

A CRITIQUE OF THE AQUINO GOVERNMENT'S ECONOMIC PROGRAM, AND A PROPOSAL FOR AN ALTERNATIVE DEVELOPMENT STRATEGY

By MANUEL F. MONTES

1. *The Aquino Government's Economic Program*

A discussion of an alternative development program properly begins with a critique of the development program of the Aquino government. This brief critique will be based on an examination of three key aspects of the present government's program: industrialization policy, the foreign debt policy, and agrarian reform.

An overall theme that emerges from this critique is that the Aquino government, partly by choice and partly by bounds imposed by external interests, finds itself in a position of weakness, unable to decisively assert the national interest against the private and foreign interest.

Trade and Industrialization Policy

This section will be characteristically brief since the Aquino government has very little by way of an industrialization program to subject to analysis.

The 1987-1992 medium-term development puts a stress on agricultural development. The program looks upon import liberalization as an indispensable policy to force an outward orientation. Any serious success in the combination of these two thrusts will reinforce the colonial pattern of trade from which the economy had a frustrated transition in the late 1940s.

As in previous episodes, the government finds it difficult to pursue these major economic thrusts to the point of endangering the entrenched economic positions built up from the colonial period. Its import liberalization program has been suspended in the sectors where the greatest degree of monopolization exists and the participation of multinational companies is significant.¹

This article is a condensed version of the author's paper entitled "Overcoming Philippine Underdevelopment" presented at the conference on "From Debt to Development" sponsored by the War on Want Foundation, 21-22 March 1988.

¹ To give a specific example, one firm 40 percent U.S. owned, is the sole domestic supplier of polyester fiber and has managed to effectively exempt itself from the import liberalization program.

It will be difficult for the new legislature to resist policies supportive of the creation and protection of private monopolies, as long as these are operated by the members of elite classes in joint venture with foreign capital.

This difficulty also arises from the fact that such programs can be technically justified on nationalistic grounds.

In the meantime, and in the absence of any industrialization program, the legislature finalized a tariff rationalization program as a component of the import liberalization program.

The government has exhibited a desperate demeanor in the manner of attracting foreign investments. The program appears to be an attempt to attract foreign investors on the basis of the currency financing they provide, instead of the advantages in technology and product diversification that the country might derive from their presence.

The government's stance has become self-defeating because of the debt-equity swap program that is part of its foreign debt strategy. Since the debt-equity swap program, in effect, offers a preferential exchange rate² for foreign investment, there is very little foreign investor interest outside of the debt-equity program.

However, because of the money supply implications of the debt-equity program, the government is compelled to limit the total conversion of debt to equity over each time period. Thus has the Aquino government reconstituted the system, prevailing from the colonial period, in which foreign investment enters the country through its influence³ over the state, instead of on the basis of mutual economic benefit for the investor and the country.

Foreign Debt Strategy

The government's debt strategy is inadequate if not submissive. The image that the Aquino government's economic managers want to project in international credit markets is that the country will pay for every cent of foreign debt that it inherited from the Marcos regime and, if it can be helped, will not borrow any more, even for the purpose of financing payments coming due.

Under this formula, the country paid out in net financial terms \$2.1 billion to the developed countries in 1987 on a commodity export level of \$5.3 billion. Under the current program, the country expects to transfer

² With the prevailing discount rate on Philippine debt paper in the order of 50 per cent, the preferential exchange rate is about ₱40 to \$1, instead of the prevailing ₱20 to \$1.

³ A proposal to auction off access to the debt-equity program will reduce the extra-economic aspect. It will, however, not solve the effect that the de facto multiple exchange rate will have on investor decisions.

outward a total of \$18.2 billion to its creditors from 1987 to 1992, or about 31 percent of merchandise exports generously projected.

The debt strategy has compelled the government to maintain steady and orderly relations with the World Bank and the IMF, the agencies that provide the country with its international credit rating. This, in spite of the unpopularity of the development approach espoused by these agencies among the Filipino elite and the Filipino masses.

The World Bank economic recovery loan in 1987 compels the Aquino government to complete import liberalization, complete the privatization program, implement a tax reform program (including the value added tax), and reform government financial institutions in exchange for budgetary financing of \$300 million.

