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One nation, three worlds

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(The three worlds or economic systems in the Philippines that development economist Sixto Roxas is referring to are the metropolitan centers, agrarian societies and indigenous communities.

Under the present setup, growth is defined as the expansion of the metropolitan economy as a result of the transfer of assets and control of resources from the rural communities, according to Roxas.

He says the focus continues to be on the gross domestic product, which does not reflect the real incomes of most Filipinos.

The economist claims that the development strategy—liberalization of trade, opening up of the country to foreign investors, privatization of public corporations and emphasis on export-oriented industries—that the government has pursued since the '60s has resulted in environmental degradation and more people living in poverty.

Roxas proposes a development strategy that seeks to empower the people outside the metropolitan centers.

He is pushing for sustainable countryside development in which an increase in the net income and net worth of communities is considered the more appropriate indicator of development.)

THE LEYTE AND “WOWOWEE” tragedies highlight in gruesome sharpness the two perennial problems of the country: poverty and environmental destruction.

To understand the depths of our problems, we must see the Filipino nation as composed of three worlds—three economic and social systems.

Eighty-five million people in some 17 million households live in habitats that range from coastal fishing villages, lowland river valleys, and alluvial plains to rolling lands and steep mountain ranges, and in sprawling metropolitan centers.

Some 30 percent of these households are in an economic system more intimately linked with the world trading system than with the rest of the country’s hinterland.

They are the import-dependent enterprises of Metro Manila, Subic, Clark, Cebu and Davao, textile mills and food processing plants, industries in the export processing zones, logging and mining companies, plantations and service establishments that provide power, communications, insurance, banking and other financial and clerical services to these enterprises and their households.

Most of our people, perhaps two-thirds, live in the commercializing agrarian societies—fisherfolk, rice, corn and coconut farmers, small traders, artisans and service people, landowners and proprietors in the lesser cities.

A small minority are the tribal peoples in small, largely self-sufficient and subsistence communities on remote islands and highlands of the country.

Combined, these agrarian and tribal settlements encompass some 11 or 12 million families living in some 225 watershed communities.

Metro commands attention

Seventy percent of Filipinos are in these tribal and agrarian worlds; 30 percent, in the metropolitan enclaves. Tragically, it is the metropolitan sector that commands the primary attention and is too often taken to represent the totality of the Filipino nation.

National policy has paid less attention to helping the 70 percent of the Filipino people acquire the technology, organization, and human and capital resources to make use of their resources in order to raise themselves to higher levels of economic efficiency and improve their living standards.

Instead, growth policy has meant having the metropolitan economy appropriate and acquire control of the land, forests, minerals, marine and fresh water resources of the rural communities to serve the needs of urban and foreign export markets and further enrich the rich and powerful minority.

In fact, the growth strategy of the government and the acquisitive instincts of the metropolitan elite systematically transfer assets and control of resources away from the rural sector. The expansion of these enclaves of wealthy and westernized communities has become the very definition of growth and progress.

Unsustainable

Realistically, a growth strategy that does not give the highest priority to the needs of the community stakeholders cannot be sustainable, economically, ecologically, socially or politically.

The three-tiered structure of Filipino society has persisted over the six-decade history of the country as an independent republic. The structure has remained as a result of a wide spectrum of economic policies, strategies and political systems.

The Constitutional Commission that was drafted, after Edsa I, what became the Constitution of 1987 embodied in principles and guidelines what the people were deprived of all through the 14 years of the Marcos dictatorship: authentic democratic freedom and an equitable and sustained development.

Unfortunately, the country's elite and its leadership have since dedicated their attention not to fighting the common enemy, poverty, but to pursuing power and wealth in the Filipino oligarchy's favorite game—politics.

Oligarchy

Government policy since 1987 has violated the constitutional mandate that development should establish a "self-reliant and independent national economy effectively controlled by Filipinos."

What had burst into the world scene as the glorious "People's Revolution" turned into a mere restoration of the pre-Marcos social and economic oligarchy—a sad sequel to those four glorious days of February 1986.

