In the Shadow of Debt
The Sad but True Tale behind a Quarter Century of Stagnation

By Walden Bello*

Summary: *The stagnation of the Philippine economy has now lasted over 25 years. Between 1990 and 2005, the Philippines' average annual GDP growth rate was the lowest in Southeast Asia, being lower than even that of Laos, Cambodia, and Myanmar. Explanations rooting the country's failure to launch in overpopulation, corruption, protectionism, and non-competitive wags are examined in this article and found grossly inadequate. The central bottleneck is the gutting of the government's capacity to invest owing to the policy of prioritizing debt repayments and the severe loss of government's revenues due to trade liberalization. In contrast to the Philippines, our neighbors promoted policies that saw state investment synergized private investment. This accounted for their superior economic performance, especially before the Asian financial crisis. Until the reigning policy framework is overturned the country will not be able to emerge out of stagnation.*

Assaulted on all sides owing to its entanglement in the ZTE-NBN corruption scandal, the administration has confronted its critics with the image of an economy that is purring along, that is doing just fine except for the rise in the price of rice, for which it says it is blameless.

Deconstructing "Growth" in 2007

But the state of the economy, even some of the administration's friends have pointed out, is a thin reed on which to rest. In a recent article, Peter Wallace, an influential consultant, deconstructed the 7.3 per cent growth rate recorded for the Philippines in 2007, showing that the figure is actually a statistical fluke that stems from the way the measure Gross Domestic Product (GDP) is computed. The figure actually masks something negative: the fall of imports by 5.4 per cent. "So because we had less imports, GDP looked good," Wallace says. "From where I sit, that does not indicate a strong, growing economy, the best in 31 years."[1] With no less irony, the World Bank agrees: "Remarkably, weaker import growth made the largest arithmetical contribution to the growth acceleration in 2000-07 compared to 1990-99." It added that this was not "consistent with sustained fast growth in the longer term."[2]

The reality, Wallace points out, is indicated by the same brutal numbers: more poor people in 2007 than in 2000, more people without jobs, a real decline in average family income, the shrinking of the middle class as more people jump ship and swim to other shores. "Notwithstanding higher growth," the World Bank chimes in, "the latest official poverty estimates show that between 2003 and 2006, when GDP growth averaged 5.4 per cent, poverty incidence increased from 30.0 to 32.9 per cent. This level of poverty incidence is almost as high as it was in 2000 (33 per cent). Indeed the magnitude of poor Filipinos rose to its highest level in 2006: of a population of 84 million in 2006, 27.6 million Filipinos fell below the national poverty threshold of P15, 057."[3]

If you pop the famous "Ronald Reagan" question to most Filipinos—"Do you feel better off now than four years ago"—there is no doubt about how they would answer.

For many people, the main problem confronting the economy is spelled G-M-A. But for those who have spent time studying the Philippine economy, Arroyo is not *the* problem, but part of a bigger problem that extends far into the recent past. The collective responsibility of the last five administrations for our economic malfunctioning becomes stark when viewed in a comparative context. According to the latest *Human Development Report* of the United Nations Development Program (UNDP), with the growth in GDP per capita averaging 1.6 per cent per annum in the period 1990 to 2005, the Philippines' economic growth record was the worst in Southeast Asia, with even all the so-called lower-tier ASEAN countries significantly outstripping it.[4] Say that again? OK. Now, Vietnam (5.9 per cent) is not a surprise. But, for Christ's sake, Laos (3.8 per cent), Cambodia (5.5 per cent), and Myanmar (6.6 per cent)?

So what are the real causes of this state of stagnation that has now lasted for over 25 years?

There is, of course, the old overpopulation-causes-poverty school. The weight of decades of research, however, is that it is economic growth that causes a significant decline in population growth—the so-called "demographic transition—instead of reduced population serving as the trigger for economic dynamism. This is not to say that a slowing of the population growth rate does not make the burden of development lighter. It does, and fertility control also contributes positively to women's empowerment, which is why contraceptive programs continue to be critical.

It is, however, the other, seemingly more solid explanations for the Philippines' failure to launch that interest us here. There are three that are particularly popular with the establishment: corruption, protectionism, and high wages. Let's look at these closely.