The debt strategy compels the Aquino government to seek bilateral aid from the U.S. and Japan. In spite of the fact that the Convenor's Group⁴ in the last few years of the anti-Marcos struggle has proposed the eventual dismantling of the U.S. bases and the fact that the next three years until 1991 provide an opportune time for the phaseout of the bases, the government's judgement has been clouded by the possibility of reconciling its meek debt strategy with the need to raise the financial resources required for economic recovery through the bases rental.

The debt strategy compels the government itself to be a major borrower in the domestic market and sustains an inappropriately high level of interest. The high rate of interest encourages commercial importing activities, where the turnaround of capital is quick.

Agrarian Reform Strategy

In July 1987, President Aquino's government signed into law an incomplete land reform program which the legislature was given the task of completing. Except for improvement in administrative procedures in the reform program, the Aquino agrarian reform basically affirms the Marcos land reform program.

There will certainly be a "comprehensive"⁵ agrarian reform code promulgated by the legislature in 1988. The United States has offered \$2 billion in budgetary financing as long as an agrarian reform code is promulgated by August 1988. The trend of the discussions in the legislature appear to be headed toward a reform program with the following features:

(1) on the justification that it would be in the interest of economic recovery, the agrarian reform program will provide generous bases for

⁴ See the Convenor's Statement in Schirmer and Shalom [1987], pp. 305-308. The convenor's group represented the "nontraditional politicians" with the Marcos opposition and included Corazon Aquino, Jaime Ongpin, and Senator Lorenzo Tañada.

⁵ The terminology has become socially inescapable.

exemption from reform; it is likely that lands which are partly devoted to poultry, livestock, or aquaculture will be exempted from land reform.

(2) the agrarian reform program will provide generous payments to landowners whose properties are subjected to land reform; the most generous proposal is that of fifty percent in cash of market value upon loss of land and fifty percent in bonds.

It will be difficult for an agrarian reform program of this nature to result in a reform of a basic social deficiency of the Philippine economy. Because of the generosity of exemptions, landlords can maintain effective control by undertaking some investment, even if half-hearted, on their landholdings.

The generous payment scheme will actually rescue many landlords from bankruptcy. For example, in some sugar landholdings, production occurs in only about a third of the landholding. A fifty percent payment permits the landlord to convert the 30 percent that is still operating into its cash value, making a 20 percent gain on the remaining portion that is lying idle. He is also able to convert the remaining 50 percent of idle land into a government bond.

The envisioned land reform will be expensive and strain the government budget. Estimates of at least ₱70 billion pesos are common. The strain on the budget will increase the government's dependence on foreign sources of finance.

The nature of the cash payments will also induce strains on the economy. Since the import-propensity of landlord consumption is high, there will be significant demand on imports, pressure on the exchange rate, and domestic inflation.

2. *Toward an Alternative Development Strategy*

A discussion on an alternative development strategy is an exercise of hope. Here, we must identify the basis of such hope. On the basis of the foregoing, it appears we cannot locate such hopes in the Aquino government, in spite of the promise it represented in 1986.

The basis of hope is in the people's movements, which continue to increase their organizational capabilities, in the face of increasing repression and the Aquino government's peace (and order) response to the concrete manifestations of underdevelopment in local areas.⁶

The groups in the popular movement continue to assert and to demonstrate the proposition that the involvement of people's organizations are

⁶ The democratic government is responding by forming counter peoples' groups, volunteer citizens groups to control organizing efforts in slum areas and in union organizing situations. Some moderate cause oriented groups, having been compelled to resort to vote buying and the use of armed goons in recent election exercises, have unwittingly found themselves within the umbrella of this government strategy.

the indispensable element in overcoming the politico-economic obstacles to development. For these groups, who must daily confront these structural obstacles, the distinction between "tearing down" and "building up between reform and construction are artificial distinctions perceptible only in the eyes of Aquino government officials.

For example, in the face of an inadequate agrarian reform program, the popular movements have been able to implement reforms in the areas where they are sufficiently organized and can carry out land occupation and create cooperatives. As in times past, the government's rhetorical commitment to agrarian reform merely provides a skeletal framework for organizing efforts among peasant groups.

