opportunity' for growth in the country.

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Halting Implementation

At this juncture, the big question then is whether or not the *Philippines 2000* project will be implemented as planned. Lately, the once rampaging train has lost a lot of steam. The odds have been turned; fewer sectors seem to be betting on the program.

This year's growth target, for instance, has been brought down from an optimistic 4.5 percent to 2.5 percent. The most visible problem is government's failure to address the infrastructure bottleneck. This means that the government is confronted, on the one hand; by the inability to earn sufficient revenues to finance the necessary infrastructure spending, and on the other, by an inefficient bureaucracy which is unable to meet the demands of economic restructuring.

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The above dilemma is only in the area of public spending. Equally important is the status of the policies and actions intended to alter the economic playing field and restructure the production sectors. In relation to this, two significant areas are worth looking into.

The first is the exchange rate. It is a consensus among the country's leading economists that the current exchange rate, and the levels foreseen in the medium-term development plan, are not at all competitive. The export earnings possible at these rates will not meet the foreign exchange requirement of economic growth at levels envisioned in *Philippines 2000*. A potential result of this deficiency is a foreign exchange crisis which, in turn, retards or breaks high levels of growth.

Yet government would not hear of a devaluation. The Angara proposal (which is in fact also the proposal of a good number of U.P. economists) for a P35:$1 devaluation was promptly thumbed down during the September 8 economic summit. Instead, the government, through the *Bangko Sentral* and the Department of Finance, chose to continue to intervene in the market and support a lower exchange rate.[9]

Trade reform is the second area. In relation to this, it must be noted that a big portion of the manufacturing sector is inefficient, not to mention that labor productivity has been on the decline since the early

[8]The National Economic and Development Authority (NEDA) advised each executive department on the levels of spending necessary to obtain a 6.5 percent GNP growth in 1994. The departments based their respective expenditure programs on the NEDA figures, only to see them cut when the budget ceilings were finalized.

[9]One way for government to keep the exchange rate in check is to influence the peso interest rates. By jacking up the peso interest rates through massive domestic borrowing by the Department of Finance, and through higher reserve requirements by the *Bangko Sentral*, the peso can be made more expensive in relation to the dollar. The higher preference for peso assets increases the peso value in relation to the dollar, hence a lower peso-dollar exchange rate. Another way is for the *Bangko Sentral* to directly intervene in the foreign exchange market, selling dollars at a lower exchange rate than what a free market provides.

1980s.[10] Protection is what keeps these enterprises profitable. Through tariff and non-tariff restrictions, these firms are able to skirt competition and derive monopoly profits.[11]

A good dose of liberalization can induce competition which, in turn, compels these inefficient firms to shape-up.[12] Shaping-up means either improving productivity through innovation and technology upgrading, or shifting to new ventures where there is comparative advantage. In some instances, these two options might not be immediately necessary. Some firms practicing monopoly pricing need only to reduce prices and increase output in order to maintain their levels of profit.

The implementation of the remaining phase of import liberalization, however, remains up in the air.[13] It seems that the government wants to postpone it as long as it can. It is reported that even the ASEAN Free Trade Area (AFTA) has failed to alter the structure of protection.

A Project of Uncertainties

What is putting a break on *Philippines 2000*? Is it insincerity on the part of government, incompetence, or the lack of the proverbial political will?

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[10]Professor Noel de Dios of the U.P. School of Economics notes that "the average labor productivity in 1991 is about the same as what it was in 1971-1972, so there has been very little progress in this front."

[11]The labor sector gets their monopoly benefits as well. The increase in wage rates despite declining labor productivity is only the labor dividend from the monopoly position of the enterprise.

[12]Economists are saying that liberalization and devaluation must go hand in hand. First, the competition induced by liberalization can kill domestic industries if imported products are made artificially very cheap by an overvalued peso. A rationalization of the exchange rate will be necessary to hedge domestic industries. Second, by making imports expensive through a devaluation, preference for home goods and backward integration (i.e., a move away from import dependent production) of industries will be encouraged. This translates to higher domestic production.

[13]The common notion is that the trade liberalization which began in the early 1980s is good as complete. However, data show that the remaining restrictions still cover a great deal of manufactures and manufacturing-related imports. These include processed food, machinery and transport equipment, chemicals, mineral fuels, electronic parts and equipments, among others. The importation of a number of consumer goods otherwise produced in the Philippines is restricted. Only accredited manufacturers are allowed to import certain manufacturing-related goods.

The remaining phase of import liberalization will thus affect a good number of protected firms who derive profits mainly from their monopoly position. Such monopoly position is evidenced by a high degree of concentration, meaning that a large portion of total production in an industry is accounted for by a few large firms.

These firms are able to employ the most number of workers, pay the highest , and use the largest amount of capital. (See Emmanuel S. de Dios, Scenarios for Philippine Growth, September 7, 1993.)

Disciplining the Oligarchy

The oligarchy accounts for a large segment of industry and manufacturing in the Philippines to the extent that most other activities in wholesale and retail trade, transportation, and agriculture are invariably linked to oligarchic economic activities. More importantly, they control the main chunk of the domestic investible capital. However inefficient, the oligarchy remains to be at the heart of the Philippine economy.