Is it Corruption?

Undoubtedly, the most popular is Peter Wallace and the World Bank's favored answer--that is, that cronyism and corruption are holding the Philippines back. This view is reinforced by the news that, for two years in a row, the Philippines has been designated the "most corrupt economy" in Asia by the influential Political and Economic Risk Consultancy (PERC).

Now, there is no doubt that corruption erodes governance, subverts democracy, and is morally corrosive. And there is no doubt in this writer's mind that the illegitimate occupant of Malacañang deserves to be hung, drawn, and quartered—

legally, that is, not physically—for presiding over one of the most corrupt regimes in the history of the republic. However, it is another thing to say that corruption and cronyism are mainly responsible for the Philippines' failure to get out of the stagnation in which it is mired. The reason one must be skeptical of this explanation is that in many other societies, periods of rapid growth have also been periods of endemic corruption in politics, and this observation includes England in the 18th century, the US in the nineteenth and early 20th centuries, and Korea in the late sixties to the eighties.

Closer to home, corruption pervaded the politics of our Southeast Asian neighbors, such as Thailand, Malaysia, and Indonesia during their period of rapid industrialization from the mid-eighties to the mid-nineties, when they experienced 6 to 10 per cent growth rates. Indonesia under Suharto, for instance, occupied the position the Philippines is now in, being regularly rated as the most corrupt government in Asia. Double-entry book-keeping, tax evasion, bribing of politicians and bureaucrats, and massive fraud were legendary in Thailand in its boom decade.

Observations casting doubt on the correlation between stagnation and corruption have received confirmation from more systematic studies. Focusing on Southeast Asia, Mustaq Khan and Jomo K.S. found no simple correlation between the extent of rent-seeking and long-run economic performance and found the thesis that crony capitalism caused the Asian financial crisis of 1997 a rather dubious one.[5] Working with a bigger global sample, I.A. Brunetti, G. Kisunku, and B.Weder's research found that, if at all, the impact of corruption on GDP growth was not significant.[6] Other studies have found that, as in the case with population growth and poverty, the direction of causation is more likely to be from poverty to corruption rather than the other way around. [7]

Summing up the conclusion of a slew of studies on growth and corruption, Herbert Docena says, “Too many empirical anomalies undermine the conclusion” that corruption is a significant explanation for economic backwardness. [8] What research has done is simply to confirm the intuitive sense that the customs agent that builds a house with ill-gotten wealth stimulates the economy as much as the middle manager who builds one with her legitimate savings. The difference between them lies not in their economic effects but in what their ethical and legal destinies should be: the former deserves to go to jail while the other deserves to enjoy the fruits of her labor.

There is an added problem with the corruption explanation for stagnation, Docena argues. The popular discourse that attributes economic backwardness to corruption and cronyism plays into the dynamics of elite politics and that of multilateral institutions like the World Bank. “Corruption discourse” is the preferred weapon in the political competition among the different factions of the elite. It is discourse that performs the function of allowing elites to compete and succeed one another in office without fatally destabilizing a social structure that is shot through with inequity.[9]

The Neoliberal Explanation

Another favorite explanation is that stagnation stems from the “strong” protection offered to domestic industry. The Philippines, it is said, has not been exposed enough to market forces that would have shaken it out of its “inefficiency.”

The problem with this analysis is that, in fact, the Philippines was subjected to radical tariff liberalization in the 1980’s and 1990’s. Under programs imposed by the World Bank and International Monetary Fund (IMF) in the 1980’s, the average tariff rate was brought down from 43 per cent in 1980 to 28 per cent in 1985 while quantitative restrictions were removed on more 900 items between 1981 and 1985.[10]

This process of liberalization was accelerated in the mid-1990's under the Ramos administration's Executive Order 264, which sought to drive down tariffs on all but a few sensitive products to between 1 and 5 per cent in 2004.