In a political situation that might be described as being suspended in between dictatorship and democracy, the continued growth of peoples' groups holds out the hope that the country might successfully complete the transition to democracy.

On the basis of the foregoing, we might describe the current Philippine economic problem as one of successfully managing a genuine economic transition.

Interventions of the peoples' groups, even when they result only in partial success, have the effect of making more difficult the sustainability of the economic system as presently constituted. For example, successes in raising wages force the issue of efficiency in supposedly "capitalist" enterprises in industry and agriculture. These interventions also build the alternative structures required by an alternative development strategy.

The question is: In whose interest will such an attempted transition be carried out? The rest of this paper will discuss the nature of this development program on the assumption that the transition is carried out

⁷ Based on our description of the source of the backwardness of the economy, a transition carried out in the direction of "capitalism," however that may be defined in the last two decades of the 20th century, is also a well-defined project. The interventions of the multilateral funding agencies, many of the Marcos technocrats, successive U.S. governments can be thought of as supportive of this type of transition. Based on our description of the record, in spite of the enormous effort and use of resources, there has also been little success along this path. A Philippine economy that is capable of capital accumulation and self-propelled growth would still require fundamental changes in its internal structures and external relationships.

What appears to be unaddressed in these "technocratic" approaches is that actual people must carry out development. An economic liberalization program directed toward private sector led growth will not lead to significant change if the potential private sector that can respond with enterprise is too small. Attempting to provide peasants with "competitive" prices for their produce without increasing their control over the land will not lead to capital investment in agriculture, but instead expose the same peasants to the often debilitating control of money lenders, warehouse owners, and traveling salesmen. Many of World Bank type of reforms, designed with a studious avoidance of class interest, are in effect in favor of the petty bourgeoisie against the interests of the very wealthy and the politically powerful. However, the petty bourgeoisie would be the last class to respond to the private enterprise oriented development program implicit in World Bank type of reform programs.

in the name⁷ of the peasants, workers, petty bourgeoisie and genuine entrepreneurial businessmen of the Philippines.

Any discussion of an alternative development strategy would not only tend to be platitudinous, it will also contain a unavoidable degree of speculation, particularly since the actual situation in which it is to be implemented is unknown. Here, we are constrained to discussing main principles, with tentative details based on the currently existing situation of the economy. For this reason, the subsequent discussion should be treated equally as suggestions within an alternative development program and as suggestions for further research.

To avoid repetition in the subsequent discussion, let us first identify some important elements of the development strategy. These elements are derived from our description of the nature of Philippine underdevelopment. The alternative development program would be:

(1) Conservative and accumulative of capital

The Philippines' propensity to stagnate originates from an inadequate rate of capital reinvestment and the wasteful use of the domestic and foreign capital resources the economy has had access to. To a large extent, capital resources are remitted abroad by domestically based foreign enterprises and by members of the country's elite.

The alternative strategy will have to be directed at the dismantling of all social structures that reproduce the wastage of capital and discourage its reinvestment. For example, the situation in 1987 in which there was a net financial transfer of \$2.1 billion outward due to the debt service would be deemed a non-conservative strategy.

The alternative strategy would look upon resources used up in obtaining economic privileges, in fulfilling government regulations, in pursuit of unnecessary consumption, even if apparently necessary to maintain political power, as wasteful.

(2) Acquisitive and adaptive of technological advances

Assuming that the question of property assignments have been resolved, the process of development involves the steady implementation of small permanent advances at the level of production. At the microlevel, industrial development actually involves the continuing adaptation and installation of small improvements in products or in the manner in which products are made.

This is where a properly oriented private sector is an enormous advantage. In fact, the private sector here would include the millions of farmer families and owners of small machine shops, who must daily overcome the technical obstacles to increasing output at lowest cost.

There is a role for the state to play in the acquisition of current and expensive technology. The state can promote and finance domestic research consistent with the development program. The state's participation will avoid the multiple sale of the same technology to the country, reduce the cost of acquisition, and increase the bargaining power of the country to avoid limitations usually imposed on the acquisition of foreign technology.

