

circumvented more and more, and that a return to an open system of international trading within the GATT principles is an essential prerequisite of trade policies in all enlightened countries. The countries of the Asian Pacific region are urged to take up the role of the one-eyed king in the Kingdom of the Blind.

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An Analysis of the Philippine Economic Crisis: A Workshop Report. By Dante Canlas et al. Quezon City, School of Economics, University of the Philippines, 1984. Mimeographed. Pp. 171.

The economic crisis in the Philippines is the central focus of this workshop report by a group of interested faculty members of the School of Economics, University of the Philippines. Their report is just one among many such publications attempting to dissect the anatomy of the Philippine economy which has presently exhibited the acute symptoms of many ailing less developed countries (LDCs) — inflation, balance of payments problems, mounting external public debts, and difficulty in servicing these external debts. In fact, the diagnosis of similar malaise continues daily in the local press, in public fora, and in international organizations. The Philippine situation is by no means unique, at least in terms of outward symptoms. It has attracted worldwide attention, however, since the assassination of former Senator Benigno Aquino in August 1983.

To mix metaphors, the analysis under review may have uncovered variations of a theme which is uniquely Filipino. According to this report “Cronyism” (a particular form of favouritism which the cronies of President Marcos enjoy) explains many of the contributory factors to the present crisis. Favouritism

coupled with the lack of public accountability inevitably leads to the squandering of public funds and gross inefficiencies in the allocation of economic resources. The lack of checks and balances in an authoritarian system allows the distortions to accumulate, and the warning signals to be disregarded. If there were more public debate and discussion, these matters which affect the life of the nation would have called for corrective action much earlier and therefore would have avoided the deterioration of the public debt position to the present very serious level.

Three areas wherein there have been major changes in economic policy are identified, namely:

1. Fiscal and monetary policies;
2. Role of government in financial and product markets; and
3. Industrial reorganization of important economic sectors which tended to create greater economic concentration.

The analysts believe that these departures from the conservative policies of the 1950s and the 1960s contributed much to the present crisis.

Presenting relevant statistics, they argue cogently that the high rate of monetary growth in the decade of the seventies mainly through expansion of Central Bank credit (including credit to finance government deficits) contributed significantly to the present inflation. One does not have to be a monetarist to conclude that inflation since the 1970s must have come substantially from the rapid expansion of currency in circulation (M_1) compared with the preceding two decades.

Regarding fiscal policies, in my judgement the problem was not so much the expansion of government expenditure *per se* (Government Expenditure Share in GNP rose to 17.66 per cent in 1980–82 but is still low compared with other developing countries), since the laxity in public accountability, which unfortunately accompanied the centralization of power in an increasingly authoritarian regime, led to

wastes and eventually distortions in resource allocations.

It is ironic that Presidential Decree (PD) No. 1, which decreed a decentralization of the administrative structure into several regions purportedly to give greater autonomy to the regions, did not attain its desired objective. If anything, PD No. 1 actually increased the power of the Central Government *vis-à-vis* the provincial governments. The regional administrative centres preempted powers of the provinces and municipalities without gaining the desired freedom to act expeditiously on regional matters, that is, without having to consult the mother Ministry in Manila or Quezon City. In the event regional offices had to seek clearance from the Office of the President in most substantive matters. The problem was not so much that decentralization is not possible, but that real decentralization is anathema to an authoritarian regime.

Official statistics show that government expenditure had shifted more towards the military and economic infrastructure and away from social and welfare development expenditure. The real situation could be worse if the budget items were classified more rigorously. However, the real problem is not so much the shift to military expenditure which is highly debatable, but the exception of certain projects from the formal budgetary processes. Pet projects of the government (especially those of the First Lady) would get public funds somehow, regardless of previous allocations. It seems that public accountability had not been uniformly enforced on all items of public expenditure. When constitutional mandated auditing functions are set aside for certain untouchable pet projects there is grave danger that the whole system of checks and balances might fail especially in an increasingly authoritarian regime.

In addition to the financial sector, two industries, namely sugar and coconut, are discussed extensively as examples of the increasing participation of the government in the product markets which has contributed to economic concentration and increasing monopolization

of key sectors in the economy. Granting that monopolies may be necessary in certain instances, such as infant industry, economies of scale, and possibly for reasons of national security, the situation in the Philippines cannot be justified on these grounds. The blatant granting of special privileges to a favoured few sometimes borders on the obscene according to some observers.