Moreover, the liberalization program in the Philippines was often more profound than those of our neighbors, which were growing by leaps and bounds while we stagnated. For instance, by the end of the eighties, the average tariff rates in Indonesia and the Philippines were just about equal while Indonesia had a greater proportion of goods subjected to non-tariff barriers than the Philippines.[11] Compared to Thailand, which was, in many ways, the best performer among the Southeast Asian "newly industrializing countries" (NICs) in the 1985-1995 period, the Philippines was much farther along the liberalization road: by the end of the eighties, the effective rate of protection for manufacturing in Thailand was 52 per cent, compared to 23 per cent for the Philippines.[12]

In fact, in the 1980's and 1980's, the strategy of our neighbors was not one of indiscriminate liberalization such as that pursued by Philippine technocrats but one of strategic protectionism cum selective liberalization that was designed to deepen their industrial structures. As one wag who was trying to drive home the contrasting outcomes in the Philippines and our neighbors put it, the crucial difference was that our technocrats preached free trade and practiced it, while our neighbors boasted of their free trade credentials while practicing protectionism. In other words, in world ruled by economic realpolitik, it is often not a virtue to practice what you preach.

Management's Story

A third explanation favored by the establishment is that too much legal protection of labor has made wages rigid and non-competitive with other Asian countries, thus making the Philippines an unattractive investment site.

Though it has been successfully used by management to dampen wage demands, this argument has been seriously undermined by the facts. The real wage in 2003 was only 80 per cent of what it was in 1980 and labor's share in GDP has dropped from 75 to 65 per cent. [13] In contrast, capital's share of GDP has increased by 10 per cent and the profit rate has shown an upward trend, from 8 per cent in 1985 to nearly 13 per cent in 2002.[14] The Spanish economist Jesus Felipe and his Filipino colleague Leonardo Lanzona, Jr., argue in a study for the Asian Development Bank that except in some areas, Philippine labor market policies cannot be seen as the main culprit for the economy's failure to lift off. Indeed, they do not see an increase in current wages as a problem since, seen from a neo-Keynesian perspective, the Philippines falls into the category of being a "wage-led economic regime," where, owing to persistently low levels of investment by capital, an increase in wages will lead to a higher level of aggregate demand that will result in a utilization of current excess capacity in industry, leading to faster growth and more employment. [15]

So why is the Philippines stuck in what is effectively a low-growth path, where unemployment and underemployment continue to rise even when the economy is growing by 5-6 per cent? The culprit, Felipe and Lanzona strongly suggest, is low capital accumulation or investment: "In the Philippines…the lack of investment is a well known problem….It is possible that the Philippines' low capital stock per worker, due to lack of investment, has led to higher markups and unemployment. Thus, the policy prescriptions to reduce unemployment would be investment and not labor market reforms."[16]

The Investment Conundrum

One cannot then understand Philippine underdevelopment without reference to the crisis of investment. From nearly 30 per cent in the early eighties, the ratio of investment to GDP plunged to 17 per cent in the mid-eighties and never really recovered, staying at 20-22 per cent in the early part of this decade. The same pattern of collapse and very weak recovery is also seen in the growth of capital stock, which fell from an index of nearly 0.07 in 1983 to nearly zero in 1985 and leveled off at below 0.03 in the early part of this decade.[17]

To understand the dismal performance of investment over the last two decades, one must situate these figures in their historical politico-economic context.

While the Marcos regime is often pinpointed as the culprit behind Philippine underdevelopment, an equally decisive part has been played by the post-Marcos administrations. The private sector unraveled in the early 1980's owing to the effects of a structural adjustment program---trade liberalization cum monetary and fiscal tightening--imposed by the World Bank and IMF at a time of international recession. Describing the fatal conjunction of local adjustment and international downturn, the late economist Charles Lindsay said, "Whatever the merits of the SAL [structural adjustment loan], its timing was deplorable."[18] The collapse of industry, it must also be noted, took place amidst a political crisis that marked the transition from the dictatorship to the presidency of Corazon Aquino.

Why Government Spending was Gutted

The downward spiral of private investment was not met by a countercyclical effort of government to shore up the economy, as would be expected under orthodox macroeconomic management. This was a catastrophic failure, and the cause of it was external. Owing to pressure from international creditors, the fledgling democratic government of President Corazon Aquino adopted the so-called "model debtor strategy" in the hope of continuing to have access to international capital markets. This approach was cast in iron by Executive Order 292, which affirmed the "automatic appropriation" from the annual government budget of the full amount needed to service the foreign debt.

