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The political economy of
political development:
A case study of regional
development in the
Philippines before
martial law

Mohd A Nawawi

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To my wife and two daughters who shared
the eventful year in the Philippines

Summary

This study is part of a continuing intellectual exploration of the concept and process of development. In a nutshell, its basic assumption is that development must be understood in terms of increasing availability of political goods to the majority of the population and the capacity of that majority to contribute to their provision. The bulk of the study, therefore, is devoted to a detailed determination of the extent of the provision of the most essential political goods and the total amounts of financial resources mobilized and spent by both the central government and the local authorities, particularly in the Philippine province of Negros Oriental. Not unexpectedly, both the amount of political goods enjoyed by the overwhelming majority of the Filipinos and their capacity to contribute to their availability were very meagre. The fundamental cause of this underdevelopment is found to be the stagnation of the regional and rural economy. For this reason, the persistent controversy between the proponents of centralization and decentralization appears to be beside the point. The significance of administrative reform is also basically very limited. Clearly rural poverty has resulted from, and been maintained by, the peculiar and mutually reinforcing patterns of the political and economic systems of the country. This fact is yet to be properly acknowledged even by the most thoughtful analysts.

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Preface

Like most academic efforts, this study grew out of dissatisfaction. As a political scientist, I had of course been primarily concerned with the work of other politists. But being above all obsessed with the prospects and problems of development in the Third World, particularly Southeast Asia, I had also immersed myself in the writing of other social scientists, particularly economists. Unhappily, I had found these readings to be largely unhelpful.

Undeniably, the notions of economic and political development¹ had recently undergone significant refinement. Most importantly, they had become less rigidly exclusive in disciplinary terms and less blatantly West-centric. Nevertheless, they had remained in my view essentially narrow and timid.

Most of the politists who regarded themselves as being concerned with development had actually focused their attention on the process of modernization or social change.² At any rate, too many had been quite content with concentrating on the political aspects and implications of social and cultural structures and institutions as such. Since these are obviously very slow-changing, their conclusions could always be couched either in terms of very long-range and necessarily slow, even imperceptible, changes or as declarations of despair at the seemingly insurmountable social and cultural barriers and obstacles. In either case, they conveniently absolved political leaders of any real responsibility for taking resolute action.

¹As I have argued elsewhere (Nawawi 1976a) development should be conceived primarily in economic and political terms. This does not, however, deny the importance of social and cultural variables.

²The necessary distinction between development and modernization has also been put forth in Nawawi (1976a).

As for the development economists, many had simply continued to take the position of either dismissing any political implication of their analyses or taking it for granted that any necessary political action should be more or less painlessly forthcoming. Even the few who had begun to show serious appreciation of non-economic factors determining the prospect of economic development had shrunk from integrally including these factors, particularly the political ones, in their recommendations.

What seemed to be very badly needed was a conception of development which would necessitate taking into account both political and economic criteria inseparably. In the conditions pertaining in developing countries, it seemed coy for the economists and irresponsible for the political scientists to continue to plough their own respective fields. Development should at once be economic and political.

In considering some of the most recent notions of the goal of development and searching the history of political philosophy, one idea emerged as most promising. This is that the primary if not the only reason for social living is the unique possibility it offers to those participating in it for the realization of their human potential. In the context of a nation, this means that development requires the utilization of all national human and non-human resources for the benefit, and through the active participation, of the greatest majority of the citizens. More concretely, the majority of citizens must be actively involved in the production and enjoyment of national wealth. Any nation which does not make it possible for any substantial segment of its citizenry to be productive and to share equitably the available national resources cannot be regarded as developed. A nation is developing only if more and more of its citizens are becoming more and more actively involved in the creation and enjoyment of its achievements.

The most convenient way to operationalize this concept of development seemed to be to focus on the provision of political goods and the mobilization of resources necessary for it. A political good can simply be defined as any good, such as public health, which is impossible or extremely inconvenient to obtain or to provide individually and particularistically. Such goods are political since the need for them and their availability are necessarily the result and reward of social living, that is living in a polity. For

this reason, their provision and the access to them directly define one aspect of active social participation. Contributing to their production constitutes the other aspect.

Because of this focus on political goods, it is appropriate and convenient to describe the concept as political development. Clearly the use of the term 'political' here is much broader than the conventional usage. Nevertheless, as it is essentially only a return to the original Greek notion, it should be meaningful even conventionally. At the same time, it should not be too alien to conventional economists. After all, the concept of political good is almost identical with that of public or government good.

The principal operational difficulty with the suggested approach concerns the identification and measurement of political goods. The present study aims to clarify and resolve some of the problems. It is thus intended not only as a case study of a particular area or society but also as a continuing intellectual exploration.³

The focus of this study is the province of Negros Oriental, one of the two provinces on the island of Negros in the central Visayas region of the Philippines. All the original data presented in the following chapters were gathered in the field between July 1972 and June 1973 while I served as a Visiting Professor at Silliman University in Dumaguete City, the provincial capital. They were obtained by myself and my assistants either directly from the official records and personal observation or from interviews with relevant officials and individuals.

³The result of my first attempt to use the concept, in Indonesia, has been partially presented in Nawawi (1973).

Acknowledgments

I owe the opportunity to be associated with Silliman first of all to Professor Peter G. Gowing, the founding director of the University's Southeast Asian Studies Program, who extended the initial invitation, and to his successor, Professor Walter R. Fee, who actually got us to Dumaguete. I am indebted to the University for the appointment and to the Ford Foundation for an essential supplementary assistance through its Southeast Asia Research and Teaching Fellowship Program.

The fieldwork was greatly facilitated by the University's sponsorship. For this support, which gave me access to the top government officials in Negros Oriental and in the adjacent province of Negros Occidental, many of whom were proud alumni of the University, I am very grateful to Professor Proceso U. Udarbe, Acting President, and Professor Angel C. Alcalá, Academic Vice-President and Director of the Research Center. Professor Timoteo S. Oracion, formerly head of the Department of Social Sciences, also kindly opened many official doors for me. Without exception, all the officials I approached were very understanding and helpful, even during the uncertain first few months of the New Society. At the risk of embarrassing them, however, I want to record my special gratitude to the Honorable William V. Villegas, Governor of Negros Oriental, and the Honorable Jose Pro Teves, Mayor of Dumaguete City, for their personal interest in what I was doing. Finally, for their diligence and willingness to do a great deal of leg work, I am greatly indebted to my assistants and students, Mr Alexander E. Calijan and Mr Mardonio M. Lau.

Here at the Australian National University, I am especially grateful to Professor E.K. Fisk for carefully reading the first three chapters. My thanks also go to Miss Angela Kouvelis for typing the drafts.

Mohd. A. Nawawi

Canberra
November 1980

Abbreviations

BAE	Bureau of Agricultural Extension
BIR	Bureau of Internal Revenue
CFI	Court of First Instance
PACD	Presidential Arm for Community Development

Chapter 1

The setting

The administrative structure

An archipelago of more than 7000 islands, the Philippines covers a land area of only about 300,000 square kilometres. This fact helps to explain a distinctive feature of the Republic's administrative structure. Unlike the Indonesians, the Filipinos, who are only about one-third as numerous, are living in more than twice as many provinces. There were at the time of this study seventy provinces which in turn contained more than 6000 municipalities and cities and almost 30,000 *barrios* (Corpuz, 1971:24). These provinces were grouped into ten regions, the location, population, and land areas of which may be seen in Table 1.1.

Regions I to VI, containing 53 per cent of the population and covering 48 per cent of the land area, are either on Luzon or are identifiable with it, making the island pre-eminent of the three main divisions of the archipelago. The Visayas and Mindanao, consisting of two regions each, cover 18 per cent and 34 per cent of the land area and 25 per cent and 23 per cent of the total population respectively.

In addition to the provinces, cities and municipalities, there were other local units called sub-provinces and municipal districts. Numbering six and about fifty respectively in 1965, these were 'areas which do not have adequate resources to exist independently and are usually inhabited by cultural minorities' (Ocampo, 1969:438). The city was supposed to be distinguished from the municipality chiefly by the size and degree of concentration of population and the level of income. But this was not always the case. Since a chartered city was administratively equivalent to a province and thus had more taxing powers than a municipality which was also required to share some of its revenues with the province, its creation was sometimes largely the result of political manoeuvring.