Ironically, the 20th anniversary of the event was celebrated in a strange fashion: the promulgation of Proclamation 1017, the cancellation of all permits to celebrate the event, and the forcible dispersal with clubs and water cannons of all crowds seeking to celebrate the anniversary.

In issuing Proclamation 1017, the administration had asked the people to accept a measure of its tyranny in order to give it enough power to destroy this greater and more cruel "tyrant." Rather than pursuing that objective under the principles and along the path laid out in the 1987 Constitution, the administration chose to pursue with greater vigor the path prescribed by the World Trade Organization and the "Washington Consensus" that past leaders had followed.

The development strategy pursued by every Philippine president from the Macapagal pere (1962-1965) to the Macapagal fille (February 2002 to June 2004) has followed the conventional wisdom espoused by the Bretton Woods institutions, the industrial countries, the international banks and transnational corporations: liberalization of international trade, opening up of countries to foreign investors, privatization of public corporations, deregulation of public utilities, emphasis on export-oriented industries, priority of public sector investments in infrastructure primarily to facilitate foreign trade and to remove policies that favor Filipinos over foreigners in ownership of natural resources.

Boom and bust

Over that span of over four decades, the country's economic performance has been erratic, going through about 16 cycles of boom and bust. Even by the indicators sacred to that school of economic theory and policy, the average long-term growth rate in real GDP from 1962 to 2003 was a miserable 3.8 percent per annum.

The value of the peso went down from 50 US cents in 1950 to 33 US cents in 1962 to less than 2 US cents. The foreign debt of the country grew more than 55 times.

Macapagal pere, with his doctorate in economics, reversed the inward-looking policy of his predecessors from Roxas to Garcia by removing

import and exchange controls and restoring the free market in foreign exchange in 1962.

The Macapagal fille, with her doctorate in economics and her team of neoliberals, promised to move aggressively with renewed vigor and determination to catch up with our neighbors along the same path.

Starvation despite growth

Thus, the focus continues to be on gross domestic product (GDP), an indicator that does not reflect the real incomes received by the majority of the nation's families.

GDP can be growing while large numbers of people are starving and the net worth or wealth of the nation's families is rapidly dwindling through exhaustion of natural resources and transfer of control to foreigners.

The government relies on export industries to eradicate poverty. The more complete figures of 1994 show exports contributing a measly 4 centavos out of every peso of income received by the country's families. Is it any wonder that even doctors are downgrading themselves to be able to work abroad as nurses?

Since foreign investors are not interested in going into the medium and small-scale ventures that contribute most to the incomes of the households in the medium-and small-sized communities in the country, our expectation that foreign investors will relieve our people's poverty proves to be yet another myth.

We hear much about Filipinos shooting themselves in the foot by clinging to nationalist policies that encourage our own people to undertake the primary role for domestic development. Will we not precisely do that by changing our 1987 Constitution to suit foreign investors whose response is dubious, and even if positive, will only enhance industries that will sharpen the divide between the wealthy few and the impoverished many?

Profit from resources

Regardless of personality, popularity or legitimacy, our country's leadership has constantly used a weapon that, instead of curbing the problem, has exacerbated it.

This has been to create the conditions for private business capitalizing on foreign investments to profit from our resources. The mantra is that what is good for business is good for the general welfare. If business sales are booming, exports are healthy, enterprise profits are fat, all is well with our world.

But somehow, opening up our markets and giving foreign investors free reign over our resources have not solved and will not solve poverty or environmental destruction. Our six decades of experience has shown that in the end, no one but ourselves can really pursue a sustainable development strategy that makes our people the principal beneficiaries.

In the countryside, poverty has persisted and worsened. Migrants continually troop into Manila and Cebu and Davao—the cities made prosperous by the business thrust of the '50s.

People were not considered the beneficiaries of the economy. They were the “problem.”

Increasingly, the growth in their numbers was considered the main problem of the country. Therefore, the ultimate solution was to control their rapid multiplication.

Development and modernization have come to mean the substitution of large-scale, often foreign-controlled, enterprise for community as the basic unit of organization in society.