What this meant is that instead of picking up the investment slack, government resources flowed out in debt service payments. In the critical period 1986-1993, an amount coming to some 8 to 10 per cent of GDP left the Philippines yearly in debt service payments, with the total amount coming to nearly $30 billion.[19] This figure was nearly $8.5 billion more than the $21.5 billion Philippines total external debt in 1986. What is even more appalling is that owing to the onerous terms of repaying debts that were subject to variable interest rates and the practice of incurring new debt to pay off the old, instead of showing a reduction, the foreign debt in 1993 had gone up to $29 billion![20]

What this translated into was that interest payments as a percentage of total government expenditure went from 7 per cent in 1980 to 28 per cent in 1994. Capital expenditures, on the other hand, plunged from 26 to 16 per cent. Debt servicing, in short, became, alongside wages and salaries, the no. 1 priority of the national budget, with capital expenditures being starved of outlays.[21] Since government is the biggest investor in the country--indeed, in any country--the radical stripping away of capital expenditures represented by these figures goes a long way towards explaining the stagnant 1.0 per cent average yearly GDP growth rate in the 1980's and the 2.3 per cent rate in the first half of the 1990's.[22]

The anti-growth implications of the state's being deprived of resources for investment were very clear to Filipino economists during the mid-eighties. As the University of the Philippines professors who authored the famous 1985 "White Paper" warned: "The search for a recovery program that is consistent with a debt repayment schedule determined by our creditors is a futile one and should therefore be abandoned."[23]

Government and Investment: Contrasts with out Neighbors

Why do we focus on key policy decisions made in the period 1985 to 1995? The reason is that these decisions—in particular the fateful decision to channel government financial resources to debt repayment instead of capital expenditures—go a long way towards explaining why our neighbors leaped forward as we stagnated. Contrary to doctrinaire free-market economics, institutional economists argue that government financial resources devoted to building physical or social infrastructure or shoring up domestic demand "crowd in" rather than "crowd out" private investment, including foreign investment. For instance, one key study of a panel of developing economies from1980 to 1997 found that public investment complemented private investment, and that, on average, a 10 percent increase in public investment was associated with a 2 percent increase in private investment.[24]

Now the key explanation for why our neighbors flourished in the period 1985-95 is that they were deluged with Japanese investment that was relocating from Japan to make up for the loss of competitiveness of Japan-based production owing to the drastic revaluation of the Japanese yen relative to the dollar under the famous Plaza Accord in 1985. This flow of Japanese investment to our neighbors was not accidental. Nor was it accidental that the Japanese bypassed the Philippines. *For while our external creditors were busy stripping our government of resources for investment in infrastructure, our neighbors were frantically devoting resources to financing infrastructure to attract or crowd in Japanese direct investment.*

Indonesia, for instance, attracted $3.7 billion worth of Japanese direct investment between 1985 and 1990. A key reason was the high level of government capital expenditures, which came to 47 per cent of total expenditures in 1980, 43 per cent in 1990 and 47 per cent in 1994.[25] Or take Thailand. It pushed down interest payments from 8 per cent of government expenditure in 1980 to 2 per cent in 1995 and raised capital expenditures from 23 per cent to 33 per cent. [26] In the late eighties and early nineties, Thailand received $24 billion in foreign direct investment from Japan, Korea, and Taiwan, or 15 times the amount invested by the three countries in the Philippines, which came to a paltry $1.6 billion. There is no doubt that government capital spending crowded in foreign investment in Thailand and the lack out it crowded out foreign investment in the Philippines. And there is no doubt that, as KunioYoshihara asserted, "This difference in the flow of foreign investment from [Japan, Korea, and Taiwan] produced a significant disparity in growth performance of the two countries during this period."[27]

Like all clear-thinking investors, the Japanese were not going en masse to a place where infrastructure was decaying and where the market was depressed and poverty was increasing owing to a political economy shackled by structural adjustment and battered by the priority given to repaying the foreign debt. They were, in short, not stupid.