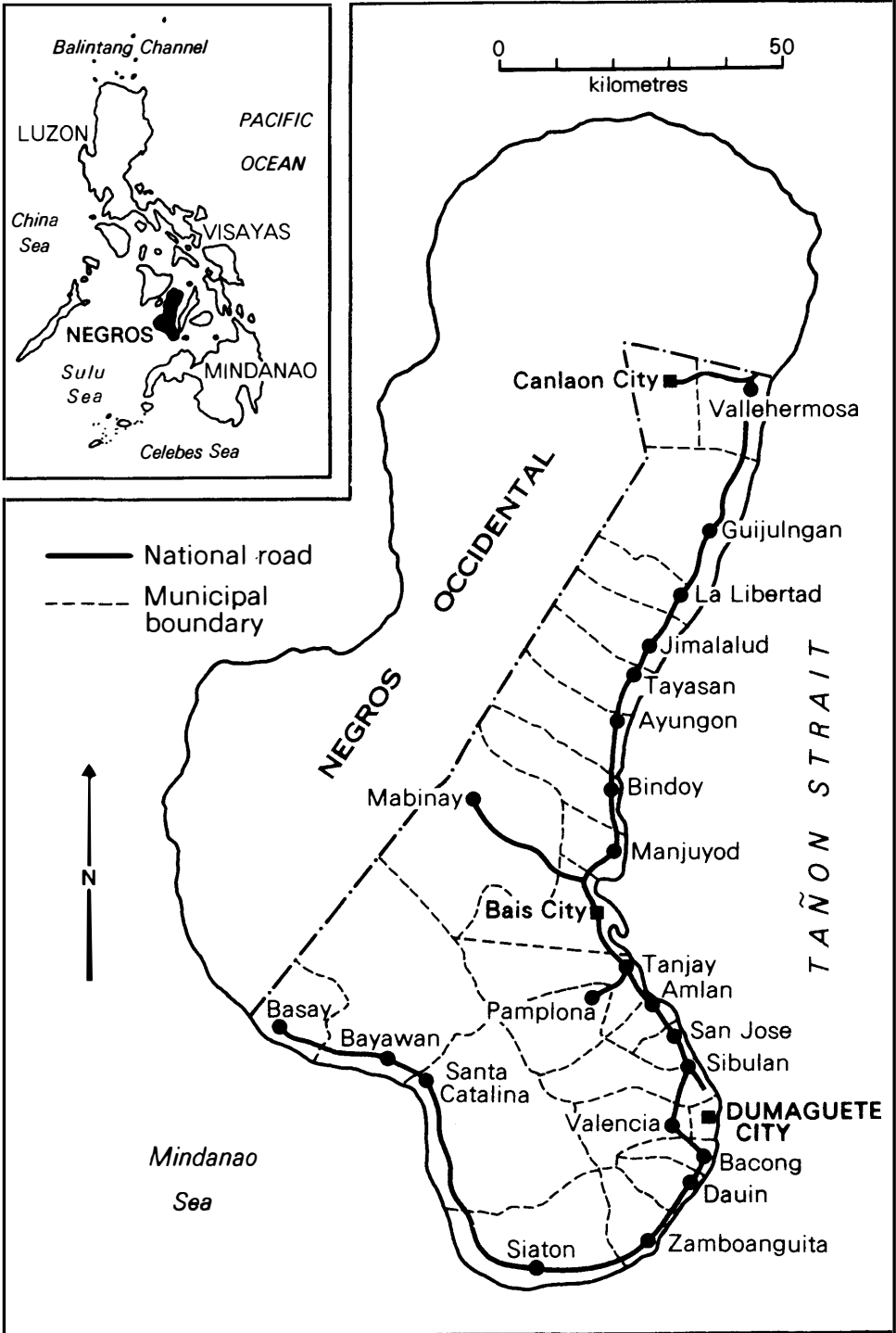
Table 1.1
Philippine regions

Designation/Location	No. of Prov- inces	Population 1970	Area (sq. km)
Region I: Manila and suburbs	1	1,323,430	1,883
Region II: Ilocos Valley and Mountain Provinces	8	1,829,537	25,766
Region III: Cagayan Valley and Batanes	4	1,461,404	26,838
Region IV: Central Luzon	7	5,094,384	23,646
Region V: Southern Luzon and islands	9	6,790,702	46,092
Region VI: Bicol and Masbate	6	2,964,432	17,633
Region VII: Western Visayas	6	3,767,213	21,579
Region VIII: Eastern Visayas	8	5,408,549	32,046
Region IX: Northern Mindanao	10	3,011,903	39,845
Region X: South Mindanao and Sulu	8	4,938,514	62,154
Total	67	36,590,068	297,382

Note: The total number of provinces was as of the date of the census; three sub-provinces have attained full provincial status since then. Manila and suburbs may not be regarded as a province proper.

Sources: BCS (1970) and LGC (1973).

Although the Philippines was generally regarded as highly centralized, the provincial chief executives - the governors - were not appointed by Manila but were popularly elected local figures. Likewise, the vice-governors as well as the city and municipal mayors and their deputies were dependent on local voters. Each province, city, municipality and *barrío* also featured a popularly elected assembly, board or council. The chairman of the *barrío* council was designated as the *barrío* captain.



Map Negros Oriental, showing its location in the Philippines

Negros Oriental

The province of Negros Oriental covers the south and southeastern part of the Visayan island of Negros, sharing it with Negros Occidental. The line between these two provinces constitutes the only land boundary between Eastern and Western Visayas.

Table 1.2
Negros Oriental in comparative perspective

	Philippines	Median Province ^a	Negros Oriental ^b	rank
Population ^c	36,590,068	389,590	715,240	16th
Land area (sq.km) ^c	297,382	3,794	5,746	18th
Population density (sq.km) ^c	123	124	125	32nd
Urban population (% 1970) ^d	14	30	12	58th
Housing material: strong/mixed (%) ^e	56	60	33	62nd
Inhabitants per motor vehicle ^f	76	157	128	27th

a Considering only full provinces existing in 1970, excluding Manila.

b All the figures are for the full province, including the sub-province of Sequijor.

c LGC (1973).

d The figure for the Philippines as a whole comes from Tanco (1970:100). The other figures have been taken from BCS (1970:Table 2).

e BCS (1970:Table 10). Brick and wood are classified as strong while light building materials include nipa, bamboo and grass. 'Mixed' therefore refers to mixture of strong and light materials.

f JPS (1971:Table 5.8, p.49).

Table 1.2 compares Negros Oriental with the other provinces. In terms of its population and land area, the province ranked quite high, being the 16th and 18th largest province respectively, excluding Manila. Its population was actually one-third more than the national provincial average. In terms of population density, however, its rank was only just above that of the median province. In fact, it had almost exactly the same density as the median province and the same number of persons per square kilometre as the Philippines as a whole.

It is in terms of economic development that Negros Oriental differed significantly from most of the other provinces and the country as a whole. It was at the lower end of the spectrum with regard to the level of urbanization and the quality of housing. Evidently most of the inhabitants of the province were poorer than most other Filipinos, although the rich few, thanks perhaps to the sugar industry in the province, were equally capable of affording the luxury of owning and using motorized vehicles as their counterparts elsewhere.

Dumaguete, the provincial capital, is also the only really urban centre in the province. Its population of 52,000 in 1970 was significantly larger than those of the other two chartered cities in the province, Bais and Canlaon, which had 40,095 and 23,598 inhabitants respectively. Moreover, Dumaguete's larger population is concentrated in a much smaller area so that its density of 932 persons per square kilometre was more than six times that of either of the other two cities (LGC, 1973). In fact, Bais and Canlaon were really little more than rural market towns whose claim to city status was largely based on their relatively large revenues derived from their sugar refineries and the surrounding sugarcane plantations. Of the two, Bais, which is only about 80 km from Dumaguete, was certainly the more important. Made a city in 1968, it was the richest local government unit in Negros Oriental.

Aside from the three chartered cities and directly under the provincial government of Negros Oriental were twenty-two municipalities. As Table 1.3 shows, these units varied quite significantly both in population and land area. Tanjay and Bacong, the two municipalities chosen, represented the opposite ends of the spectrum. The former was generally regarded as the most progressive municipality, boasting not only of enjoying the greatest concentration of professionals and

Table 1.3

The municipalities of Negros Oriental:
their areas, populations and classifications

	Area (ha)	Population (1970)	Class (1973) ^a
Amlan	5,935	11,547	4th
Ayungon	15,363	23,165	4th
Bacong	2,500	12,065	5th
Basay	34,353	8,233	6th
Bayawan	96,024	44,615	3rd
Bindoy	17,368	18,334	4th
Dauin	11,406	13,533	4th
Guihulngan	33,767	72,969	1st (6)
Jimalalud	13,948	18,568	4th
La Libertad	13,964	29,693	3rd
Mabinay	14,257	33,785	4th
Manjuyod	26,459	20,545	4th
Pamplona	20,219	20,541	3rd
San Jose	5,444	8,840	5th
Sta Catalina	52,314	39,601	4th
Siaton	33,593	26,963	4th
Sibulan	16,299	16,861	4th
Tanjay	53,925	51,458	1st (5)
Tayasan	15,419	20,132	4th
Valencia	14,834	13,318	4th
Vallehermoso	15,294	20,418	4th
Zamboangita	8,554	11,385	4th
Total	521,239	536,569	

a On the basis of their average public revenues during the two preceding years, municipalities were classified into seven classes. First-class municipalities were further sub-divided into six grades. Thus Guihulngan and Tanjay were grade 6 and grade 5 first-class municipalities respectively.

Source: Provincial Statistical Office, Dumaguete City.

other highly educated individuals but also of being the most fertile breeding ground of such persons in the province. Although one of the oldest settlements in the area and the closest to Dumaguete, Bacong, on the other hand, was one of the most backward localities. Such contrast reflected dramatically different economic conditions. As indicated by its first-class status, Tanjay was actually the wealthiest township in Negros Oriental, while fifth-class Bacong was unquestionably one of the poorest municipalities.

Chapter 2

The provision of political goods

It is neither possible nor necessary to specify all the types of goods which should be regarded as public or political. Some political goods also seem to be better indicators than others of the extent of governmental performance and political development. The four political goods chosen for discussion below - public education, public health, justice and public security, and public transportation and communication - seem to be the most essential and indicative.

Public education

Of the three levels of education, the primary is most clearly political. Unlike secondary and tertiary education, primary education is necessarily, because of its nature, at least predominantly public. The degree of public monopoly in the provision of primary education is of course variable. In the Philippines, the government shares the responsibility with private, largely religious, initiative to a far greater extent than anywhere else in Southeast Asia. Nevertheless, basic education in the Philippines is still predominantly in the hands of the public authority.

In Negros Oriental as a whole, there were, for the 1972-73 school year, 507 public primary and elementary schools. Considering the province's land area of 5746 square kilometres, very few children of school-going age were thus likely to be out of school simply because of distance. Both in terms of the average teacher-student ratio and the average number of students per classroom, the provision of primary education in the province also seemed to be generally adequate. The 113,725 students going to these schools were taught by 3795 teachers in 3502 classrooms.