The Philippine state is a complex reality. It has been directly under the control, both in "democratic" and authoritarian times, of the comprador and landlord groups. These groups have proven to have been politically, militarily, and economically dependent on foreign governments and have been unable to resist the claims of foreign capital.

In contrast to classic capitalist countries, these different interests do not coincide. We have seen, for example, how the U.S. government agenda at the end of World War II and the World Bank economic agenda at the present time threatened the interests of the domestic elite. In the case of the current World Bank agenda, even the interest of multinationals situated in the country are threatened by import liberalization. At the same time, each of these conflicting interests enjoy significant power to overthrow the families in control or to paralyze the operations of the state.

Thus, the survival of the groups that currently control the state depend heavily on their success in finding workable compromises between these conflicting interests. In the design of these compromises, the national interest (including the country's natural environment) and that of the other groups in the Philippine society are compromised.

The elasticity with which the national interest can be compromised and the capability of the disadvantaged groups to accept cutbacks in their economic condition provides the resources by which the demands of dominant groups can all be accommodated. The extent of such adjustment also damages prospects for future development.

The very fact that the state must be accountable to multiple conflicting interests is the original basis for the "democratic space" for peoples' organizations. For a reform program to be sustainable, however, the state must become genuinely accountable to the groups in whose name the proposed transition is being carried out. Based on our brief historical excursion, the state of the transition economy cannot but be one in which the peoples' organizations have significant participation.

A vibrant private sector is an important element of the mixed, transition economy. This role of the private sector is derived from a specification of the causes of Philippine underdevelopment that situates the problem not in the institution of private property per se but in the highly skewed distribution of such property. Such a specification identifies an important role for "feudalist" elements as a source of lack of dynamism in the economy.

The role of the private sector is based on two things. First, the initial economic reforms required in the construction of the transition economy will create a "private sector." Agrarian reform, the breakup of private monopolies, and the assertion of social control over foreign companies and natural monopolies will create a "private sector" as it now does not exist.

Because the term "private sector" has the negative meaning in the Philippines of being associated with big business and multinational corporations, it will be necessary to formulate a new term for the new sector. For the present purpose, a term such as "non-governmental enterprises" sector might be useful as a first attempt.

To insist that the new sector is not a "private sector" would require the alternative state to create a significant bureaucracy to meaningfully operate within this delusion.⁸ The size of the required bureaucracy will then be in direct proportion to the extent of "privateness" of the new sector that has been created.

Such a delusion will require an inordinate amount of resources under the control of the state which might be called upon to take over failing enterprises, to change the management of "non-progressive" ones, to subsidize the operations of others.⁹

The present situation in which the privatization of companies inherited from the Marcos regime is being resisted by government-appointed functionaries in these companies points to the fact that a bureaucratic state is not in the interest of the majority of Filipinos.

The superiority of treating the new sector as "private" or "non-government" is that this strategy is directly derived from the specification of the nature of Philippine underdevelopment. Thus, the role of this sector is derived not from a temporary political compromise. This suggested role is also consistent with the requirements of capital reinvestment and technological progress of the economy. This is the second reason.

⁸ A private sector would not have a significant role if the present Philippine economy had been specified as "capitalist" or even "capitalist" but modified by adjectives as "backward", "dependent", or "peripheral."

That groups from the left advocating a socialist program happen to be the same groups that are supportive of the Aquino government is one of the paradoxes that Philippine popular movements have to contend with. The significant capability of these groups to project their proposals and keep the debate within the intellectual sphere derives from their special access to the "democratic space."

This problem weakens the capability of progressive groups to advocate realistic alternatives, based on a concrete analysis of a concrete situation, and based on the demand of the groups implementing social change. Just as in the case of social reformers from the conservative groups (whose policy proposals have already been experienced to be failures), the unrealistic proposals encourage a stance that reforms must wait upon the realization of a "change in personal values" in the population.

The controversy also creates artificial organizational divisions among progressive forces in the sense that the elements of economic programs of these groups, such as agrarian reform, do not appear to significantly differ from each other.

⁹ The experiences under the short-lived Allende regime in Chile point to these lessons.