This trend of continuing outflow of government resources in the form of payments to creditors and the shrinking of capital expenditures continued into the first years of this decade. In 2005, according to the World Bank, 29 per cent of the government expenditures was devoted to interest payments to both foreign and domestic creditors and 12 per cent to capital expenditures.[28] Calculations by James Miraflor of the Freedom from Debt Coalition put servicing of the foreign and domestic debt (most of which is said to be owed to locally based foreign entities) at 51 per cent in 2005, 54 per cent in 2006, and 41 per cent in 2007. This configuration of government spending prompted the UP School of Economics faculty to complain once again that the budget left “little room for infrastructure spending and other development needs,” though they did not follow through on the policy consequences of their analysis.[29] They were joined, in an extraordinary example of hypocrisy, given its historical role in foisting the debt service at the head of the trough of government spending, by the World Bank, which complained in a 2007 policy brief:

> The Global Competitiveness Index ranks the Philippines at only 71 out of 131 countries, rating the country particularly poorly on a majority of the infrastructure indicators. The quality of transport infrastructure (which includes roads, railways, ports, airports, and logistics) is a particularly serious concern, with consequences for trade-related transaction costs and overall competitiveness. Recent assessments indicate that transport infrastructure is poorly maintained and badly managed, with years of underinvestment, especially in maintenance.” [30]

Not surprisingly, with government capital expenditures remaining low, total fixed investment has remained anemic, indeed running at only 14 per cent of GDP, which the World Bank notes is “substantially lower even than during the deep recession in the first half of the 1980’s and substantially lower than in most other larger East Asian economies.”[31] Durable equipment investment, it added, reached a historic low in 2007.[32] The problem, as usual, is not the Bank’s description of developments but its refusal to see their origins in policies in the formulation of which the Bank was deeply implicated.

The Other Shoe Drops: Trade Liberalization and the Fiscal Crisis

The explanation for our national stagnation is not exhausted by the priority our leaders accorded to repaying the foreign debt. Activist governments, we have seen, have been key players in development in Southeast Asia. But the Philippine government was incapacitated from playing this activist role by a one-two punch delivered by external forces. If the hemorrhage of payments on the debt hit it on the expenditure side, trade liberalization, by drastically reducing a very critical source of government revenues, clobbered it on the revenue side. But before we detail this second blow, the fiscal impact of trade liberalization, it is important to place the latter in the context of the comprehensive structural adjustment cum trade liberalization program which choked the country in the eighties and nineties.

It is fashionable these days to decry the weakness of the Philippine manufacturing sector, which was supposed to play the role of absorbing a greater and greater portion of the labor force into high-value-added jobs. Trade liberalization was, in theory, supposed to reinvigorate Philippine industry by, among other things, ending monopolization. Instead, what happened was monopolization increased as trade liberalization intensified.[33] Why? It is very likely that monopolization rose because weaker firms were driven out of business by trade liberalization--an understandable outcome but one that did not fit the neoliberal paradigm.

As noted earlier when we discussed and dismissed protectionism as a possible explanation for the Philippines' economic stagnation, trade liberalization in this country was no joke. The effective rate of protection for manufacturing was pushed down from 44 to 20 per cent. That was achieved at the cost of multiple bankruptcies and massive job losses—in short, de-industrialization. The list of industrial casualties included paper products, textiles, ceramics, rubber products, furniture and fixtures, petrochemicals, beverage, wood, shoes, petroleum oils, clothing accessories, and leather goods. The textile industry was practically rendered extinct by the combination of tariff cuts and the abuse of duty-free privileges, with the number of forms shrinking from 200 firms in 1970 to less than 10 by the end of the century. As former Finance Secretary Isidro Camacho, Jr., admitted, “There’s an uneven implementation of trade liberalization, which was to our disadvantage.” While consumers may have benefited from tariff cuts, he said, liberalization “has killed so many local industries.”[34]

Yet the negative effects of trade liberalization were not limited to the erosion of the country’s industrial base. Trade liberalization had fiscal effects. If the hemorrhage of payments on the foreign debt blew a hole on the expenditure side, trade liberalization, by reducing a very critical source of government revenues blew a hole on the revenue side. The trade liberalization that started with Executive Order 264—which phased in, beginning 1994, a radical program to unilaterally reduce all tariffs to 0 to 5 per cent by 2004—resulted in radically decreased customs collections in a very short period of time. In the period 1995-2003, while the value of imports grew by 40 per cent, customs collections of import duties declined by 35 per cent; imports rose from US$25.5 billion in 1995 to $37.4 billion in 2003, but import duties fell from P64.4 billion to P41.4 billion.[35] As a percentage of GDP, total customs collections fell from 5.6 per cent of GDP in 1993 to 2.8 per cent in 2002. As a percentage of government revenues, customs duties and taxes from international trade fell from 29 per cent in 1995 to 19 per cent in 2000 at a time that hardly any new revenue sources had come onstream.[36]