Rather unexpectedly, the performance of Dumaguete was no better than that of the province as a whole. For its 11 public primary and elementary schools, the city had 286

teachers teaching a total of 7988 students in 224 classrooms. This means that on the average there were only about 28 students for every teacher in the capital, as compared to 30 in the province generally. On the other hand, the city had to put 36 instead of 32 students in an average classroom.

Tanjay not surprisingly outperformed both the province and the capital city. For its 8547 students, the municipality had 25 schools, 334 teachers and 276 classrooms, making the average numbers of students per teacher and per classroom only about 26 and 31 respectively. In spite of its low level of economic development, Bacong, with 93 teachers for its 2336 students, had an even lower student-teacher ratio of 25 to one. Since it had only 9 schools containing a total of only 54 classrooms, however, it was forced to crowd an average of 43 students in each classroom.

The discrepancy between Bacong's and Tanjay's relative student-teacher ratios on the one hand and their relative economic positions on the other reflects the fact that, as municipal teachers are directly and entirely paid by the central government, the number of teachers in a municipality is not dependent on the economic capability of that municipality. The case is only a bit different for a city. Although the central Ministry of Education was still fully in charge of a city's primary and elementary schools, the city government was required to contribute to the payment of some of its teachers. Hence, Dumaguete was financially responsible for about a quarter of the city teachers in the 1972-73 school year. School buildings and classrooms in the municipalities as well as cities were also mostly the responsibility of the central government. For this reason, their quality was also a poor indicator of the level of economic prosperity in these localities. While 77 per cent of the classrooms in Bacong were of permanent or semi-permanent construction, only 64 per cent of those in Tanjay were. The greater crowding in Bacong's schools may simply reflect the much greater population density in the municipality.

The dominant role of the central Ministry of Education clearly prevented blatant educational disparities among the cities and municipalities. Nevertheless, there were significant, albeit subtle, qualitative differences. It was a generally accepted fact that schools in the cities and the richer municipalities had the best teachers. Since unqualified teachers were generally classified as provisional, it is

revealing to note the percentages of such teachers. In Bacong, almost half of the teachers were provisional. Although the exact figure was not available for Tanjay, the percentage appeared to be much lower there. In Dumaguete, the provisional teachers accounted for less than 13 per cent of the teaching staff in the primary and elementary schools. In areas where local financial responsibility was involved, disparities were also notable. Tanjay's schools appeared to be much better maintained, for example, than those in Bacong. Facilities such as libraries and workshops were comparable in number in the two municipalities; to Bacong's three libraries and five industrial arts and home economics workshops Tanjay had five and twelve respectively. These facilities, however, were noticeably better equipped and managed in the latter, richer township.

Public health

The most obvious aspect of public health is of course the availability of health-care facilities and personnel. In addition, the provision of public health must include two other aspects. Aside from programs of disease prevention and control, there must exist facilities for public sanitation, notably the means of waste disposal and the sources of safe drinking water.

In the entire province of Negros Oriental, there were (July 1973) only three public hospitals. The main provincial hospital, located in Dumaguete, served as the central unit to which all serious medical cases were referred from all over the province. With a capacity of 125 beds, it was served by 18 doctors and 45 nurses and other qualified medical personnel. As a full general hospital, it was equipped with departments of surgery, obstetrics and gynaecology, and pediatrics, and provided dietary, laboratory, x-ray, dental, nursing and dispensary services. The two other public hospitals, located at the opposite ends of the province - at Bayawan and Guihulngan - were much smaller branches of the central unit. In addition to these three hospitals and a provincial TB control centre in Dumaguete, there were in the whole province outside the cities 48 public clinics and *barrio* health-centres served by a total of 23 doctors, 7 dentists, 26 nurses, 49 midwives and 35 sanitary inspectors. Assuming a rate of population increase of 3 per cent a year, since the last census of 1970, there were in 1973, therefore, about 20,000 and 7700 rural inhabitants respectively for each public doctor/dentist and each nurse/midwife in the province.

Unfortunately province-wide data on the two other aspects of public health specified above were not readily obtainable. The following information for Dumaguete, Tanjay and Bacang should, however, be sufficiently indicative of the situation in the province as a whole. In fact, only a closer look at the conditions in the smaller units could give an adequate description of the extent to which this political good was being provided.

Dumaguete had only two doctors, one of whom also acted as the city health officer. Although the position was provided for in the 1972-73 budget, there was at that time no public dentist in the city. In addition to the two physicians, there were three nurses and four midwives serving the city's one general clinic and a puericulture (baby-care) unit in the *poblacion* or city-centre and 13 *barrio* health centres. These *barrio* centres were very modest affairs, each run by a midwife who visited it about once a week. Even the general clinic was rather unimpressive. Sharing a two-storey building with the offices of the city assessor, city auditor, city fiscal and city judge, it dispensed its varied services from three small rooms, one of which also served as the administrative office of the health officer. Aside from the shortage of personnel, there was an openly admitted inadequacy of equipment and medicine. The latter was supposed to be dispensed free of charge but very often was simply unavailable. According to the records in the office of the health officer, the city's health service received less than US\$1500 worth of medicine annually for the 1970-71 and 1971-72 fiscal years.

The two public disease prevention and control programs which appeared to be actually operational in the city were the anti-malaria drive and the vaccination against tuberculosis, small-pox, diphtheria and cholera. Primarily directed toward school children, the immunization service was also readily available to the general public and was claimed to be well-prepared to meet emergency outbreaks of these apparently still prevalent diseases. Other programs seemed to be inactive largely as the result of their dependence on outside sources of funding. The medicine for the control of tuberculosis, for example, was provided entirely by Manila which in turn was partly dependent on the UNICEF. The UN agency was also the source of funding for a short-lived experimental program in the public schools which benefited only thirty pupils for three months.

Except for a section of the *poblacion*, Dumaguete completely lacked a public sewage disposal system. Indeed, the city was badly in need of adequate drainage. Interestingly, much of the drainage along the main thoroughfare in the centre of the city had been built not by the city government but by the competing Lions and Rotary clubs. To clean its streets, parks, public market and slaughterhouse, and to collect its refuse, the city employed a total of 21 sweepers and 18 garbage collectors.

The unavailability of suitable drinking water was often directly related to improper waste disposal and was a serious threat to public health. In Dumaguete, only the *poblacion* and parts of some *barrios* along the main streets were served with piped water from the city's waterworks. According to the Waterworks Department, there were in total only 2061 water connections in the entire city. Apparently no improvement in the waterworks system had been made since 1960 when the census revealed that of the city's 5657 occupied dwelling units, only 3202 were provided with piped water (Bureau of the Census and Statistics, 1960). It was also found then that of the remaining dwellings, only 407 were supplied with drinking water from artesian wells.

In terms of health-care facilities and personnel, Tanjay and Bacong were comparable to the provincial capital. Indeed, Tanjay had one more general clinic than Dumaguete and the same number of doctors, nurses and midwives. For its 15 *barrios*, however, the municipality had only one *barrio* health centre. In Bacong, one clinic and one *barrio* health centre were served by one doctor, two midwives and one nurse. As in Dumaguete, the most urgent need in these two municipalities was for more adequate equipment and medicine. Bacong's clinic, for example, did not have a microscope and was equipped only with a small refrigerator for the storage of vaccines. Under this circumstance, the clinics, let alone the *barrio* centres, were only capable of attending to very minor medical needs.

Both Tanjay and Bacong also seemed to have a functioning immunization program for the school children and the general public. Aside from this, the only other disease prevention service giving an impression of being at all available was malaria control. The other programs concerned with the control of venereal diseases, leprosy, yaws, tuberculosis, etc. were often mentioned but appeared to be inactive.

Neither municipality was served by a public sewerage system or adequate drainage. It is noteworthy, however, that both localities had actively participated in the nation-wide water-sealed toilet construction campaign, claiming almost total success in eliminating the use of less desirable facilities. Unfortunately, the inadequacy of reliable drinking water was an acute problem in the municipalities. In Bacong, a decrepit waterworks system laid out in 1926 was serving only 42 per cent of the population living in twelve of the twenty two *barrios*. With another 40 per cent of the population served by artesian wells, the township contained five *barrios* with 18 per cent of the population lacking any dependable source of clean drinking water. In addition to the town centre, only two *barrios* in Tanjay were supplied with water from the waterworks. Of the other twelve *barrios*, only three could depend entirely on the relatively safe artesian wells. One *barrio* simply had no adequate water supply.

Like public education, public health was to a great extent the responsibility of the central government. All the medicines and medical equipment and supplies for the city and municipal clinics and health centres came directly and indirectly from Manila. In the case of the municipalities, almost all the medical salaries also came from the same source. Aside from having some of its medical personnel paid by Manila, the province was also dependent on the central government for part of the operating cost of the provincial hospitals. Programs for the prevention and control of public and communicable diseases were in large measure run by the various agencies of the central Ministry of Health. Finally, the assistance of the central government was required to provide the infrastructure of public sanitation.

As in the case of public education, the major role assumed by the central government had undoubtedly insured a rough equality in the level of the provision of public health in the province. However, this involvement had not been successful in the achievement of a comparable standard of adequacy. As reflected in the data presented above, the provision of public health in Negros Oriental was relatively much less satisfactory than that of public primary and elementary education. The continuing prevalence of such diseases as cholera and tuberculosis underscored the general dirtiness of the cities and municipal centres. In this generally arid region, the inadequacy of the public waterworks systems posed not only a serious hazard to public health but

also caused a real hardship to a substantial segment of the population. One reason for this state of affairs was the obviously greater complexity of issues and needs connected with public health in comparison with those of education. The more numerous and the more varied problems required relatively greater capability on the part of the local governments themselves, not only in terms of administrative co-ordination but also with regard to supplementary funding.

