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Economic Crisis and Policy Choice, edited by Nelson

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Book Reviews

ECONOMIC CRISIS AND POLICY CHOICE: THE POLITICS OF ADJUSTMENT IN THE THIRD WORLD. Edited by Joan M. Nelson. Princeton: Princeton University Press, 1990. 378 pages.

Joan Nelson has put together in this volume a number of excellent essays concerning the politics of economic adjustment in developing nations faced with massive debt problems. All of the authors are political scientists and are therefore interested in going beyond the purely economic aspects of the issue. Non-economists can easily understand this book. For readers of *Philippine Studies*, Nelson's book can aid in an understanding of not only the Philippine situation but also in how the Philippine situation compares with the conditions in other countries facing similar difficulties. The volume contains several essays examining adjustment problems in most of the countries of Latin America and several countries in Africa. The book also devotes an entire chapter to the Philippine debt crisis.

I wish to focus my comments on the chapter devoted to the Philippines and entitled, "The Political Economy of the Philippine Debt Crisis." The chapter is written by Stephan Haggard, an associate professor of government at Harvard University. Haggard's essay is an attempt to analyze the Philippine debt crisis "by focusing on the relationship between domestic political structures, international bargaining, and economic policy choice during Marcos' lengthy rule and the first eighteen months of Aquino's presidency" (p. 216). Haggard categorizes the Marcos martial law regime as a "weak authoritarian regime." A weak authoritarian regime consists of three elements: a class of "crony" capitalists dependent on government favors; a broad network of patronage extending throughout the country; and a technocratic bureaucracy whose power is strictly circumscribed. Using these attributes of Philippine authoritarianism, Haggard attempts to explain a number of aspects of the early 1980s' crisis. He then goes on to analyze the "antiauthoritarian coalition" headed by President Aquino as a diverse political coalition with an economic team "split between technocrats and businessmen on the one hand, and those pushing more fundamental reform" (p. 219). Although admitting that reform has been limited under Aquino, Haggard argues that Aquino's critics "frequently underestimate the extent of change" (p. 220).

Early on in the study, the Philippine political economy is placed in historical perspective. From such a perspective it is seen that the key elements that differentiate the Philippines from its neighbors in Asia during the post-war period are "the presence of a large class of landowners and the particularly decentralized nature of political power" (p. 220). The author in this section briefly attempts to show how such a political and economic system could and did give rise to the Marcos martial law regime.

In the next section Haggard discusses economic policy under martial law from 1973 until 1980. There is an extended analysis of the rise of cronyism with attention paid to the monopolization of key agricultural markets, the development of conglomerates through the extension of preferential government treatment, and the use of government policy to control foreign borrowing, aid, and direct investment to provide opportunities for friends of the regime. The discussion then leads into an examination of how this mismanagement led to the economic crisis beginning in 1981.

On 9 January 1981 the Philippines entered a financial crisis when a prominent businessman skipped the country leaving debts totalling "between US\$65 and US\$100 million" (p. 235). The resulting financial crisis "ultimately marked the downfall of a number of the most important industrial cronies, but at tremendous cost to public finances and to the overall credibility of economic decision making" (p. 236). A second blow to the economy was struck when Benigno Aquino was assassinated on his return to Manila on 21 August 1983. Foreign credit dried up and capital flight increased. In early October the peso was further devalued by 21.4 percent. By December the Central Bank's attempts to fix the numbers on its balance of payments position were revealed. At that point the International Monetary Fund and the World Bank began to coordinate their efforts and linked increased aid with economic reforms, forcing a severe stabilization effort in 1984. The economy nose-dived.

With economic chaos came the fall of the Marcos regime and the rise of the Aquino regime. Haggard ends his study with a discussion of the Aquino administration up until the reconvening of Congress in July 1987. He states that at this time, "given the pervasive political intervention that had characterized economic management, market-oriented policies took on a progressive cast" (p. 247). While the new government moved slowly in the areas of land reform and privatization, it did produce quick results concerning tax reform, the abolishment of monopolies, and trade liberalization. In June 1986, although actual implementation would prove difficult, twenty-nine separate tax reform measures were approved. The marketing monopoly on sugar was abolished. The government also freed coconut oil exports and milling from monopoly control. More controversially, the government resumed trade liberalization. Despite opposition the Aquino government achieved a significantly higher degree of trade liberalization compared with earlier Marcos reform efforts in the early 1980s.

With the reconvening of the Philippine Congress in July 1987, established social forces had a ready means to regain political influence to protect their economic interests. Such democratic developments could, and did in the case of land reform, block economic reform efforts. The author, interestingly at

this point, takes a new tack in trying to understand the "well-known dilemmas of democratic reformism" (p. 255). He argues that a key element restraining reform in the Philippines is not solely the divisions that divide the political leadership at the top but the administrative shortcomings of the bureaucracy which serves that leadership. According to Haggard's analysis the Philippine bureaucracy has traditionally lacked depth and independence. It lacks depth because its administrative capacity is simply not sufficient to carry out large-scale efforts. It further lacks independence because it is not at all insulated from local social and political pressures. Perhaps an important lesson from this study is the need not to focus solely on the political debate, however exciting, concerning a particular reform, however noble; but rather on the more pedestrian need to reform the administrative structures of those institutions and bureaucracies entrusted to carry out the various reforms.

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IBALON UNDER STORM AND SIEGE. By Francisco A. Mallari, S.J. Cagayan de Oro City: Xavier JHS Publications, 1990. 298 pages.

Fr. Mallari has done an excellent job in gathering an extensive collection of source materials on the settlement and colonization of the Bicol region by the Spaniards and on Moro raids and other calamities which plagued this region from the end of the sixteenth century until the middle of the nineteenth century. He has visited numerous archives here and abroad and has meticulously studied his materials, many of which are made known to today's students of Philippine history for the first time.

His translations are excellent and what is even more gratifying, is that he has taken great pains to use the proper English words for numerous nautical and military terms, something which is frequently missed by present-day translators.

The book begins with a description of the regions' geography and peoples, using the reports of the early explorers and missionaries, and taking note of the effects of geography on the general characteristics of the area. In doing this, Fr. Mallari frequently uses the league as a unit of measurement. It would have been useful for modern readers had he placed the equivalent distances in miles or kilometers in parentheses to enable them to visualize these distances, as not many are aware that a league was to be equivalent to 1/20 of a degree or 3 nautical miles, but because of errors in measurement at the time, was actually equivalent to some 3.2 nautical miles.

Fr. Mallari then goes on to chronicle the numerous Moro raids in the Bicol region between the late sixteenth century and the middle of the nineteenth century with vivid descriptions from eyewitness accounts and reports by the authorities, the response of the natives and the Spaniards to these at different times, and the effects of these on the Bicolanos, the Spaniards, and the development of the region. He expresses the fears of the Bicolanos and the