

Fixing PH economic policies:

What is to be done?

It's never too early to identify the most urgent steps to be taken including starting on the first of many measures needed to correct decades of policy missteps and economic damage.

The most immediate policy step is a robust stimulus program of expanded public health measures, substantial emergency cash assistance for poor and vulnerable households, and support to distressed micro, small and medium enterprises (MSMEs), farmers and fisherfolk. This urgent COVID-19 response is however also an opportunity to jump-start comprehensive social and economic reforms.

Strengthening the public health system by building and equipping more hospitals, hiring more health workers, and ensuring decent pay is a core element of the state taking responsibility for the health of the people. Similarly, creating the mechanisms for wide-scale emergency cash assistance (ayuda) is a core element of establishing universal social protection for the people. Giving direct support to distressed producers can also be the starting point of a larger long-term program for agricultural development and national industrialization.

The pandemic crisis is an opportunity for a historic shift in Philippine social and economic policymaking. Long-standing economic weaknesses and social vulnerabilities have been put in the spotlight which a new administration can use to build political momentum for badly-needed radical reforms.

Economic history has proven that national industrialization is necessarily the leading edge of economic development. This is the only way to create enough jobs, raise incomes, increase productivity and become a dynamic economy.

The Philippines' vast labor force, with the 13th largest population in the world, and its immense natural resources give it a potential for industrial development surpassing that of many industrialized powers when they were still underdeveloped. The country has more potential now than smaller and less resource-rich Germany, United Kingdom, France, Italy, Spain, Canada, Australia, and Netherlands did when they were just starting out. Even late industrializing South Korea and Taiwan had much less capacity for industrialization when they took off in the 1960s and 1970s.

Clear strategic focus is essential where every public sector, private enterprise and even individual effort is geared towards industrialization. Neoliberalism has greatly eroded Filipino industry but, with commitment to the right industrial policies, this can be arrested and set aright. The state has to protect and promote the national economy – exactly as every industrial power today has done and is doing.

Foreign trade and investment need to be judiciously regulated rather than blindly opened up. This has to be done deliberately while maneuvering around the expansive multilateral, regional and bilateral deals put in place and intruding on domestic economies. Asserting national economic sovereignty is an unused but potent measure for this.

Domestic science and technology have to be aggressively developed. Information and communication technologies are already a fixture of the industrial landscape that needs to be wielded. At the same time the opportunities from breakthroughs in artificial intelligence, robotics, 3D printing, nanotechnology, neurotechnology, biotechnology, quantum computing, energy storage and elsewhere are real. The state needs to challenge intellectual property monopolies to encourage innovation and the diffusion of knowledge.

Foreign and domestic financial resources have to be directed to their most productive strategic uses rather than short-term profit or narrow wealth accumulation. This includes using tax and revenue policy to generate public resources for national development. The neoliberal drift to financialization and unproductive, albeit profitable, use of resources needs to be rectified. Monetary and exchange rate policies have to support concrete national development rather than blindly toe so-called market forces.

These policy measures can be used not just to develop Filipino industry but also domestic agriculture and improving the welfare of the people. Completing agrarian reform and undertaking rural development will deliver immediate benefits as well as provide the foundation for more rapid industrial development. Ending rural poverty and democratizing the countryside are low-hanging fruit that can materialize in a very short time.

The conditions of tens of millions of Filipinos can also be speedily improved. The benefits of greatly expanded public health care, education and housing will be immediately felt and go far in quickly alleviating and reducing poverty. Social protection systems will be essential especially as the economy transitions onto its new development path. The private sector can also do its part in upholding people's welfare by paying decent wages, giving due benefits, and ensuring job security.

Investments in infrastructure are of course indispensable to build productive capacity. However, if this is done in the absence of strategic industrialization policy it only reinforces the current shallow service-oriented economy and no long-term benefits will materialize.

Industrialization and broad-based economic development is a major process of social change and modernization. The sustained and deep engagement of the people is necessary to attain the political will and social consensus needed. People's organization, workplace associations, and community groups will be essential astride meaningful government mechanisms for participation.

The Philippines has all the material conditions for economic progress and national development. This can also be done in a sustainable way that protects the environment, ensures the health and safety of people, and safeguards the prospects of future generations. Local and global conditions are doubtless challenging but the Philippine economy can start to be fixed with the political decision to do so.