Justice and public security

The resolution of conflicts has long been considered the central concern of politics. It has also become part of the folklore of politics that at the heart of any successful conflict resolution is the vindication of the sense of justice. Hence, the administration of justice has always been one of the most crucial political goods. Closely related to and almost inseparable from the promotion of justice is the maintenance of security. As justice would be of little value without security, security without justice is a farce. The difficulty is to measure the extent of the availability of either of these elusive goods. In the absence of more satisfactory means of evaluation, the following discussion has to confine itself to the conventional indicators: the judiciary and the police.

The two Negros provinces constituted one of the sixteen judicial districts into which the Philippines was divided. In Negros Oriental, the Court of the First Instance, the highest court in each judicial district, organized itself for convenience into five branches. Located permanently in Dumaguete, three branches covered both the cities of Dumaguete and Bais as well as eleven municipalities closest to the provincial capital. The two other branches, recently established, were temporarily operating from Dumaguete in the absence of suitable court houses in their respective areas in the opposite ends of the province. In addition, there was also in Dumaguete the provincial Court of Agrarian Relations. Underneath the CFI were the city and municipal courts which were found in all cities and municipalities. In total, the province was served by six provincial, four city and twenty-one municipal judges. While the cities of Bais and Canlaon had only one judge each, the provincial capital had an extra judge for its special criminal, juvenile and domestic relations court. There were twenty-two municipalities and municipal courts but Bacong and Dauin shared the services of a single judge.

The set-up of the Court of the First Instance was paralleled to some extent by the organization of the office of the provincial fiscal or attorney. In addition to the chief fiscal, there were seven assistant provincial fiscals assigned to the different branches of the CFI. However, while all the cities and municipalities, except Bacong and Dauin, were provided with their own judges, only the cities had the special services of the prosecuting attorneys. In the municipalities, some of the duties of the public prosecutors were performed by the chiefs of police.

In terms of the number of courts, the people of the province seemed to be well provided for. The provincial judicial service suffered, however, from two major deficiencies. A main complaint of the judges and the fiscals was the inadequacy of the supporting personnel. To assist the branches, there was a central CFI clerk-of-court office in Dumaguete which, in addition to the clerk-of-court and his deputy, only employed three clerks and a process server. At each CFI branch the judge was assisted by a branch clerk-of-court, an interpreter (to translate English as the language of the court into the local dialect and vice versa), and two or three stenographers. In addition, two branches also employed a bailiff and two ordinary clerks each. Aside from the chief clerk, the office of the provincial attorney was staffed only by three stenographers and two clerks. The other major source of difficulty was the shortage of equipment (e.g. typewriters) and supplies. Interestingly, an almost invariable source of dissatisfaction was the lack of law books for reference.

In view of these inadequacies, it is not surprising that there was a substantial backlog. The judges estimated that while there were about eighty cases filed in the five branches of the CFI every month, only about three-quarters of them could be disposed of. One branch judge admitted that he had 224 cases pending in his court alone.

With two courts and a prosecutor's office of their own, the people of Dumaguete probably enjoyed the best judicial service in the province. In terms of personnel, the city's courts and attorney's office were comparable to any of the CFI branches and the office of the provincial fiscal. Each of the two city judges was assisted by a clerk-of-court and a stenographer. Additionally, the regular court had an interpreter while the criminal, juvenile and domestic relations court employed another stenographer. Assisting the city

fiscal were three assistant prosecutors, two clerks and a stenographer. An obvious problem faced by the city's courts was a lack of office and courtroom space. As has been noted earlier, the city court shared a building not only with the office of the fiscal but also with the city health office cum clinic as well as the offices of the city assessor and auditor. The criminal, juvenile and domestic relations court had its personnel tucked into a small room at the city hall between the mayor's office and the office of the city council, and used the latter's assembly hall as its courtroom.

On the average, it is estimated that about 450 cases a year were filed in Dumaguete's two courts. Although no firm official estimate of the volume of the backlog was obtainable, it seemed that only a rather small number of cases were added to it every year. The last available official report revealed that at the end of 1970, just before the establishment of the special criminal, juvenile and domestic relations court, the backlog covered 285 cases (*Negros Express*, 9/1/71:1).

More indicative of the level of the provision of judicial service in the province was the performance of the judiciary in Bacong and Tanjay. Besides the judge whom it shared with the neighbouring municipality of Dauin, Bacong was completely lacking in judicial personnel. Available only one morning and one afternoon a week and admittedly without law books for reference, the judge single-handedly received four to five cases a month and succeeded in disposing three to four cases. In Tanjay, where about twenty cases were filed monthly, a full-time judge and a clerk were able to handle about three-fourths of the load.

Being a purely local service, the police had no provincial structure. Instead, the Negros Oriental constabulary (military) command also exercised supervision over the separate city and municipal police forces which were seriously deficient both in personnel and equipment. Although the provincial commander was unwilling to provide an accurate count of the number of policemen available in the province, he was quite emphatic in declaring the service to be undermanned. Making a similar observation, a newspaper report in May 1972 additionally alleged that the police forces in the province lacked not only adequate means to control illegal fishing and smuggling and 'to repel pirate raids' but also ammunitions for side-arms (*Negros Examiner*, 31/5/72:1).

The Dumaguete police department clearly illustrated these deficiencies. With a total of seventy-five men and officers, the force was actually limiting its attention almost exclusively to the *poblacion*. The department estimated that, to extend its protection to the *barrios*, it would have to expand by at least two-thirds of its present strength. Owing to this lack of personnel, the force was also doing without any special service either for traffic control or detection. Even with its current establishment, the department lacked an adequate supply of equipment; it was revealed, for instance, that the current seventy-five members of the force had to share fifty-nine pieces of sidearms.

Tanjay's police department was somewhat more adequate. Besides operating two *barrio* sub-stations, it maintained special traffic and detection sections. With only forty-three men and six officers, however, the force could not really carry out these services very effectively, particularly in view of the fact that it also ran the fire department. Understandably, the chief insisted that he needed at least eight more men. In possession of only thirty-six sidearms, three rifles and two sub-machineguns, the department was also in need of more weapons.

In addition to the chief, Bacong's police force consisted only of one private first class, one fully qualified patrolman and six other men. Even fully armed, such a small contingent would still not be able to provide minimally satisfactory police protection much beyond the *poblacion*. In fact, the force was only equipped with one sub-machinegun borrowed from the provincial constabulary, one shot-gun and three revolvers. Fortunately the members of the force did not have to double as firemen.

The data presented above should suffice to illustrate the generally unsatisfactory extent of the provision of justice and security in the province. Moreover, they tend to indicate that between these two political goods, the latter was somewhat scarcer than the former which also seemed to be more evenly distributed, at least among the municipalities. This finding strengthened the earlier impression that both the degree of availability of the political goods and the evenness of their distribution were determined by the extent of the role of the central government in their provision. All the provincial and municipal judges and all the supporting personnel of the CFI and the municipal courts were paid entirely by the central

Ministry of Justice. With regard to Dumaguete, one-quarter of the salaries of the two judges and almost all the salaries of the supporting personnel of the city courts came from Manila. Additionally, the central government was also responsible for nearly two thirds of the salaries of the four city fiscals. In contrast, the police forces had to depend almost entirely on the financial resources of their cities and municipalities. An additional indication of the inability of the local governments to meet their responsibility was the fact that all the three police departments in Dumaguete, Tanjay and Bacong had been paying their men and officers less than the national rates. For the sake of uniformity, the Police Commission which established these rates had agreed to make up the differences, but in the last three years since the promise was made the underpaid policemen of Negros Oriental had only received a couple of months' worth of subsidy.

Public transportation and communication

Roads are the basic means of public transportation and communication. As elsewhere in the Philippines, there were five types of roads in Negros Oriental, depending, theoretically, on the sources of funds for their construction and maintenance. The most important highways were either national highways or the national-provincial roads. The major secondary roads linking as well as within the various municipalities were generally classified as provincial roads. While most streets in the cities were city streets, the main thoroughfares were likely to be national. Municipal roads referred to the small secondary and tertiary roads confined within the municipalities.

Excluding the city streets, there were in the whole of Negros Oriental 1370 kilometres of roads. Of these, 364 km were national-provincial highways, while the provincial and municipal roads measured 847 and 159 km in length respectively. With a non-city population of around 580,000, the province was therefore providing only about 2.4 metres of road per inhabitant outside the cities. In terms of area, the ratio was about 262 metres of road every square kilometre. Revealing as these figures are, they still neglect the very important consideration of quality. While 17.8 per cent of the road network was hard-surfaced, mostly with asphalt, the rest was almost exactly divided between stretches of gravel and dirt. Even with the inclusion of the gravel-surfaced portions of

the network, then, the province was served at most by a total of 828 km of dependable roads. Hence it may be more relevant to say that the province was currently endowed with only 1.4 m of rural road per inhabitant, or 158 m for every square kilometre.

The road networks in Bacong and Tanjay provided a vivid illustration of these aggregate data. In Bacong, there were 8.5 and 10.9 km of regularly maintained provincial and municipal roads respectively. Of these, only 2.2 km of municipal road around the town hall were asphalted, while gravel surface covered a total of 3.2 km. In other words, only slightly more than one-fourth of the municipality's road network of 19.4 km could be considered adequate. Tanjay's road system was equally unsatisfactory. Although all the roads in the township were either asphalted or gravel-surfaced, the regularly maintained network only stretched 19 km. Considering the fact that Tanjay's area was more than twenty times that of Bacong, the latter's system could actually be regarded as more adequate. To Bacong's 1.3 m of dependable road per square kilometre, Tanjay only provided 0.35 m. In per capita terms, the two municipalities were about equal, providing a mere 0.25 and 0.34 m respectively. In view of these figures for Tanjay, it is very understandable why its mayor emphatically stated the need for additional feeder roads linking the *barrios* as the most urgent requirement of his municipality.