Chapter 2 presents an overview of the present economic crisis. A wide array of statistics is mustered to argue the case of political and economic mismanagement which indicts the Marcos regime for the present debacle. The analysis implicitly indicts the so-called "technocrats" who have unwittingly become the not unwilling props of an authoritarian regime which has succeeded in remaining in power for nearly two decades.

One grave error of judgement which by hindsight the technocrats have to admit was their overly optimistic strategy of "riding out" the worldwide recession of 1980-82, in the hope that recovery was just around the corner; that the world prices of primary commodities important to the Philippines would soon turn around, and thereby improve the terms of trade. In fact, world prices of these commodities such as copper, coconut products, and sugar exhibited an upward trend starting from late 1982, but the expected world recovery was slow in coming and when it did, economic recovery was aborted in the Philippines by a political act — the assassination of an opposition leader.

The report concludes that

"while external difficulties [such as the two oil shocks of 1973-74 and 1979-80, the two world recessions in 1975-76 and 1980-82, and the consequent deterioration in the terms of trade of many oil-importing LDC]" were certainly a necessary condition for the present crisis, *the major explanation for its occurrence must be with the character of economic policies, and of policy-making, by the leadership.* The Aquino assassination... simply tore through the already weakened fabric of the economy. Furthermore the pursuit of policies which led to

the crisis would seem to be closely linked to *political imperatives* suggesting that the leadership would be able to abandon them only with great difficulty.

For the sake of the Filipino people let us hope that Mr Marcos will change the direction of economic policies if not abandon them and prove that the last prediction above has been overly pessimistic.

One area analysed in the report is the distribution of income and the people's welfare. While this background aspect of the crisis has not received as much attention from the press, both foreign and domestic, it is fundamental to the problem. The deterioration of the people's welfare, especially the urban poor, as reflected in the deterioration of the real wage rate of urban industrial workers in spite of decreed "cost of living allowances" (which are not fully implemented anyway) is central to the economic crisis in the Philippines, more than the difficulty of meeting external debt payments on time. They represent solid incontrovertible evidence that the welfare of the Filipino people has deteriorated (especially the urban and rural poor), and this constitutes the real crisis. The data presented are difficult to interpret otherwise.

Exhibiting commendable restraint, as to be expected from academic analysts, the several authors have toned down the polemics in most of the chapters in trying to be as objective as possible. More radical readers therefore might find the analysis (Chapter 3) and the resulting recommendations (Chapter 4) too conservative for their taste. For example, it does not advocate the repudiation of the external public debt. Undoubtedly many technocrats from within the Marcos government might find the analysis quite off the mark.

Compared with similar tracts, however, the present report stands out as one of the more objective and realistic; their recommendations deserve serious consideration by all concerned Filipinos, not only incumbent policy-makers. Hopefully, other parties including negotiators representing creditors, whether commercial

banks or international financial institutions (the World Bank and IMF), will also take heed.

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Economic Restructuring in Singapore. By Lim Chong Yah. Singapore: Federal Publications (S) Pte. Ltd., 1984. Pp. 117.

This book brings together a number of presentations made by the author on the subject of economic restructuring in Singapore, reflected particularly in the functioning of the National Wages Council (NWC) and the setting up of the Skills Development Fund (SDF). The author's insights into the subject are of special interest as he has been the "neutral" chairman of the NWC since its inception in 1972.

Economic restructuring, in the Singaporean context, implies "the displacement of highly labour-intensive, low value-added, low technology and low productivity economic activities with capital-intensive, high value-added, high technology and high productivity activities" (p. 95). Chapters 2 to 7 describe how the NWC plays a critical role in this restructuring process, mainly through its issuance of annual wage guidelines, taking into account factors such as productivity growth, global and domestic inflation, balance of payments, wage levels in Singapore relative to other competing countries, the general profitability of companies and the competitive position of Singapore's exports. Chapter 8 discusses the role of government in wage policy. Chapters 9 to 12 discuss the rationale and working of the SDF in strengthening the restructuring process. Chapter 13 addresses the role of the trade movement in meeting the restructuring objectives and the implementation of the necessary policy instruments.

The author hopes the book will be of interest to employers, unions, and policy-makers out-