Philippines 2000 is replete with rhetoric about breaking-up the oligarchy, but it is not robust enough to identify who will replace them. Without a sufficient entrepreneurial base (and the state not intervening to create one) to take the leading role, the state is constrained to look for substitute capital and actors. It has to rely either on foreign finance (through investments and/or massive financial assistance) or upon its own ability to mobilize enough money to infuse into the economy. The government has yet to register acceptable performance in either case.

In terms of foreign investments, the infrastructure bottleneck is still a disincentive to foreign capital. The situation is made worse by the stiff competition coming from China and Vietnam. On the other hand, the government's mobilization of capital and investment in areas other than infrastructure development is also problematic. First, government investing in the economy, beyond the provision of public goods, is a reversal of the chosen path of market orientation. Second, the capacity of the government to mobilize finance is uncertain. We have already mentioned its failure to meet revenue targets; the prospect of acquiring foreign finance is likewise not very optimistic. Furthermore, the infusion of development assistance is slowed down by the government's failure to negotiate an agreement with the International Monetary Fund (IMF) regarding a new economic program.[14]

Such a situation further strengthens the economic leverage of the oligarchy. Government is hard put to touch it, apparently thinking of the possible consequences when domestic capital flies out to China. As a result of the oligarchy's bargaining power, therefore, the government might be forced to compromise with the latter — requiring its consent on every move and perennially negotiating with the same to arrive at acceptable measures, often with half-baked results.[15]

[14]It must be noted that the conditionalities in the IMF program limit flexibility on the part of the government. Autonomy from oligarchic interest is merely replaced by subservience to foreign institutions.

[15]For instance, by threatening to go full throttle on big tax evaders, the government was able to get a commitment from some members of the oligarchy to invest in certain infrastructure projects. Fine, but such infrastructure projects should be an area for government spending. The oligarchy must be mobilized in areas where government (and other actors) is not expected to come in. With the way things are going, government is only exhausting its leverage for lackluster results.

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As it deals with the oligarchy, the 'converts' to the *Philippines 2000* project are having second thoughts about further supporting it. The probable reason for this is the continued existence of a deep-seated distrust for such compromises with the oligarchy, as they remind many of crony capitalism. Certainly, we cannot discount the danger of such deals actually degenerating into predatory practice.

A Painful Operation

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Trade, corporate tax, investment and pricing reforms, as well as the exchange rate policy, will weigh heavily and directly on the manufacturing sector. A good number of enterprises are surviving only because of the massive protection they receive from the government. Some of these enterprises are 20 to 30 years behind immediate foreign competitors in terms of technology and productivity. No less than substituting new machineries for old ones will make these enterprises competitive. If this shall prove costly, the only option is for capital to shift to other favorable ventures.

Adverse consequences to segments, if not the whole, of the labor sector can be expected from the resulting adjustments. These include possible lay-offs, underemployment, and the erosion of real incomes. For those laid-off, finding new employment will be problematic, as a resulting mismatch in skills is expected from the shift of capital to other activities.

Moreover, new technology and new forms of labor relations will emerge at the industry and firm levels. Among the issues already apparent in this area is the possible promotion of flexible labor markets.

This entails supporting labor contracting schemes, as well as the general relaxation in employment policies, both of which are being resisted by organized labor.

Even after a more aggressive exchange rate policy is pursued, the adjustment in prices will surely affect the rest of the consuming public. The artificial increase in purchasing power being enjoyed by fixed income earners, as imported products are made cheaper by the overvalued peso, will instantly be reversed by a steep devaluation. While consumers may not, at the moment, have the leverage to resist policies reforming the prices of goods and services, the government cannot simply discount the social unrest which will result once the pangs of adjustment costs are felt by the general public.

Discontinuity

It becomes inevitable at this point to ask how serious the Ramos government is with its *Philippines 2000* project. The impression is that it has been too calculating for its own good, passing up on opportunities until options completely run out.

The stakes were indeed high, but there were instances when the odds were in favor of government taking the risk. We take two examples.

The first is on devaluation. In the first three quarters of 1993, many University of the Philippines (U.P.) economists believed that the government can make a go at a P35:$1 exchange rate to put the country in a competitive footing with its ASEAN neighbors. At least three economic factors made devaluation viable at this time. First, the international prices of petroleum products were low enough to hold domestic oil prices. With oil prices held to its level, inflation will not be too high as to eat up the level of devaluation. There can then be a real adjustment in exchange rates. Second, the country's foreign

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exchange reserves was at a comfortable level. Finally, labor was not yet strongly positioned to demand a wage increase; this means that the government would have been in a position of advantage to negotiate with labor for a wage increase, but still in the context of a devaluation.

These favorable factors are exhaustible. Petroleum prices can immediately go up, or the trade balance can worsen to the extent of a balance-of-payments crisis. In this case, devaluation becomes *inevitable* to correct the imbalance.