It is only reasonable to expect that the provision of roads in the provincial capital was better than outside. Of a total of 74.5 km of roads in Dumaguete, 46.4 km were asphalted and 6.2 km surfaced with gravel. On the basis of its estimated current population of 54,000, the city was therefore providing a little bit less than one metre of well-surfaced road per inhabitant, significantly less than the outside. The proportion of asphalted roads was of course much higher in the city. Furthermore, in terms of area, Dumaguete had an average of about 942 m of road in one square kilometre or was six times as well-off as most of the rest of the province.

While it is difficult to measure the level of adequacy of roads in Negros Oriental in either absolute or comparative terms, it is undeniable that there was a general dissatisfaction, even among the local officials, with the availability of this political good. One clear indication of the inadequacy of the road network in the province was the very small

proportion of it which was weatherproof. As has been noted above, less than one-fifth of the system was asphalted. On the other hand, for more than twice as long it was without any hard surfacing at all and was thus completely subject to the destructiveness of the weather. This fact is particularly significant in view of a very inadequate maintenance. According to the office of the provincial engineer, only 42 per cent of the provincial road network, covering 353 km, was regularly maintained; the rest (156 km gravel and 337 km dirt) was simply neglected in the absence of any maintenance fund allocated to it.

Since the construction and maintenance of roads represented large, bulky expenditures, they dramatically revealed the financial weakness of the local governments. National roads were of course completely the responsibility of the national government. In the case of the national-provincial roads and most of the city streets, the formal arrangement was that the central government only provided the counterpart amounts for their construction and upkeep. In practice, the provincial and city governments expended much less. During the 1971-72 fiscal year, for example, the province and Dumaguete put up only 21 and 12 per cent of the total amounts respectively. For the period up to March 1973, that is for the first nine months of the 1972-73 fiscal year, the central government paid out 402,598 pesos to the province and 290,591 pesos to Dumaguete or 77 and 100 per cent of the respective sum expended. Even the expenditure for the provincial roads and some city streets which were supposed to be purely local funds did in fact come largely from Manila, in the form of various tax allotments. Unlike the province and the cities, the municipalities maintained only a single bridge and road fund into which the central government also contributed heavily. Indeed, the municipalities collectively received a far greater amount of subsidy than they themselves put up. In the 1971-72 fiscal year, the ratio between the total national aid and the collective allocation by the municipalities was almost four to one. For the first nine months of 1972-73, the national government had contributed more than 95 per cent of the amount already spent on the municipal roads and bridges.

Summary

Of all the political goods discussed above, public primary and elementary education seemed to be the most amply provided in Negros Oriental. Considering that education had been

given greater emphasis in the Philippines than perhaps anywhere else in Southeast Asia, this fact is not surprising. Nevertheless, it does not alter the general impression that the level of the provision of political goods and hence the level of political development in the province was still very low. Such an impression seemed to be widely shared by both government officials and ordinary citizens in the province. A great deal of dissatisfaction was heard about the lack of medical and sanitary services, the unreliability of the police, the expensiveness and immobilism of the courts, and the inadequacy of the road network. Even the schools did not escape criticism for their lack of teachers and facilities. Indeed, the public primary and elementary schools were almost universally regarded as inferior to those run by the private, mostly religious, bodies. The ready availability of the latter to the more well-off members of the communities might perhaps be a significant reason why the dissatisfaction with this political good appeared to be less vocal than with the others.

The above data also suggest that the greater the participation of the central government in their provision, the greater the availability of the political goods and the more even their distribution among the localities. Hence, the police, being most dependent on local resources, was also the least adequate. The variation, however, is not large. Both the medical and judicial services, which were largely financed by the central government, were not very significantly more satisfactory. The fact of the matter is that the local governments were very heavily dependent on Manila. Without a very substantial participation by the national government, the local communities simply lacked the means to provide the essential political goods. At the same time, the central government was not providing really adequate assistance for their provision.

This dilemma had given rise to much controversy. On the one hand, it had been argued that the very weakness of the local authorities was the direct consequence of too much centralization. One contention was that the central government had simply milked the local communities dry. A more sophisticated assertion was that the long history of extreme centralization in the Philippines had smothered local initiative and nourished the habit of dependency. As the result, the local communities lacked both the capacity and the will to stand on their own feet. In support of centralization, it had been argued that only the central government agencies,

being less subject to local pressures, could effectively mobilize local resources and provide the services efficiently. In line with the above data, it had often been pointed out that centralization prevented blatant disparities among the local units. Most recently, it had been implied that it is simply too difficult, if not impossible, for the local communities, either directly through their own efforts or with the assistance of the national agencies, to be self-supporting. The implicit assumption was that economic development could best be stimulated through the nourishment of selective growth centres and sectors of the economy. Centralization was needed not only to co-ordinate such points but also to distribute the resulting gains fairly.

The present study does not intend to enter into all the aspects of the controversy. Rather, it is hoped that it helps to facilitate the debate by establishing the common points of departure. One of the most crucial of these concerns the actual level of the mobilization of resources in the localities. Is it true, as the opponents of centralization often claimed, that the total amount of resources collected in the local communities exceeded the total expenditures within them by both the national agencies and their own governments? In other words, did the central government live off the fat of the local units? Or, on the contrary, was the centre actually supporting the periphery, as some centralists had maintained? The conventional centralization versus decentralization debate does not directly deal with these questions and this largely skirts around the issue. The central problem is whether the resources being mobilized in the local communities, either by themselves or through the national agencies, are sufficient to provide the essential political goods adequately. To clarify this point with regard to Negroes Oriental is the task of the following two chapters.

Chapter 3

The mobilization of resources

Usually, the debate between the centralists and the decentralists merely revolves around the division of responsibility between the central government and the local authorities. In terms of resources, the issue in the debate is the extent to which either side should exercise authority in the mobilization and expenditure of resources within the local communities. This seems to be a secondary problem. While decentralization may be desirable in any case, it may simply be impossible unless the local authorities are capable of being self-supporting. Of greater importance are the actual amounts of resources being mobilized and spent in the localities by both the national government and the local authorities themselves. This chapter will first discuss resource mobilization.

Bacong and Tanjay municipalities

The two major sources of revenue able to be mobilized by the municipal governments were the real property taxes and the municipal licences. The former, levied at the maximum rate of 3 per cent of the assessed values of lands and buildings, were divided into two components: the basic tax and the one per cent contribution to the special education fund. Only 45 per cent of the revenue from the basic component was retained by the municipality while an equal portion was forwarded to the province and 10 per cent was returned to the *barríos*. Imposed only on properties valued in excess of ₱3000 (about US\$450 in the middle of 1973), the special education levy was meant to help the municipal government meet the expenditures for the construction and repair of elementary school buildings, salary adjustments for teachers, the purchase and repair of laboratory equipment and teaching aids, scholarships, etc. Half of the collection remained with the municipality while the province and the central government received 20 per cent and 30 per cent respectively. The municipal licences were collected as fixed fees from all

kinds of occupation or business conducted in the municipality.

For the period from July 1971 to June 1972, i.e. the 1971-72 fiscal year, Bacong mobilized a total of ₱13,113 from the basic real property tax, ₱718 for the special education fund, and ₱7043 in licences. A much richer municipality, Tanjay, collected ₱113,783, ₱83,918 and ₱36,738. Evidently the property owners of Bacong were much poorer than those of Tanjay; most of their real estate was too small to require them to pay the special educational levy.

Aside from the property taxes and licences, the municipalities drew their revenues from three other sources. In addition to permits, fees and charges such as for building, documentary and other services of the municipal secretary, mining claims, cattle registration, fishing, marriage licences, and the impounding of stray animals, the municipal governments derived incidental income from rents, penalties, and interests on bank deposits. Finally, they received the proceeds of the operation of such public facilities as markets, slaughterhouses, waterworks, power stations, transportation systems and cemeteries. In both Bacong and Tanjay, as in all the other municipalities, the incidental revenues were significantly less than the incomes from the public utilities. Again for the 1971-72 fiscal year, the two municipalities received ₱2553 and ₱20,263 respectively of the former. At the same time, they derived ₱7174 and ₱123,672 respectively from the latter source. It is noteworthy that while fees for cattle registration and fishing were the main sources of the incidental revenues, markets, slaughterhouses and waterworks constituted the primary utilities in the province. In municipalities where it was provided, electricity from public power stations also brought in significant revenues. But only six of the twenty-two municipalities operated these stations and neither Bacong nor Tanjay was among them.

As in other countries, the Bureau of Internal Revenue was the main resource-mobilizing agency of the central government in the Philippines. In the municipalities the BIR agents were actually the only mobilizers of public revenues aside from the local officials. On paper, these agents were responsible for collecting a long list of taxes and charges, including business and professional licence fees, business and non-business income, estate and residence taxes, levies on forest products and franchise, and documentary, excise and other stamp duties. In actuality, particularly in the

poorer municipalities, their responsibility was rather light as only a few of these taxes were in fact yielding substantial revenues. In Bacong, for example, the total BIR collection during 1971-72 amounted to only ₱8255 or less than US\$1500. Almost 94 per cent of this amount was derived from just three sources - business licences, non-business income tax, and residence certificates - which contributed ₱4270, ₱2060 and ₱1422 respectively. Tanjay, being a much richer municipality, not only offered more lucrative but also a greater number of active revenue sources. In the same fiscal year, the municipality yielded the remarkable sum of ₱1,517,833 or about 184 times the BIR revenue in Bacong. In addition to the three sources also active in Bacong, the BIR in Tanjay was able to tap business income and franchise, which produced ₱688,704 and ₱7851 respectively. The largest source of revenue was the non-business income tax which yielded ₱713,925. While ₱40,400 was derived from business licences, the residence certificates brought in ₱16,333.