The assertion of the national interest over the private sector will require an accounting system that is consistent with the reforms required by the economy. Surplus generated in private economic enterprises can be classified into two types: (1) the part that arises from the internal efficiency of the enterprise and (2) that part derived from the support and the intervention of the state and from monopoly power.

The computational distinction between the two can be derived using an extension of the principles of shadow pricing. It is expected in some situations where the segregation between the two types of surplus is too costly, rules of thumb derived from the principles can be used.

That part of the surplus arising from the internal efficiency of the enterprise will be within the control of the owner of the enterprise. The limits of this control will be determined by the income taxation policies and social interventions in setting wage rates and other types of human compensation. That part of the surplus arising from state intervention should ultimately be returned to the social fund.

The suggested principle motivates state interventions that are transparent and susceptible to monitoring. For example, where only one or a few private enterprises are being supported by the state, direct local currency subsidy, instead of import control or tariff protection, would be desirable.

Agrarian reform

The necessity of agrarian reform has been discussed at length in Philippine social circles. In this section, we will rely on the discussion of agrarian reform alternatives in Quisumbing [1987]. Quisumbing states:

The reform of the existing highly skewed distribution of access to land and natural resources is perhaps the most fundamental structural reform which must be undertaken in the transition toward a mixed economy.¹⁰

Quisumbing [1987] characterizes the past Philippine experience in land reforms as one of incomplete transitions. In fact, the existence of land reform programs encouraged the artificial parcelling of lands and the (often artificial) shift from tenant to wage labor. The prospective exemptions in the land reform proposals under the Aquino government hold out the promise of other shift into plantation type arrangements.

In the context of an alternative development program in the interest of the basic classes, agrarian reform must be directed at a fundamental reform in social relations. This means that land resettlement schemes, corporate stock ownership schemes, government enforced collectivization

¹⁰ Quisumbing [1987], p. 1.

are decidedly inferior options since these do not empower the intended beneficiaries of the agrarian reform program.

The agricultural arrangements that exist in Philippine agriculture are diverse and require that a combination of different policies — land rent appropriation, cooperativization and collectivization — would have to be part of the agrarian reform program.

Here we need to point only to some of the sources of complexities. The increasing landlessness in many areas makes it difficult to identify beneficiaries under a simple land to the tiller program. The existence of plantations already run along capitalist lines, including those owned by multinational companies, would require a separate type of reform. The inadequate capabilities of beneficiaries to plant other crops, as would be true in Negros, would require cooperativization and collectivization with state support in other areas.

The complexity of land reform highlights the fact that without peoples' organizations, Philippine society will be unable to carry out genuine agrarian reform. The necessary participation of these organizations demonstrates that intentions to carry out agrarian reform independently of these peoples' groups are self-defeating.¹¹

Industrialization and trade

In the alternative development strategy, it will be necessary for the state to play an active role in investment. If our analysis of the nature of the Philippines is correct, state intervention is necessary to lead and to "bend" investment priorities toward social requirements. The state must carry out investments on its own account for social infrastructure and for key industries in the economy.

In fact, even at the present time, the Philippine state has been playing a large role in investment. This is a role that is being necessitated by the fact that the country's so-called "private sector" has demonstrated limited internal dynamism to identify investment opportunities and to raise the risk capital to respond to these opportunities.

This lack of internal dynamism arises from the dominance of the feudal type of accumulation, which permits the reproduction of private property without the need for private reinvestment. Philippine private sector invest-

¹¹ One remembers that during the government negotiations with the outlawed National Democratic Front (NDF), the Jesuit consultants of the government negotiating panel were advising the government to demand from the NDF panel the specifics of the NDF agrarian reform program. "How can the NDF implement land reform when there are already 56 million Filipinos and the total land area of the Philippines is only 300,000 square kilometers (about half a hectare per Filipino, including mountains and forest land)?" The Aquino government, of course, until the present writing, has not managed to construct an alternative agrarian reform program. Even if this came about, the participation of groups in the rural areas would still be critical.

ment has been largely financed by state resources, instead of from privately generated resources. These resources have been raised in the familiar ways: (1) from finances borrowed abroad by the government, (2) from finances raised abroad by the private enterprise but guaranteed by the government, (3) from tariff subsidies to private enterprises, and (4) from tax subsidies, such as BOI (Board of Investments) incentives.