The second example is government's handling of the fiscal crisis. Early in the same year, it was a consensus that government should spend more to address the infrastructure backlog and to pump money into the system to revive the sputtering economy. These required getting out of the restrictive fiscal and monetary framework of the IMF to allow government enough flexibility. At this time, the country's foreign exchange reserves allowed freedom from an IMF program. Thereafter, negotiations with the IMF collapsed and government came up with the right rhetoric of greater spending to pump-prime the economy. What government did, however, was to internalize the restrictive monetary and fiscal framework of the IMF, even without a program in place. As a result, the pump-priming program never took off the ground.

Things have changed since. Labor is now strongly demanding for a wage increase. Any wage hike will make it even more difficult to remove the protection afforded to certain industries. Moreover, such wage increase will reduce the effectivity of a devaluation. The trade balance is also deteriorating at a threatening pace, moving the country closer to the type of 'inevitable' devaluation associated in the past with economic difficulties. An IMF program also becomes more urgent.

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2000 when the term of Ramos ends in 1998, thus, emphasizing the need for continuity in the project.

But is continuity possible without an aggressive and immediate laying down of the basics to make a subsequent reversal difficult? Does Ramos represent an emerging, broad-based faction within the elite, self-conscious about their identification with the project, and at the same time, capable of presenting itself and winning in an electoral contest to ensure continuity?[16]

The Complications of Response

Two major points have been raised thus far:

"Without enough resources, the Ramos government is left without much room for maneuver to achieve its announced objectives. It is 'forced' to negotiate and compromise with the oligarchy. Thus, the project fails at the outset."

First, while the *Philippines 2000* is radical in that it intends to break the state-oligarchy stranglehold over the Philippine economy, the program's chosen path of relying on markets can produce only limited results. This is due to the absence of a sizeable entrepreneurial class for whom the playing field is actually being leveled.

Second, in the absence of a defined constituency, the Ramos government is put on the defensive. Its success becomes dependent on too many things falling into place. With all the attendant uncertainties, the inherent weaknesses of *Philippines 2000* becomes more apparent. Without enough resources, the Ramos government is left without much

[16]Another question is with the electorate. It is doubtful whether the result of the last elections show a sustainable change in perspective of the electorate such that there is a preference for a distinguishable project. The *anti-trapo* vote was clear in the last elections, but can we expect the same in the succeding ones? The vote for Ramos was a vote for a strong and possibly clear leadership perspective, but will its translation into a program, in this case *Philippines 2000*, generate enough voting constituency?

The appreciable development in the last election was that the local politicians cannot anymore ensure the transferability of their constituency to their national candidates. The strong linkage between national and local officials was showing cracks -- a bane to political patronage in elections. Yet it cannot be denied that traditional politics still played the decisive role in local politics. The traditional politicians who compose the majority in Congress can exert pressure to obstruct a project such as *Philippines 2000*, so that things are reduced to horsetrading.

room for maneuver to achieve its announced objectives. It is 'forced' to negotiate and compromise with the oligarchy. Thus, the project fails at the outset.

From the perspective of development, the proper response will be to insist on an economic restructuring which proceeds from a comprehensive income and wealth redistribution, and from complementary state intervention intended to create and support an emerging entrepreneurial class. But what complicates this type of response to *Philippines 2000* is the perceived weakening of the Philippine Left. It appears to have lost the muscle to bring redistribution and complementary state intervention back into the center of social polarization. The Ramos government, so to speak, has seized the initiative of defining the current parameters of national conflict.

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One may choose to wait until the Left resolves its crisis. The going observation, however, is that a resurgence cannot effectively proceed from an uncompromising adherence to old methods and formulations.

In the meantime, a vacuum is created. This leaves room for a third party in the conflict now being played-out between the Ramos government and the oligarchy. Attempts have been made to fill in this void, notably by U.P. economists from a technocratic standpoint. Recent events show, however, that this technocratic group has not been able to tilt the balance in their favor. Their failed campaign for an aggressive devaluation is a case in point. If at all, this experience underscores the limits of technocracy.

An option is to come out with a third party capable of immersing itself into the policy debate, but getting its leverage from mass support. In other words, creating a reform coalition involved in the policy debates which currently define the conflicts: exchange rate, interest rates, the fiscal gap, taxation, and trade and financial reforms. Some of the positions which may be advocated can immediately gain mass support, are non-controversial, and merely continue reform advocacies started in the past. These include debt reforms, increased government spending on economic and social services, and a move away from regressive taxation. Such advocacies can immediately present a third perspective to the state-oligarchy conflict on fiscal policies.

Addressing the other areas will be problematic. The positions which meet the economic and power structure of the oligarchy head-on will not be popular. Either because such positions will entail economic hardship for the people before potential gains can be registered, or because the gains, even if they are immediate, take an abstract and indirect character.

One can try to find an appropriate equation though. For instance, advocating for low interest rates is like waging a proxy battle for an entrepreneurial class which does not exist. But interest rates can be linked to the high prices of goods, so that the support of consumers can be tapped to strengthen this particular position.

Of course, even if such advocacies can be successful, their effectiveness will only be to the extent allowed by the already limited possibilities of *Philippines 2000*.

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