To those in the economics field in the Asian region, the book is worth reading. On the other hand, to those not of the region, the scenes are likely to be more interesting than the personalities.

One small caveat for the sequel though. Of the 400 names he mentioned in the book, probably three-quarters of them could have been left out without loss to the quality of the book.

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Philippines: A Framework for Economic Recovery. **A World Bank Country Study.** Washington, D.C., 1987. Pp. 156.

What chances are there for the Philippine economy to recover from the 1983 economic crisis? What are the policy strategies needed for the economic recovery? These are the basic questions which this report addresses.

The report (prepared by a World Bank mission team in April 1986 and presented to the Philippine Government in October 1986) is divided into three chapters. The first part of Chapter One provides a useful analysis of the macroeconomic developments during 1970–85, focusing on three issues: (1) causes of the 1983 economic crisis; (2) the stabilization policies followed by the Philippine Government during 1983–85 and their impact on the domestic economic activity; and (3) the macroeconomic adjustment for growth and recovery.

With regard to the first issue, the report undertakes a somewhat superficial review of the economic developments during the 1970–82 period, and then attributes the 1983 crisis to factors such as: (a) the internal structural weaknesses of the economy which developed over the 1970–82 period (the highly protected manufacturing sector, existence of disincentives to a broad-based export expansion, and overvaluation of the peso due to tariff structure, import restrictions and export taxes); (b) the external factors such as the deterioration in the Philippines' terms of trade in the late seventies, the increase in the international interest rates during the early eighties, and the drying-up of medium-and long-term international capital markets; and (c) the countercyclical expansionary macroeconomic policy (instead of adjusting to the deterioration in the terms of trade) which has resulted in growing public sector investment-savings gap.

On the second issue, the study further reports that, faced with the 1983 economic crisis, the government undertook stabilization policies starting in late 1983 until 1985 via restrictive fiscal and monetary policies and exchange rate devaluation (which are consistent with the theoretical policy prescription and) which proved to be effective. Real output declined during the 1983–85 period, and current account deficit consistently narrowed down during the same period.

On the third issue, the study claims that economic recovery prospects hinge largely on export-oriented medium-term adjustment which will "initially require increased investment in export-oriented activities and in branches of manufacturing, that after some initial restructuring, can become competitive with imports on the basis of relatively low tariffs" (p. 9). For short-term recovery, the report recommends a set of measures consisting of a combination of relaxation of import controls, money supply expansion, government spending, and increased foreign borrowing. Interestingly, the report has come up with medium-term prospects on the sustainability of recovery over the next five years (1987–91) assuming that there would be a turnaround of economic activity in 1986 (indeed, the economy registered a positive rate of growth of real GDP of 0.13 percent in 1986). The projected sustained economic growth will come mainly from strong growth of investments and exports.

The second chapter (with three parts) analyses the various ways of managing the external, financial and fiscal resources for the achievement of a sustainable medium-term strategy. The first part discusses the balance of payments problem with (a) the external debt problem on the financing side and (b) the need for efficient import-substitution and export growth to sustain economic recovery. With the potential that the present government can develop a sustainable growth strategy, the report recommends that the Philippines can rely on continued external financing with the end-in-view of gradually moving back to the comfortable 1970 debt levels. As a percentage of GNP, Philippine external debt rose to 70 per cent in 1983 and to 82.3 per cent in 1985 (p. 21) and was projected to decline to 74 per cent in 1991 (p. 23). The economy can run small current account deficits over the 1987–91 period (i.e., 0.7 per cent of GNP in 1987 to 2.1 per cent in 1991, [p. 23]) which are financed by increased foreign borrowings mainly through concessionary official loans and from additional debt relief arrangements from private sources (i.e., debt rescheduling should be on a multi-year basis and on favourable terms). In addition to continued reliance on foreign borrowings, "adjustment for growth requires reversing the current bias against export-oriented and efficient import-competing activities" (p. 19) via changes in the trade regime, adoption of export-promotion measures, and exchange rate adjustment to ensure profitability in the export and import-competing industries.