Decentralize

Our age has the advantage of technological development, making possible the achievement of all the important economic advantages of scale in nonhierarchical but decentralized and networked organizations.

It is now possible for communities—the village, the market town and the small cities—to be the primary units of organization, management, planning and resource administration, and even accounting. They can now be networked through a participatory, bottom-up decision-making that makes democracy a day-to-day process of “administration by the administered” rather than a periodic exercise of a people’s prerogative to select the leaders who will be their masters.

The country does not lack professionally trained economists and other social scientists, organization and management experts. But the repeated failures of diagnosis and prescription seem to demonstrate the inadequacy of the economic, social science and managerial paradigms either to explain our condition or to prescribe an effective strategy and protocol of action.

Viable alternative

All this leaves us with but one viable alternative—genuine countryside sustainable development. A framework that gives a more appropriate and meaningful indicator of development and where the bottom line is an increase in the income and net worth of communities. This community-centered and ecosystem-based alternative demands a fundamental rethinking of development management, its instruments, practitioners, and institutions to match the realities of the Philippine condition with the opportunities and threats of globalization.

The realization of this will put a stop to environmental destruction and address poverty directly.

The key is in making communities in their ecosystem the unit of organization and management. Feeding, clothing, housing, health care, education and life enhancement of the local communities must be the primary objective in the use of local resources.

It establishes in a different community-centered accounting system a philosophy of management that honors the income and net worth of

local communities to ensure that their sustainable development governs the priorities of the use of their natural endowment. Sustainable communities make a sustainable country.

It recognizes that we must return our natural resources whole and productive to our children and their children. This we cannot do if 1) we exhaust them so we can enjoy a luxurious life or 2) sell them to foreigners to pay off our foreign debts.

Accounting system

It remains true to its commitment to the community's welfare by tracking development with an accounting system that honors the integrity of the ecosystem and the preservation and enhancement of the community's net worth, the true measure of its wealth.

The government makes much of the improved exchange rates between the peso and the US dollar. The peso remains strong in the face of political turmoil? A community-centered analytical perspective would view this as a symptom of a pathological economic structure—a mark of sickness rather than of health.

The reason comes out of an analysis that understands the dynamic interaction between the metropolitan and the agrarian worlds that make up the Philippine economy.

The continuous appropriation of agrarian resources by the metropolitan economy diminishes the capacity of the rural economy to sustain the 70 percent of the population that rely on those resources. Large numbers of the young population of this sector are forced to migrate to the metropolitan centers. But the outward orientation of these centers fails to provide enough livelihood opportunities to support those migrants. They are compelled to seek jobs in those countries where the demand for high-tech persons has made the more menial tasks unattractive—the “care-giving” and housekeeping jobs.

Paradox

The combined trends produce a paradox: the peso is strong because the local economy is weak and weakening.

The metropolitan economy has become merely a subordinate link in the globalized network. The domestic economy is becoming increasingly weaker and more disintegrated. The larger agrarian sector has little purchasing power from purely local production and purely local demand is weak. The growth of overseas Filipino workers has made the remittance of their earnings a more important source of foreign earnings than net export of goods.

The demand for foreign exchange is largely for intermediate products going into exports, and the luxury consumption of the elite. That has grown more slowly than the supply of foreign exchange from overseas workers' remittances. Hence, the strength in the peso-dollar exchange rate. The weak local economy has resulted in a strong peso.

The Arroyo administration should claim credit for both cause and effect.

If it continues its policy and strategy, we can expect an escalation of events like the landslides in Quezon, Aurora and Leyte, and the "Wowowee" tragedy in the future.

In the 1987 Constitution we already have the mandate for an opposite development strategy. It calls explicitly for local governments to exercise local autonomy with the goal of making local communities economically self-reliant.

Let us therefore defend the Constitution of 1987 and honor it by observance rather than by its systematic violation and the eventual junking of the basic principles and directions around which the people wrapped their dreams after they had toppled the Marcos dictatorship.

(This paper was excerpted from a speech delivered by development economist Sixto K. Roxas at a Rotary Club convention in Davao City on March 11.)