Combined with the outflow of debt service payments, the collapse in customs revenues precipitated the fiscal implosion, which made it even more difficult for government to finance the capital expenditures that were necessary to crowd in both domestic and foreign investment in order to decisively lift the country from the stagnation of the eighties and nineties. Former Finance Secretary Camacho could not but admit the obvious—that it was not so much failure to increase taxation but the drive to decrease import taxation that mainly accounted for the crisis in government revenue: "The severe deterioration of fiscal performance from the mid-1990's could be attributed to aggressive tariff reduction."[37]

To say this is not to excuse the current administration and its predecessors from not making a greater effort at tax collection, especially from their private sector cronies, just as our earlier remarks were not meant to excuse corruption. It is mainly to achieve a clearer understanding of the key structural factors and dynamics that have condemned the Philippines to almost permanent stagnation. One can agree with Peter Wallace that the Philippines needs a much bigger effort to enforce taxation and punish tax evaders without having to say that this failure is what precipitated the crisis on the revenue side. Trade liberalization precipitated that crisis, which resulted in, among other things, a further crippling of the capacity of the Philippine state to play a positive role in development.

When Paradigms Blind

In conclusion, the dominant explanations for the continuing stagnation that has caused so many Filipinos to abandon ship are deeply flawed. Why they continue to be popular is due to their being easy to grasp (corruption) or ideologically correct (lack of market freedom). Alternative explanations are screened out because they are not ideologically correct or because they are, like the burden of debt thesis, simply unacceptable as explanations and options for action to the establishment. *Yet it requires no special intelligence to realize that the massive amounts of money that have gone to paying our creditors to service our constantly mounting external debt was money that could not go to development. It cannot be otherwise given that resources are finite.* Sometimes such truths can only be grudgingly accepted when events occur that force their acceptance. For instance, it can no longer be denied that Argentina's five-year string of 10 per cent annual GDP growth is due principally to President Nestor Kirchner's courageous act of essentially defaulting on most of that country's foreign debt and channeling the money saved to domestic investment.

With the failure of doctrinaire neoliberalism to both explain and move countries out of underdevelopment, we are beginning once more to appreciate the positive role of the state in development, in its triple role of assisting the market, disciplining the market, and leading the market. What we have tried to do here is to position the incapacitation of the Philippine state as the central factor in explaining the stagnation of the Philippine economy. The priority accorded to repaying the foreign debt in the context of an economy in crisis deprived the state of financial resources to play its role as the economy's biggest investor, thus crowding out private investment. This emasculation on the expenditure side was paralleled by a crippling on the revenue side by the collapse of customs revenues owing to aggressive trade liberalization. This double punch amplified the depressive effects of the policy framework of structural adjustment cum trade liberalization that was imposed on the country in the eighties and nineties with the acquiescence of our leaders. This suffocating policy framework unfortunately lives on, with minor adjustments, and as long as it remains this country's basic paradigm, it is difficult to see the Philippines emerging from its long night of stagnation.

*President of Freedom from Debt Coalition, senior analyst at Focus on the Global South, and professor of sociology at the University of the Philippines. The author would like to thank James Matthew Miraflor and Bobby Diciembre of the Freedom from Debt Coalition for their assistance.

