The State and the Market:
Essays on a Socially Oriented Philippine Economy
edited by Filomeno S. Sta. Ana III

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The State and the Market arrives at a rather opportune time in Philippine political history as it was published at the end of the Ramos administration and ready for consideration by a new national leadership, the Estrada administration. The outgoing administration can lay justifiable claim to building a liberalized and globalized economy that can now manage international competition more confidently than in the Aquino administration. However this worthwhile legacy is under threat ironically from the regional economic crisis that was, in many ways, spawned by the process of globalization itself and also from the fact that the incidence of poverty and inequitable distribution of income has remained as intense as it used to be. Meanwhile, the new administration has explicitly committed itself to improving the material well-being of the masses while preserving and enhancing the gains of economic liberalization and globalization. And a dozen years after the EDSA Revolution, the large community of non-government organizations (NGOs) and people's organizations (POs) has shown a vibrancy and staying power such that one cannot imagine nor fully comprehend a Philippines without them at all.

The collection of essays, therefore, provides stimulating reading. The ten authors of the dozen essays belong to Action for Economic Reform, and many have been known for their so-called socialist leanings in the past. With the demise of the Soviet-bloc countries and the adoption of market reforms in those countries and throughout the world in the past two decades, the ideology of neoliberal capitalism has been overwhelming and overweening—at least until the Asian economic crisis. The current crisis has certainly brought forth the severe limitations of capitalism, not least of which is the increasing inequity in the distribution of gains and the gradual process of poverty
alleviation. Indeed, the experience of East Asian countries, especially Thailand and Indonesia, is that unregulated capitalism can even push people back into poverty after years of painstaking programs to reduce poverty incidence.

The introductory essay by Filomeno Sta. Ana III admits that “socially oriented market economy” sounds like a rather “bland” and unexciting vision for the Philippines. But the common theme of the essays is that of developing ideas and policies that are workable and thus pragmatic under the country’s current political atmosphere. Politics in the country is still dominated by a resilient and powerful elite class whose property has expanded beyond land toward equity in the country’s large industrial, financial, utilities and commercial establishments. But the country still has a free press and a reasonably democratic political order that can still respond to both dialogue and pressure from society. The option of armed revolution has already vanished, unlike in the 1980s. Thus, while the ideas and proposals in these essays may be unexciting, they are also decidedly pragmatic.

The themes of a socially-oriented economy are spelled out in Sta. Ana’s “Overview”: sustainable growth through sound macroeconomic management; poverty reduction through growth in income per capita and provision of basic social and infrastructure service; income redistribution through asset reform, progressive taxation and social policies; and strengthened democratic governance and increased participation by civil society in decision-making.

The essay dwells on justifying the importance of the market in developing social policies and touches on theoretical justifications for a mixed economy. But on the whole, it states that the book is more focused not on theoretical formulations but on workable programs and policies.

Indeed, only the essays of Calixto Chikiamco and Emmanuel de Dios focus on theoretical issues. Chikiamco even sketches the development of economic theory regarding free markets from Adam Smith. Smith and Ricardo argued for removing government controls on large areas of British economy (such as trade restrictions) because these raised the prices of domestic staples and simply enriched the landowners. This quick backgrounder does hint at the fact that the early modern economists, from Smith to Ricardo and Marx, wanted primarily to reform their societies to improve the material and personal well-being of the common man (unfortunately—with the possible exception of John Stuart Mill—they still ignored woman). But it is also worth recalling that they—and not just Marx—were well aware of the severe limitations of the market as an instrument of social reform. As Mill once put it, the market is a mere test of a product’s viability but not of its quality, his main justification for government financing education because schools run for profit will, at some point, have to sacrifice quality of instruction for the sake of profitability.

De Dios points out the clear threat that globalization poses to nationalism. He points out that competition for investments and business locators will impose a degree of global economic homogenization. Sociological theory,
in fact, stresses that homogenization of goods and services is precisely one palpable feature of modernization. But he believes at the end that globalization may well stimulate nationalism since in our historical experience, nationalism and its ideology arrived here when the Philippines was opened to free trade in the mid-1800s, with the *ilustrados* returning from Europe heady with their revolutionary ideas and ideals. The nationalist revolution was plainly a demand for global standards of governance and respect for human equality to be applied here. Indeed, any person familiar with Hegelian dialectics will argue that nationalism and globalization are antithetical, and will be animating each other for as long as one is intense.