Quite clearly business, mostly in sugar production, was the backbone of Tanjay's much stronger economy. In Bacong, income from business yielded only the negligible sum of ₱106 to the BIR or 0.015 per cent of the revenue from the same source in Tanjay. In total, direct business contribution, in licence fees and income taxes, in the latter municipality was 167 times that in the former. Tanjay's claim to being the professional and intellectual centre of the province seemed to be borne out by the size of its BIR revenue from the occupational/professional licences. To Bacong's ₱240, Tanjay produced ₱3986 or almost seventeen times as much from this source.

Summarizing the results of the mobilizational efforts of both the local governments and the BIR, Table 3.1 dramatically contrasts the economic fortunes of the two municipalities. Since Tanjay's population was only about 4.3 times that of Bacong's, it may be said that the former was more than eleven times as rich as the latter. In per capita terms, while the people of Tanjay contributed almost ₱36 in 1971-72, the Bacongites were only able to provide just over ₱3. The disparity was significantly less but nevertheless still substantial when only the amounts mobilized by the local governments themselves are compared. On the average, the inhabitants of Tanjay surrendered ₱7.10 each to their municipal government while those of Bacong contributed only ₱2.46 or about one-third as much. Though tempting, it is not possible at this

point to estimate the extent to which this contrast is indicative of the relative mobilizational capabilities of the two municipal governments.

Table 3.1

Mobilized resources in Bacong and Tanjay
during 1971-71 (in pesos, rounded)

Mobilizer	Bacong	Tanjay
I. Municipal government		
1. property tax	13,831	197,701
2. municipal licence	7,043	36,738
3. incidental	2,553	20,263
4. operations	<u>7,174</u>	<u>123,672</u>
Total	<u>30,601</u>	<u>378,374</u>
II. BIR		
1. business licence	4,270	40,400
2. occu. licence	240	3,986
3. business income tax	106	688,704
4. non-business income	2,060	713,924
5. franchise tax	-	7,851
6. residence tax	1,422	16,333
7. others	<u>157</u>	<u>46,635</u>
Total	<u>8,256</u>	<u>1,517,833</u>
Grand total	<u>38,857</u>	<u>1,896,207</u>

No less dramatically, the table also reveals the sharp contrast between Bacong and Tanjay in terms of the relative amounts collected by their own governments and the BIR. While 79 per cent of the total amount mobilized in the former municipality was the result of its own effort, almost exactly the reverse (80 per cent) was true in the latter. This suggests that the richer municipality the greater, both absolutely and relatively, the proportion of the total mobilized amount collected in it on behalf of the central government.

The province as a whole

Table 3.2 summarizes all the revenues mobilized in all the municipalities in Negros Oriental, including Bacong and Tanjay. From the table it is clear that Tanjay was by far the largest producer of revenues in the province, although per capita its much smaller neighbour, Pamplona, was a bit ahead. With the possible exception of Basay, Bacong was the poorest municipality. As Table 3.1 has already suggested, it is true that the richer the municipality the greater the proportion of the BIR collection. Except for Amlan, all the municipalities with a per capita mobilization of more than 6 pesos yield more to the BIR than to their own governments. The main reason for this is that most of these municipalities were rich primarily because of the presence of the sugar industry within their boundaries. Since this industry was concentrated and rather capital intensive, it offered a convenient source of revenue to the BIR. For the same reason, the higher per capita amounts mobilized in these municipalities did not really indicate equally higher levels of general prosperity which constituted the basis of local mobilization.

As the provincial government did not have a special territory of its own, it lacked any major source of revenue it could mobilize itself. Hence, for the 1971-72 fiscal year, it collected a total of only ₱155,130 in incidental revenues. This amounted to only a little bit more than one-twentieth of the current receipts in the province's general fund budget. The rest came as contributions from the municipalities, cities and the national government.

While the BIR operated in the cities and the municipalities, two central government agencies mobilized revenues province-wide. By far the most important of these was the Motor Vehicles Office and Land Transportation Commission which during 1971-72 collected ₱1,054,961, mostly in registration and licence fees. This amount included, however, an estimated collection of ₱300,000 for the city of Dumaguete which, being the provincial capital, did not have a special MV/LTC office of its own like the other two cities. The other mobilizing agency of the central government, the office of the Registrar of Deeds, earned only ₱147,189 for the same period. Finally, although not a specifically revenue collecting agency, the Court of the First Instance brought in the small amount of ₱12,346 in fees.

Table 3.2

Mobilized resources in the municipalities of
Negros Oriental during 1971-72
(in pesos, rounded)

Municipalities	Own mobi- lization	BIR	Total	Per capita ^a
Amlan	83,776	80,603	164,379	13.8
Ayungon	48,003	215,935	263,938	10.7
Bacong	30,601	8,256 ^b	38,857	3.1
Basay	14,294	-	-	-
Bayawan	194,134	77,173	271,307	5.9
Bindoy	72,769	154,052	226,821	12.0
Dauin	44,094	8,502	52,296	3.8
Guihulngan	217,018	260,497	477,515	6.4
Jimalalud	51,265	18,692	69,957	3.7
La Libertad	89,436 ^c	26,609	116,045	3.9
Mabinay	95,690	184,076	279,766	8.0
Manjuyod	80,800	344,611	425,411	20.1
Pamplona	83,062	717,852	800,918	37.9
San Jose	29,698	47,399	77,097	8.5
St Catalina	70,706	418,600	489,306	12.0
Siaton	66,190	36,920	103,110	3.7
Sibulan	90,914	188,289	279,203	16.1
Tanjay	376,374	1,517,833	1,894,207	35.7
Tayasan	61,494	25,108	86,602	4.2
Valencia	45,320	30,889	76,209	5.6
Vallehermoso	55,756	186,370	242,126	11.5
Zamboangita	57,919	8,253	66,172	5.6
Total	1,959,313	4,556,569	6,515,882	

a On the basis of estimates of 1971 population, calculated as being 3 per cent more than those of 1970 census.

b Became a separate municipality from Bayawan only in January 1972. Hence, BIR collection is still credited to Bayawan.

c This figure is for 1970-71 since data for 1971-72 were not available. According to the office of the provincial treasurer, the municipal treasurer disappeared with the monies and the records.

In total, then, ₱7,585,508 was mobilized in the province of Negros Oriental proper. Table 3.3 details the amounts from the different sources.

Table 3.3

Resource mobilization in Negros Oriental,
excluding the cities, 1971-72
(in pesos, rounded)

Mobilizer	Amount mobilized
Municipal governments	1,959,313
Provincial government	155,130
BIR	4,556,569
MVO/LTC	754,961
Registrar of Deeds	147,189
CFI	<u>12,346</u>
Total	7,585,508

The city of Dumaguete

Philippine chartered cities occupied an interesting position in the administrative system. Territorially part of their provinces, they were nevertheless of the same administrative status as the provinces and were almost completely independent of them. By virtue of their special character, the cities enjoyed several financial privileges as compared to the municipalities. They were allowed not only to exploit more sources of revenue, but also to retain greater portions of the results of their mobilizational efforts. Like a municipality, a city derived a large portion of its total self-mobilized revenue from the real property tax and the municipal licences. Furthermore, as in a municipality, the former was divided into the basic tax and the special education levy. However, while only 45 per cent of the basic component was retained by the municipality, the city had to give up only the 10 per cent *barrio* share. Instead of only 50 per cent, the city retained 60 per cent of the extra education tax, surrendering all the rest to the

national treasury. In addition to the fixed occupation and business licence fees, the municipal licences in the cities also included a sales tax levied at the rate of one per cent on all items except grains, meats and drugs which carried only a 0.5 per cent surcharge. Substantial sources of taxation revenue available in the cities but not in the municipalities included the amusement and liquor taxes, and charges on bulk storage.

In Dumaguete, the municipal licences which constituted the largest source of the city's taxation revenue produced a total of ₱628,309 in 1971-72. During the same period, the city collected ₱362,191 in real property taxes, ₱11,103 in amusement and liquor taxes, ₱35,402 in parking fees, and ₱51,563 in storage tax on copra and gasoline. All in all, the city's revenue from these plus one other small source amounted to ₱1,089,754 in 1971-72.

Besides those available in Bacong and Tanjay, Dumaguete was able to top other sources of incidental income including high school tuition fees, sanitary and industrial safety inspection charges, stockyard fees, and court collections. Altogether, this component of the city revenue came to ₱165,457. As in Bacong and Tanjay, the receipts from the operation of the public markets, the slaughterhouse and the waterworks were contributing very substantially to the city's treasury. They totalled ₱467,574 in the same period.

The BIR remained the most important resource mobilizing agency of the central government in the cities. In Dumaguete, the BIR collections for 1971-72 added up to a total of ₱1,771,938. Of this amount, the combined taxes on the business and non-business incomes contributed ₱674,674 while the business and occupation licences, franchise, resident and transfer taxes, and charges on forest products made up another ₱971,430. Interestingly, the three largest corporations in the city - the branches of the Philippine National Bank, a brewery and a copra exporting firm - paid almost 40 per cent of the income taxes.

Being the central port of the province as well as its capital, Dumaguete provided the national Port and Customs Authority with a substantial amount of revenue from wharfage charges and customs duties. In 1971-72, the total collections from these two sources amounted to ₱846,027 or just a bit less than half the total BIR collection. It may be noted that the port and customs agency in Dumaguete was a district

office in charge of all the ports in Negros Oriental as well as one port in Negros Occidental. Unfortunately, it was too difficult to itemize the collections at these different ports. Since the ports in the province other than the one at Bais City were rather small, the failure to include their revenues in the total mobilized resources of the province proper should not be very significant. At any rate, the above figures do represent the collections for Dumaguete alone.