[1] Peter Wallace, *Manila Standard Today*, Feb. 29, 2008.
[2] World Bank, *Accelerating Inclusive Growth and Deepening Fiscal Stability* (Manila: World Bank, March 2008), p. 26.
[3] *Ibid.,* p. 67
[4] United Nations Development Program, *Human Development Report 2007/ 2008* (New York:: United Nations Development Program, 2008), pp. 277-280.
[5] Mushtaq H. Khan and Jomo Kwame Sundaram, *eds., Rents, Rent-Seeking, and Economic Development* (Cambridge: Cambridge University Press, 2000), p. 4.
[6] A.Brunetti, G. Kisunku, and B. Weder, "Credibility of Rules and Economic Growth—Evidence from a Worldwide Private Sector Survey," Background paper for the *World Development Report 1997,* cited in Jens Chr. Andvig and Odd-Helge Fjelstad, *Corruption: a Review of Contemporary Research* (Bergen, Norway: Chr. Michelsen Institute, 2001), p. 74.
[7] Research cited in Andvig and Fjelstad, p. 64.
[8] Herbert Docena, "Corruption and Poverty: Barking up the Wrong Tree?," in Walden Bello, Herbert Docena, Marissa de Guzman, and Marylou Malig, *The Anti-Development State: The Political Economy of Permanent Crisis in the Philippines* (London: Zed Press, 1995), p. 281.
[9] *Ibid.*, pp. 288-289.
[10] Charles Lindsay, "The Political Economy of Economic Policy Reform in the Philippines: Continuity and Restoration," in Andrew MacIntyre and Kanishka Jayasuriya, eds., *The Dynamics of Economic Polity Reform in the Philippines* (Singapore: Oxford University Press, 1992).
[11] See Kunio Yoshihara, *The Nation and Economic* Growth (Kuala Lumpur: Oxford University Press, 1994), p. 108; and Amar Bhattacharya and Mari Pangestu, "Indonesia: Development Transformation and the Role of Public Policy," in Danny Leipziger, ed., *Lessons from East* Asia (Ann Arbor: University of Michigan Press, 1995), p. 408.
[12] Scott Christensen *et al.*, "Thailand: The Institutional and Political Underpinnings of Growth," in Leipziger, ed., p. 354.
[13] Jesus Felipe and Leonardo Lanzona, Jr., "Unemployment, Labor Laws, and Economic Policies in the Philippines," in Jesus Felipe and Rana Hasan, *Labor Markets in Asia: Issues and Perspectives* (Houndmills, Basingstoke, Hampshire: Palgrave Macmillan, 2006), pp. 394, 441
[14] *Ibid*. p. 441
[15] Jesus Felipe and Rana Hasan, "Labor Markets in a Globalizing World," in Felipe and Hasan, eds., *Labor Markets in Asia: Issues and Perspectives*p. 117.
[16] Felipe and Lanzona, p. 460.
[17] Felipe and Lanzona, p. 447.
[18] Lindsay.
[19] World Bank, *World Bank Debt Tables, Vol. 2* (Washington, DC: World Bank, 1994), p. 378.
[20] *Ibid.,* p. 379.
[21] World Bank, *World Development Indicators 1998* (Washington, DC: World Bank, 1997), p. 199.
[22] *Ibid,* p. 131.
[23] Florian Alburo, *et al*., "Towards Recovery and Sustainable Growth," School of Economics, University of the Philippines, Diliman, Quezon City, September 1985.
[24] See, for instance, Lufti Erden and Randall Holcombe, "The Effects of Public Investment on Private Investment in Developing Economies," *Public Finance Review*, Vol. 33, No. 5 (2005), pp. 575-602.
[25] *World Development Indicators 1997,* p. 199; *World Development Indicators 2000,* p. 233; *World Development Indicators 2003,* p. 231.
[26] *World Development Indicators 1998,* p. 224.
[27] Yoshihara, p. 52

[28] Calculated from figures provided in World Bank, *Accelerating Inclusive Growth and Deepening Fiscal Stability*.
[29] Emmanuel de Dios *et al.*, “The Deepening Crisis: The Real Score on Deficits and the Public Debt,” Faculty of Economics, University of the Philippines, August 2004.
[30] World Bank, *Accelerating Inclusive Growth…*, p. 5
[31] *Ibid*, p. 27
[32] *Ibid*.
[33] Felipe and Lanzona, p. 441
[34] Eric Boras, “Government Loses P120 Billion to Tariff Cuts,” *Business World*, Oct. 20, 2003.
[35] Figiues from Bureau of Customs and National Statistical Coordination Board.
[36] Figures from *World Development Indicators 1998*, p. 227 and *World Development Indicators 2003* , p. 235
[37] Cited in Boras.