The second part emphasizes the need for the financial system's improved capacity to mobilize domestic savings and supply credit for productive activities, via monetary and fiscal policies which are consistent with sustainable economic recovery. The financial reforms (e.g., the liberalization of interest rates and the lifting of restrictions on commercial banking activity) which began in 1980 were quite successful in mobilizing domestic savings. The 1983 economic crisis, however, resulted in considerable financial shallowing as reflected in the decrease of the following indicators: the money supply (M2) to GNP ratio from 20.9 per cent in 1980 to 15.3 per cent in 1985 and bank deposits from 30.4 billion pesos in 1980 to 28.4 billion pesos in 1985. Via the banc credit multiplier, the decrease in bank deposits reduces the lending capability of domestic banks. This was reflected in the decrease of bank loans outstanding from 55.6 billion pesos in 1980 to 27.1 billion pesos in 1985 (figures were obtained from pp. 26–27).

Given these financial conditions, monetary and fiscal policies should be consistent in order to sustain economic recovery. "Monetary policy should ensure price stability" and "fiscal policy should be consistent with monetary targets in order to keep the government from crowding out the private sector" (pp. 26–27), with the short-run objectives of increasing the volume of financial savings and credit available to the private sector (resulting in the reduction of interest rates which in turn stimulates private activity), and with the long-run objectives of improving the financial sector's institutional structure and increasing the efficiency of intermediation.

The third part emphasizes the need for a medium-term revenue strategy via (a) changes in tax administration to increase collection efficiency and (b) tax reforms. Since July 1986, the government has adopted a major tax reform programme to bring about a tax system which is more efficient for *revenue generation* (e.g., via "a partial shift to global taxation, a shift to a fully (sic) ad valorem basis and increase in rates for excise taxation of cigarettes and (liquor), and abolition of exemptions from direct and indirect income tax, . . . , and a full-fledged value-added tax" [p. 42]), for *resource allocation* (e.g., via tariff reform of import taxes and abolition of export duties), and for *redistribution* (e.g., via increase of personal exceptions under income tax to exclude all households below the poverty line, and the reassessment of the taxable values of properties).

The third part also calls for a reduction of the investment rate of the public sector from

9 per cent of GNP in 1981 and for the maintenance of a public investment rate of about 5–5.5 per cent of GNP during the 1987–91 period in order to "encourage private initiative, reduce government intervention and eliminate favoritism" (p. 45). The privatization of public corporations heads the list of urgent policy concerns. Some of the important public corporations which are considered for privatization are the Philippine Airlines, the National Food Authority, the National Development Corporation, and the Philippine National Oil Company. In line with the new investment programme, there is a need to reorient expenditure priorities towards agriculture, transportation, watersupply, and telecommunications.

Chapter three points out that the agricultural and industrial sectors are the productive sectors "which will provide the real resources to supply domestic demand and to pay for import needs" (p. 47). The report recommends, in detail, various reforms in the agricultural and industrial sectors, particularly those measures which affect these sectors (and their components) directly, in order to sustain economic growth.

Finally, with respect to the appendix, the last ninety pages of the report show the painstaking effort of the mission members in carefully putting together eighty-two tables of statistics. Although not totally utilized in the main report, these data will definitely prove to be useful for further analytical studies.

The strength of the report lie in its attempt to come up with short- and medium-term prognoses of the Philippine economy, and to recommend policy strategies for sustained economic recovery. The report as it stands is certainly informative, well-written, and comprehensive in its analysis of the Philippine economy and related conditions.

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Socio-economic Development of ASEAN: An International Perspective. **By Habibullah Khan**. Singapore: Chopmen Publishers, 1986. Pp. iv, 104. Paperback.

This monograph tries to make sense of development data relating to some 127 countries for the years 1970 and 1980 on 132 development indicators — 66 of which represent the "social sector", 58 are "economic indicators", and 8 are "indicators on agriculture" — and place the socio-economic development of the ASEAN countries in an international perspective. As one of the first of its kind on ASEAN, the book and efforts of the author deserve credit and congratulations.

Given that cluster analysis techniques are rarely applied on economic data, the author scores another first in using it to understand the variations in patterns of development and to classify countries according to various development patterns. The explanation of the methodology used is clear.

In the absence of a conceptual framework to link the variables included in the study, the analysis, however, turns out to be an exercise in rank empiricism, notwithstanding the sophistication in the statistical procedure used. The analysis is not only atheoretical but also ahistorical in the sense that it neither assesses a country's development with a historical perspective nor in the light of its resource endowments. Because of the above, meaningless statements such as the following are made: "It can be observed that Singapore made progress in all areas excepting agriculture during the past decade where her position actually deteriorated. The declining agricultural production in the country can be attributed to the fact that more and more farmland were acquired by the government for residential construction, port utilization and recreational purposes during 1970–1980" (page 58). "Singapore, for example, can considerably reduce its difference