The other essays focus on certain policy issues, monetary policy, exchange-rate policy, taxation, public expenditure, labor, agrarian reform, the social-reform agenda, democracy and industrial policy. Each presented an analysis and appraisal of developments under at least the previous administration (Joseph Lim’s analysis of the macroeconomy goes as far as 1983) and presents workable proposals that begin with finetuning current policies. In keeping with the sober theme of the book, none propose anything revolutionary but every bit pragmatic, yet cogent and lucid. Two stand out.

First is Sta. Ana’s proposal to tax foreign-exchange transactions is very much the so-called Tobin tax. This was designed to discourage speculative activity in foreign-exchange transactions and short-term portfolio management, since these activities siphon off large amounts of funds away from investments that directly build plant capacity or generate land improvements. This tax has never been popular with influential financiers and finance journals. Nevertheless, it has attracted a lot of attention lately, long after the book’s publication, because of widespread appreciation of the destabilizing impact of the speculative capital on economies not just in Asia but in all countries that have opened up their financial systems.

Second, Basilio Reyes’s arguments on agrarian reform will certainly provoke a lot of controversy, since they point out certain flaws in the very conceptualization of the program itself. Even many NGOs and POs are still wedded to the importance of equitable distribution of land. The paradigm is still the necessity to break the dominance of the landlord class and to create a large middle class of small, landowning farmers. But Reyes argues that equally important is equity in capital, because the agricultural sector is now highly commercialized and profitability depends on obtaining adequate credit. Data show that a substantial source of credit and investment is no longer the landlords but traders. Thus, an effective asset-distribution program would now require not just land redistribution but provision for credit facilities for the recipients as well. Agrarian reform has until today largely focused on land distribution, and even NGOs and POs have not been as appreciative of credit facilities as essential and necessary complement to the program. Reyes thus allows for what he calls a multimodal approach to include not just small farm ownership but also mother titling and the contro-
versial stock option, which is supposed to be the method by which Hacienda Luisita managed to evade distribution. For Reyes, these other modes are workable for as long as credit access is guaranteed and these will genuinely empower the farmer-beneficiaries.

These examples can certainly give one a flavor of the rather lucid, coherent yet essentially pragmatic approach that the proposals all convey. If the essays are found wanting, it is that for the reader who want to embark on an advocacy for these proposals, one would wish for a more detailed policy proposal. For example, to push forth Reyes’s multimodal approach, one would like to know which particular provisions in the Comprehensive Agrarian Reform Law and Implementing Rules and Regulations need to be revised and how. In Leonor Briones and Nepomuceno Malaluan’s tax proposals, one would like to know the precise adjustments needed in the so-called fair market valuation of property in the assessment of property taxes for these tax measures to yield more revenue and discourage land as a speculative investment. One would like to know what legal provisions or program finetuning need to be focused on to encourage more membership in the Social Security System, as proposed by Eduardo Gonzalez.

In many ways, the pressing need for many NGOs, POs and other advocacy groups are more detailed policy proposals which they can provide legislators and government decision-makers to consider enacting. The book provides excellent rationale, analyses and directions but may not be the very documents that can be useful for lobbying.

Nonetheless, the essays are a necessary read for anyone who would now want the masses to get a greater share of the fruits of liberalization. The proposals are based on solid historical analysis and research and are products of unassailable argument and logic. They are truly pragmatic and workable.

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The need for a comprehensive history of the Philippines is finally met with the publication of Kasaysayan, a joint venture of A-Z Direct Marketing of the Philippines and the Reader’s Digest. This ten-volume work delivers what its title promises: a narrative—and on the whole, a meaningful one—of the Filipino people. Each volume focuses on a period of Philippine history, and comes with a reference list, an index, and short essays intermittently interspersed among the major entries (to “lend a more personal and often poignant touch to every volume”).