As has been noted above, there is no special motor vehicle and land transportation office in Dumaguete. The ₱300,000 deducted as the city's share of the total collection by the MVO/LTC for the entire province has been estimated as roughly twice the amount collected in Bais. The last and the smallest source of central government revenue in Dumaguete is the registration of deeds which in 1971-72 took in ₱29,214.

In summary, Table 3.4 shows that a total of ₱4,669,964 was mobilized in Dumaguete during 1971-72.

Table 3.4
Mobilized resources of Dumaguete, 1971-72
(in pesos, rounded)

Source	Amount
I. City government	1,722,785
municipal licences	628,309
real property taxes	362,191
other levies	99,254
incidental revenues	165,457
operations	467,574
II. Central government agencies	2,947,179
BIR	1,771,938
Port and customs	846,027
MVO/LTC	300,000
Registrar of deeds	29,214
Total	4,669,964

This is almost 60 per cent of the total mobilization throughout the province proper during the same period. It is only a bit less than two and one-half times the mobilized resources of Tanjay, the richest municipality.

Chapter 4

Public expenditures

As the preceding discussion has indicated, only a portion of the amount of resources mobilized in a municipality, a city, or a province was retained in that locality. On the other hand, each local unit was able to spend more than the portion it retained, thanks to external subsidies. Moreover, external agencies, primarily those of the central government, also directly spent resources in each locality, adding to its own expenditures. From the perspective of the conventional centralization versus decentralization debate, the first issue involves the size of the portion of the mobilized resources to be retained by the locality concerned. Secondly, the problem is how much of the total public expenditure in a local community should be spent directly by the external agencies. These are provocative questions, but the more fundamental issue is the relationship between the amount of resources mobilized in a locality and the total public expenditure in it. Following the accounting of the former in the last chapter, the present one will determine the latter and, at the same time, delineate its sources.

The municipalities of Bacong and Tanjay

Every municipality operated four separate budgets: the general fund, the permanent public improvement fund, the road and bridge fund, and the special education fund. Of these, only the last did not include regular contributions from the central government. In the case of the general fund, which was the principal source of expenditure, the external component was mostly made up of a rather confusing variety of allotments from the various taxes collected by the BIR, including an apportionment designated generally as the internal revenue allotment. An equal amount of this general share together with a certain percentage of the general fund constituted the permanent public improvement fund. The road and bridge fund contained in turn a transfer

from the permanent public improvement fund plus a special national aid. In addition to the 50 per cent share of the one per cent extra real property tax collection in the municipality, the special education fund might receive a contribution from the National Education Stabilization Fund.

Table 4.1 delineates the amounts in the various budget funds in Bacong and Tanjay. It may be noted that the amounts in the general funds resulting from the municipalities' own mobilization were less than similarly designated amounts in Table 3.1. The discrepancy is the reflection of the fact that not all the revenues from the property tax were retained by the localities. Since the permanent public improvement fund and the road and bridge fund each contained a transfer from another fund, the total amounts available in Bacong and Tanjay from all the four funds were less than the simple sums of the amounts in them. It is clear that, as a proponent of greater decentralization might point out, both municipalities were very dependent on the allotments from the central government. For Bacong, ₱91,596 or about 80 per cent of the ₱114,627 available to it in 1971-72 came from Manila. Receiving ₱648,820 in national allotments, Tanjay was dependent on the central government for more than 70 per cent of its total budget.

As in the other municipalities, the biggest direct and recurrent expenditure by the national government in Bacong and Tanjay covered the salaries of the primary and elementary school teachers. In 1971-72, this item cost the ministry of education ₱312,836 and ₱1,164,796 in the two municipalities respectively. Unfortunately, no information was available regarding the medical expenditure in either municipality, except for the salaries of the medical personnel which amounted to ₱53,232 in Tanjay and ₱19,608 in Bacong, including the respective amounts of ₱6,180 and ₱3,300 paid by the provincial government. With regard to the municipal courts the central government was actually responsible only for the salaries of their personnel which came to a mere ₱4,800 in Bacong, representing half of the salary of its part-time judge, and ₱16,224 in Tanjay for a full-time magistrate and a clerk.

Two national agencies operating directly in the municipalities were jointly concerned with stimulating rural development. The Bureau of Agricultural Extension (BAE) was in charge of the general effort to raise rural productivity,

Table 4.1

Budget funds in Bacong and Tanjay, 1971-72
(in pesos, rounded)

	Bacong	Tanjay
I. General Fund:		
Own mobilization	22,672	227,778
National allotments	66,270	558,862
National subsidy	3,280	12,809
Provincial aid	-	2,300
Total	<u>92,222</u>	<u>801,749</u>
II. Permanent Public Improvement Fund:		
Transfer from general fund	7,999	85,954
Allotment	<u>8,682</u>	<u>41,642</u>
Total	<u>16,681</u>	<u>127,596</u>
III. Road and Bridge Fund:		
Transfer from PPI fund	6,000	25,000
National aid	<u>11,806</u>	<u>35,507</u>
Total	<u>17,806</u>	<u>60,507</u>
IV. Special Education Fund:		
Property tax	359	41,958
National Stabilization Fund	<u>1,558^a</u>	-
Total	<u>1,917</u>	<u>41,958</u>
Grand total	128,626	1,031,810
Transfer between funds	<u>13,999</u>	<u>110,954</u>
Total available	114,627	920,856

a This figure is actually for 1970-71. For 1971-72, ₱23,541 was requested from the National Stabilization Fund, but it could not be found out how much of this was actually granted.

especially in rice and corn, while the Presidential Arm for Community Development (PACD) had the more specific task of assisting and supervising *barrio* improvement. In each municipality, the municipal PACD officer, or the municipal development officer as he was officially called, advised the

barrío councils on how to spend their 10 per cent share of the basic real property tax which in Bacong and Tanjay totalled ₱1,311 and ₱11,378 respectively. Additionally, his approval was necessary before a *barrío* council could spend any part of the ₱1,000 annual allocation received from the national Barrio Development Fund. Since this grant was uniform and there were 22 and 15 barrios in Bacong and Tanjay respectively, the PACD was thus regularly contributing ₱22,000 and ₱15,000 to the yearly public expenditures in these municipalities. Like the development officer, the municipal agriculturist was also in charge of a special fund, the Rice and Corn Production Fund, which apparently covered the salaries of the extension specialists assigned with him in the municipality. In Bacong, there were two agricultural demonstrators and both were paid by the national government while two of the three extension workers in Tanjay received their salaries from the provincial funds. Altogether, the PACD and the BAE spent ₱12,444 and ₱15,612 in salaries in Bacong and Tanjay respectively in 1971-72. In addition, the two agencies were also responsible for occasionally spending extra funds from their own resources and from grants obtained by the municipalities from a variety of external sources, including the special congressional pork-barrel allocations. Being irregular, these funds were, unfortunately, difficult to account for.

Finally, the national government provided for the expenses and salaries of the municipal postal service and the office of the Commission on Election. Since they were minor, no information was obtained on their amounts. Needless to say, the post office also obtained revenues from its operations.

In addition to its salary contributions to the medical and agricultural extension services, the provincial government added considerably to the total public expenditures in the municipalities through the provincial roads within them. On the basis of an average maintenance cost of ₱1,125 per kilometre a year as estimated by the office of the provincial engineer, the province spent ₱9,562 and ₱11,025 in Bacong and Tanjay respectively in 1971-72 for normal repair and improvement alone. The expenditures for major upgrading projects and the construction of new roads must be added to the routine expenses but they were difficult to apportion to a particular fiscal year.

To summarize, Table 4.2 totals the public expenditures in Bacong and Tanjay for the 1971-72 fiscal year to ₱497,188 and ₱2,208,123 respectively. Since they represented the recurrent, routine expenditures, these sums obviously understated the actual amounts of public resources consumed in these municipalities that year. How much the elusive expenditures in any year added up to is difficult to judge but any attempt at estimating the aggregate sum must take into account not only the irregular subsidies and grants such as those made by the Ministry of Health and the PACD but also the major appropriations for the construction, expansion, repair and equipment of schools, municipal buildings, clinics, public utilities, public sanitation facilities, as well as roads and bridges. In this connection, it may be noted, for example, that almost ₱150,000 from the national funds had been spent in the last few years for the building and equipment of Bacong's new municipal hall. Even as it stands, the table must impress both the decentralists and the centralists alike. Almost three-quarters of the total public expenditure in Bacong and more than half of that in Tanjay in 1971-72 came directly from the national government. Together with the subsidies and allotments to the municipal funds, Manila was responsible for 88 per cent and 83 per cent of the resources spent in the two municipalities respectively.

The province

The general fund expenditures of the twenty-two municipalities in Negros Oriental added up to ₱4,466,418 in 1971-72. Of this amount, only ₱1,286,003 or about 29 per cent resulted from their own mobilization efforts, while ₱3,074,851 or 69 per cent came as revenue allotments from the central government. Provincial aid amounted to just ₱12,800. Additional national allotments and aid to the permanent public improvement funds and the road and bridge funds further contributed ₱571,678 and ₱449,220 respectively to the municipal expenditures. Finally, the municipal governments collectively had available to them ₱130,036 real estate tax revenue and ₱38,023 subsidy from the national educational stabilization fund in their special education funds. In all, then, ₱5,655,375 were available for expenditure by the municipalities in 1971-72. Almost 75 per cent of this total came from Manila.