Genuine agrarian reform will be necessary to reduce the alternative of low risk, high return investments in land; agrarian reform should induce some private sector dynamism. The reality of competition from the dominant industrial countries will, however, provide a cap to such dynamism. It will be necessary for the state to provide protection to the private sector. But such guaranteed protection has also been a cause of the lack of dynamism of the Philippine private sector.

It will be important for the present purpose, however, to enunciate the principles on which investment choices within an alternative development program will be made. The most important consideration that we propose is the sustained increase in domestic mass incomes. We consider this to be important for two reasons. First, it permits the internal market to provide the basis for industrialization. Second, in the final analysis, industrialization is located not in the physical machines in the economy, but in the skills of the population. Domestic income-based growth raises the educational and other resources needed in create and develop these industrial skills.

Based on this principle, and the current state of technology, some industries will permit more rapid increases in domestic incomes and skills than others. Light manufacturing industries, especially rural-based, consumer goods industries, will provide income and enjoy a ready market for their products.

Foreign policy and the military bases

The politico-military considerations are the overriding ones in the consideration of the role of the military bases in an alternative development program. These considerations, stated in the form of questions, are basically two:

(1) Does the presence of U.S. military forces and personnel circumscribe the scope for independent domestic political development because it encourages U.S. intervention? and

(2) Do the bases protect the country from external aggression?

An affirmative answer on the second question would be sufficient ground for the continued basing of U.S. forces in the country, assuming that the some reasonable degree of political and economic evolution independence of U.S. intervention were possible.

Based on present realities, however, it appears that the removal of the U.S. bases would be more in the Philippine interest. It is generally agreed that the bases do not protect the country from an identifiable foreign threat. In this case, an alternative development program would have to confront the economic effects of the withdrawal of the U.S. bases.

A thorough study of the economic aspects of the U.S. bases is not accessible to the author at the present time. This subsequent discussion will necessarily be tentative.

The U.S. bases utilize around 65,000 hectares of Philippine territory in 14 installations. Two of these bases, Clark and Subic, account for the bulk of the land area utilized. The spending associated with the bases has been estimated to represent at least 4 percent of the country's gross national product. The bases directly employ about 45,000 workers, the significant proportion of which is in the form of skilled labor. Another 25,000 people benefit from indirect employment.

The bases provide a direct economic benefit of about \$300 million every year. (Part of the accommodation received from the bases is in the form of military aid and should not be counted as part of the net economic benefit.) The calculation of net economic benefit should also discount the social costs that the presence of the bases inflict on the population in the surrounding areas.

The macroeconomic implications of the withdrawal of the U.S. bases is that the country will have to find new, and steady annual exports of at least \$500 to replace the benefit that the country currently derives from them. This is assuming that the other elements of the U.S.-Philippine economic relation can be continued even without the bases in the country.

The microeconomic adjustments will also be difficult.

The U.S. air bases at Clark provide about 3,000 hectares of non-hilly, non-mountainous land from a total of about 55,000 hectares. A plan to transfer the Manila international airport plus the military bases in the metropolitan Manila area appears to provide a more-than-adequate, self-financing adjustment program for this facility.

Except for the Subic naval facilities, which are significant, other bases facilities will also require local adjustment but the problems are much smaller since these facilities are much smaller.

The microeconomic adjustments for the Subic naval facilities will be more complicated. There are ship repair facilities in the base and the skilled Filipino personnel to man them. This would be a new industry for the country.

The immense adjustment problems suggest that the country should negotiate a treaty of withdrawal which will, on the basis of mutual benefit, provide both the time period and the resources required for adjustment.

On overall foreign policy, the suggested economic program presumes friendly and helpful relations with all nations of the world. The feasibility of the program depends on the ability of the country to draw on both the resources and the markets of the capitalist and socialist countries, as well as other Third World countries.

Cooperatives and popular enterprises

As we have implied above, the construction of an alternative economy, capable of overcoming the obstacles to development, requires the empowerment of people and peoples' organizations. The development of sustainable cooperatives and popular enterprises is both a strategy of empowerment and an intervention devoted to the creation of alternative economic structures.

