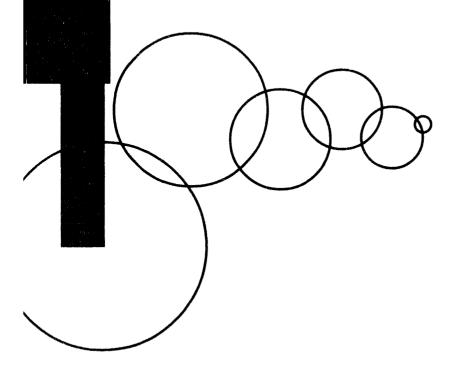


SOCIO-ECONOMIC REFORM PROGRAM IN THE PHILIPPINES - IMPACTS AND NEW DIRECTIONS -

Edited by

Dante B. Canlas and Yasuhiro Nimura



INSTITUTE OF DEVELOPING ECONOMIES JAPAN EXTERNAL TRADE ORGANIZATION

SOCIO-ECONOMIC REFORM PROGRAM IN THE PHILIPPINES - IMPACTS AND NEW DIRECTIONS -

Edited by

Dante B. Canlas and Yasuhiro Nimura

INSTITUTE OF DEVELOPING ECONOMIES JAPAN EXTERNAL TRADE ORGANIZATION CHIBA, JAPAN

AUTHORS

Dante B. Canlas

Professor (on-leave)
School of Economics
University of the Philippines
Diliman, Quezon City
and
Director-General
National Economic and Development Authority

Emmanuel F. Esguerra

Assistant Professor School of Economics University of the Philippines Diliman, Quezon City

Raul V. Fabella

Professor and Dean School of Economics University of the Philippines Diliman, Quezon City

Stella Alabastro-Quimbo

Assistant Professor School of Economics University of the Philippines Diliman, Quezon City

Renato E. Reside Jr.

Assistant Professor School of Economics University of the Philippines Diliman, Quezon City

Edita A. Tan

Professorial Lecturer School of Economics University of the Philippines Diliman, Quezon City

Gwendolyn R. Tecson

Professor and Director for Public Affairs
School of Economics
University of the Philippines
Diliman, Quezon City

Yasuhiro Nimura

Visiting Research Associate
School of Economics
University of the Philippines
Diliman, Quezon City
and
Overseas Senior Research Fellow
Institute of Developing Economies, JETRO
Chiba, Japan

CONTENTS

		iii V
Chapter 1	Overcoming Monetary Constraints to Stable Growth in an Emerging Market	1
Money, Inflation A Review of Phi The New Interna	and Output: Theoretical Considerationslippine Macroeconomic Performanceational Economic Environment	1 2 4 9 13
Mon Mon Mon Evolution of Mo Concluding Ren	ney and Output Growth ney and Inflation ney and Collapsing Exchange Rates netary Policy Rules and Exchange Rate Regimes narks	13 14 15 16 18 19
Chapter 2	Raising the Quality of Life through the Workshop in the New Millennium Emmanuel F. Esguerra and Dante B. Canlas	21
The Labor Mark Labor Sup The Employ Unemployr Wages and Investing in Hur Education Private and	ret: Recent Performance, Current Trends	21 22 25 27 30 34 38
Education Governme Population Expanding Job Aggregate	and Training Policies. Finance	38 39 40 40 41 41 42

Sectorial	Policies	43
Some Co	mplementary Policies	43
	Workers' Welfare	44
	andards	44
	ets	45
Industrial	Relations	
	l Conclusion	
-		
Chapter 3	The J2K and the Economy: The Broader Context	49
	Raul V. Fabella	
Introduction .		49
	Morality	50
	Leadership and Economic Tailspin	51
The Governar	nce Deficit	52
	Bame	53
	Properties of Rules	53
The Soft State	and Disorder	54
Types of Rule	s and Enforcement	54
	order	55
A Singular Op	portunity	55
	Deficit as Entropy	56
	ruption and Periodic Eruption	57
The Presidence	cy and the Twilight Zone	58
A Nonexistent	Divide	58
Symbol Savaç	ged	59
Function Pros	tituted	60
Managing the	Economy in J2K	61
End-Game Sc	enarios	61
Pr	esident Estrada Survives Impeachment and a Super	
	Technocrat Cabinet Takes Over	62
	trada is Removed But Otherwise Unpunished	63
Es	trada is Constitutionally Removed, Convicted and Punished	63
		64
References		65
Chapter 4	Social Health Insurance Reforms in the Philippines Stella A. Quimbo	66
Introduction .		66
	of Social Health Insurance in the Philippines	67
	(The Philippine Medicare Act)	67

Medicar	e Performance (1972 to 1994)	67	
Program Reforms			
Modeling the E	Behavior of the Social Health Insurance		
Program Administrator			
_	Empirical Specification		
•		84	
	Empirical Results		
	Summary and Implications		
-		86 90	
Chapter 5	The Future of the Philippine Power Sector: Reason to be Cautious (Lessons from California and the		
	United Kingdom)	92	
	Renato E. Reside, Jr.	52	
Introduction .		92	
The Power Se	ector in the Philippines: A Review of the Present and What		
May Lie	Ahead if the Power Bill is Approved by Congress	92	
Pr	esent Situation	92	
Pr	oposed Power Sector Restructuring	93	
Lessons in Re	form from Other Regimes	95	
Ca	alifornia	95	
	The California Power Market	96	
	Impact of Crisis on Electricity Consumers	99	
	Effects on Utilities	99	
	Impact on Generators	100	
	Lessons from the Debacle in California		
	Electricity Markets	100	
Ur	nited Kingdom	101	
	Key Elements of Energy Policy and		
	Initial Steps Pursued	102	
	Privatization in the Gas and Electricity Sectors	103	
	Privatization of the Electricity Sector	103	
	Lessons Learned	115	
Appendix		118	
		125	
11010101000		120	
Chapter 6	The Political Economy of Education Reforms Edita A. Tan	126	
Introduction		126	
Market Imperfections and Market Failure			
•	Quality and Distribution of Education		
Quality and Di	SITIDUTION OF EUUCATION	132	

Issues in Education Finance			
Reform Agenda			
Concluding Re	Concluding Remarks		
-		150	
Chapter 7	Revisiting Tariff Reform	151	
Introduction		151	
	reled	151	
	re vs Manufacturing Sector Protection	154	
-	n of Manufacturing Industries		
The Road Ahead: On the Role of Government in Industrialization			
		163	
• •			
Chapter 8	The Role of FDI and the Emerging Export Industry Yasuhiro Nimura	166	
Introduction		166	
	vestment Policy Reform		
	eforms Towards Liberalization		
Flow of I	Flow of Investments in the Philippines		
The Role of Inc	dustrial Estate	170	
PEZA an	PEZA and Private-Initiated Development of Industrial Estates		
SEZs and	d the Segmentation of Local Market	174	
Changing Trad	Changing Trade Structure: Emerging Export Industry as the Winner		
Trends in	n Philippine Exports	174	
Electroni	cs Industry as Export Winner	176	
Structural Chai	Structural Change in the Philippine Economy		
Concluding Re	Concluding Remarks and the New Direction		
References		185	

Institute of Developing Economies, Japan External Trade Organization 3-2-2, Wakaba, Mihama-ku, Chiba-shi, Chiba 261-8545, Japan All rights reserved. Published 2001 Printed in the Philippines

IDE-JETRO