The element of empowerment, both as a pre-requisite and as a necessity for the sustainability of cooperatives, cannot be overemphasized. Community groups have to be capable of asserting and protecting the civil ("human") rights and the property of their members. As the government stages an apocalyptic debate over property rights of the wealthy in agrarian reform, the rights of the poor to be secure in their property and to keep their family produce for their own requirements are being violated by the government's program of forming vigilante groups in the local communities.

The element of empowerment also involves the resolution of economic inequalities and social hierarchies that exist even within the poorest strata in Philippine society.

Assuming that the issue of empowerment has been overcome, cooperatives are sustainable (1) if they make economic sense to those who participate in them, (2) if they are sufficiently financed, and (3) if they have access to the required technical support.

In the agricultural areas, the economies of scope and scale in marketing and the purchasing of inputs are the most likely entry points for cooperatives. The government must provide the legal and moral support as these cooperatives attempt to break through the oligopolized agricultural distribution system. As people gain confidence and experience in these enterprises, cooperatives in production can be expected to arise.

The inadequacy of financing and access to finance, especially in the early stages, that has plagued cooperatives suggests that the peoples' groups (and a sympathetic government) must create national, regional, district structures through which financing can be channeled and regenerated.

As people's enterprises, members of cooperatives must obtain the skill in basic accounting, in product grading, in business planning, in other economic activities that cooperatives are called upon to do. Resources to

propagate these basic economic skills must be provided to the cooperative movement.

3. *Elements of a Popular Medium Term Program*

While the creation of a state accountable to the majority of Filipinos is still in process, it is useful to make a short list of the immediate demands that peoples' organizations might struggle for.

On the basis of the previous discussion these elements will be:

1. A genuine agrarian reform program.
2. Reform program for natural resources.

This refers to the reform of access to mineral, forest, and aquatic resources.

3. Protection and the expansion of the incomes of workers and salaried employees.

This demand refers to the protection of union organizing efforts and bargaining rights, wage legislation, protection from inflation for workers and salaried employees.

4. Dismantling of monopolies.

5. A foreign debt strategy supportive of economic recovery and development.

This strategy will also require that any new accommodation in financing be consistent with sovereignty over the design of economic policies and programs.

6. Design and implementation of a nationalist industrialization program.

This will require tariff reform programs, government programs in science and technology, the design of appropriate systems of industrial protection. It will require an industrial incentive program that will be operated in the interest of the nation, not just in the interest of the families (and their friends in the community of domestically based multinationals) that took control of the government in 1986.

7. Regional development and autonomy.

A precondition for the unification of a fragmented Philippine economy is the effort to reduce regional disparities. In many regions, the resources required to develop local areas can be raised from the economic activities of these local areas themselves. In this case, regional development and autonomy would be the most direct means of reducing regional disparities.

8. Promotion of cooperatives and peoples' enterprises.

REFERENCES

- David, Cristina C. [1987] "Introduction" in Hayami, Yujiro, et al. "In Search for A Land Reform Design for the Philippines." University of the Philippines at Los Baños Agricultural Policy Research Program Monograph Series No. 1.
- Ferrer, Ricardo D. and Manuel F. Montes [1987] "Macroeconomic Aspects of a Mixed Economy." Working Paper. Philippine Center for Policy Studies. 21 September 1987.
- Montes, Manuel F. [1986] "The Illusions of Economic Recovery." *Kasarinlan*, Vol. 2, No. 1 (3rd Quarter 1986), pp. 14-17.
- . [1987b] "Macroeconomic Adjustments in the Philippines, 1983-85." Philippine Institute for Development Studies Working Paper 87-01.
- . [1987c] "The Business Sector and Development Policy." Working Paper. 30 December 1987.
- Quisumbing, Ma. Agnes R. [1987] "Agrarian Reform Alternatives for a Mixed Economy." Working Paper. Philippine Center for Policy Studies. 21 September 1987.
- Schirmer, Daniel B. and Stephen Rosskamm Shalom. [1987] *The Philippine Reader*. Quezon City: Ken Incorporated.