As we have just seen with regard to Bacong and Tanjay, direct spending by the municipal governments accounted for

Table 4.2
Public expenditure in Bacong and Tanjay, 1971-72
(in pesos, rounded)

Sources	Amounts	
	Bacong	Tanjay
<i>Barrios:</i>		
10% basic property tax	1,311	11,378
Municipal government	114,627	920,856
Provincial government:		
salaries, medical	3,300	6,180
salaries, BAE	-	6,960
road maintenance	9,562	11,025
National government:		
salaries, teachers	312,836	1,164,796
salaries, medical	16,308	47,052
salaries, judicial	4,800	16,224
salaries, BAE/PACD	12,444	8,652
<i>barrio</i> development fund	22,000	15,000
Total	497,188	2,208,123

the smaller part of the total expenditure in the municipalities. The salaries of all the primary and elementary school teachers alone amounted to ₱11,762,376 in 1971-72 - more than twice the total available in the municipal funds.¹ To this amount must be added the salaries of the municipal medical and judicial services. Of the ₱609,617 spent for the medical personnel, only ₱127,480 came from the provincial government. Since the municipal judges were differentially paid according to the ranking of their municipalities and since the number of court personnel also varied, no exact figure could be obtained of the total amount paid annually by the central government for the salaries of the municipal judges and their staffs. Taking a reasonable average of ₱12,000 per municipality, we may simply estimate this amount to be about ₱264,000. Finally, the salaries of the BAE/PACD personnel throughout the municipalities amounted to ₱287,544, ₱190,404 of which came from the central government.

¹This figure may differ slightly from the actual amount since the sums for many of the municipalities have been calculated simply on the basis of the outlays for the first month (July 1971).

Three other outlets for expenditure within the individual municipalities were the maintenance of provincial roads, *barrio* development, and the *barrio* share of the basic property tax. With regard to the first, it is difficult to determine its portion of the total provincial road and bridge fund. Since no exact number of *barrios* within the twenty-two municipalities in the province could be determined, we can only estimate the total PACD allotments to be about ₱400,000. As the total mobilization of the basic property tax by the municipalities amounted to ₱747,470, the 10 per cent share of the *barrios* came to ₱74,747.

For general expenditure not specific to the individual municipalities, the provincial government operated four funds: the general fund, the national-provincial road and bridge fund, the provincial road and bridge fund, and the special education fund. Aside from the operation of the provincial government, the general fund covered an assortment of 'intergovernmental aids' to the *barrios* and municipalities. In 1971-72, these subsidies and contributions for the repair of elementary schools, the expansion of public markets, food production campaign, etc., amounted to almost 10 per cent of the ₱2,892,876 available in the general fund. Of this total amount, ₱2,135,941 or about 74 per cent came from the central government in the form of allotments and aid.

The two road and bridge funds were intended for the repair and maintenance of national-provincial and provincial roads respectively. Of the ₱826,578 available in 1971-72 in the national-provincial fund, ₱413,079 or almost exactly half came as national aid. In fact, the provincial portion was much less than the remainder as this constituted a transfer from the purely provincial road and bridge fund. Containing a total of ₱2,031,677, this second fund only received ₱88,870 from the province, the rest being made up of revenue allotments from the central government. Combined, then, the two funds totalled ₱2,444,756. Less than 4 per cent of this came directly from the province.

While the primary and elementary schools were directly operated by the Ministry of Education, the provincial government was responsible for the provincial high school in Dumaguete. It was primarily to cover the school's salary adjustments and additional expenses not directly absorbed by the general fund that the province operated the special education fund. Of the ₱167,807 available in the fund in 1971-72, ₱111,911 also came from Manila.

Although the provincial dental office was integrally part of the provincial government, part of its expenditure was paid for by the central government which in 1971-72 allocated ₱42,920. An independent budget drawing contributions from the municipal, city, provincial and central governments underwrote the provincial hospital. Since the portions from the municipalities and the province were already included in their general fund expenditures, it is necessary only to account for the contribution from the national government. For the 1971-72 fiscal year, the national counterpart amounted to exactly ₱200,000.

On its own, the central government directly contributed two major sources of general expenditure in the province. In the first place, it was fully responsible for the operating expenses of the five branches of the Court of the First Instance which added up to ₱268,014 in salaries alone. A much bigger sum was allocated through the Bureau of Public Highways for the construction, improvement, upgrading and maintenance of the national roads. For the 1971-72 fiscal year, these items cost the national government ₱2,213,403. It may be noted that some of the political goods and services provided by the direct national expenditures were extended to the three cities in the province. For this reason, they exaggerated to some extent the total expenditures in the province proper. On the other hand, these amounts already understated the actual costs which could not all be readily accounted for. In addition, the central government had been spending substantial amounts to run such offices as those of the Motor Vehicle and Land Transportation, the Bureau of Internal Revenue, the PACD/Bureau of Agricultural Extension, etc.

In summary, Table 4.3 adds up the expenditures in the province proper. To re-emphasize, these represented largely the recurrent, routine, and readily definable costs of providing the political goods and services to the people of Negros Oriental.

Dumaguete City

Unlike the province and the municipalities, the cities operated only three funds: the general fund, the road and bridge fund, and the special education fund. In Dumaguete, incomes going into the general fund totalled ₱2,103,730 during 1971-72. Of this amount, ₱457,620 came as various tax allotments from the national government. The road and

Table 4.3

Public expenditure in Negros Oriental,
excluding the cities, 1971-72
(in pesos, rounded)

I. Within individual municipalities:		
by municipal governments		5,655,375
by <i>barrío</i> councils		474,747
by the provincial and central governments		13,323,537
II. General:		
by the provincial government		5,548,359 ^a
by the central government		<u>2,681,417^b</u>
	Total	27,683,435

a This includes the expenditure of maintaining provincial roads within the municipalities.

b Includes ₱200,000 counterpart fund in the independent budget of the provincial hospital.

bridge fund was made up simply of a transfer from the general fund and a national subsidy which in 1971-72 amounted to ₱24,139 and ₱179,328 respectively. Constituting 60 per cent of the supplementary tax on real estate, the city portion of the special education fund came to ₱94,661. The rest of the ₱127,619 available in the fund was returned from the national education stabilization fund. In total, then, the city had ₱2,410,677 to spend during 1971-72. Only 72 per cent of this amount constituted the city's own funds.

In addition to the indirect subsidies into the city budgets, the national government also contributed directly to the operation of some of the city departments. Many city officials such as the city auditor, the city fiscal, the city judges and their assistants, received only part of their salaries from the city and thus were partially dependent on Manila. In 1971-72, these supplementary salaries added up to ₱81,429. Since 1970, the national Police Commission has also been providing supplementary salary adjustments to police officers throughout the country. In 1971-72, Dumaguete police department received ₱32,532 but this amount was

incorporated into the general fund. Although the city was fully responsible for the salaries of the city health office personnel, all the medicines and medical supplies and equipment are provided directly and indirectly by Manila. In 1971-72, medicines alone were worth ₱8,058 at cost.

Public works and education were the two principal items of direct national expenditure in the city. To construct, improve and maintain the national roads in the city, the Bureau of Public Highways spent a total amount of ₱341,087 between July 1971 and June 1972. The salaries of the city's primary and elementary school teachers, which constituted the bulk of the educational expenditure, cost the national government ₱777,686 during the same fiscal year. An aid for contingent expenses to the primary and elementary schools and general grants to the city high school added ₱31,086 to this amount.

On top of these, the national government was directly responsible for the operational expenses of several national offices located in the city. Perhaps the biggest of these are the district branches of the Port and Customs Authority and the Bureau of Internal Revenue. Unfortunately, no information was obtained on their expenditures and, as they did not only serve Dumaguete, it would have been difficult in any case to isolate exactly the portions chargeable to the city. A rough estimate for the Ports and Customs office may be made on the basis of its expenditures during a six-month period from July to December 1972 which amounted to ₱71,913. Using this figure as an average six-month expenditure not only for 1972-73 but also for 1971-72, and allocating three-quarters of the total amount to the city, we arrive at an estimate of about ₱100,000 for the earlier fiscal year. Since an equal amount could reasonably be estimated for the BIR, the operation of the two offices cost the central government roughly ₱200,000. In addition, a total of ₱29,940 was paid in salaries for the PACD and the office of the registrar of deeds.

Finally, as the third agent of public expenditure, the *barrio* councils in the city had ₱42,548 to spend in 1971-72. While ₱22,000 of this amount came as the standard annual allocations from the PACD, the rest represented the *barrios'* 10 per cent share of the city's basic property tax.

As Table 4.4 shows, then, the Dumaguetenos had a total of ₱3,922,511 in public funds spent on them during the

Table 4.4

Public expenditure in Dumaguete City
1971-72 (in pesos, rounded)

Agent of expenditure	Amount
The city government	2,410,677
The national government:	1,469,286
subsidies 89,487	
direct expenditure 1,379,799	
The <i>barrío</i> councils	<u>42,548</u>
Total	3,922,511

1971-72 fiscal year. It may be noted that more than 37 per cent of the total expenditure came directly from the national government.

Conclusion

The determination of public expenditure proved to be more difficult than the accounting of public incomes. For this reason, the expenditures from the various budget funds of the three levels of government studied have simply been equated with the amounts available in these funds. This procedure is distorting to the extent that surpluses might be realized at the end of the fiscal year. In the present case, however, a strong impression was gained during the research that the surpluses, if there were any, could have been very minimal.

The aggregate figures in this chapter should also be reasonably dependable for two other reasons. All the estimates have purposely been made conservatively. More importantly, they only include expenditures that were relatively easy to identify. The less tractable expenditures comprised not only such items as office equipment and supplies not covered by the funds but also the notorious yet elusive congressional pork-barrel allocations.

Chapter 5

Dependence and centralization

The central contention of this study is that the concern about the relative roles of the central government and the local communities in the mobilization and expenditure of resources is secondary to the relative amounts of public resources mobilized and spent in the localities. A local unit which absorbs more resources than it produces cannot in any meaningful sense be autonomous.

As the last two chapters reveal, the overwhelming fact about Negros Oriental is precisely its basic dependence on the central government. Able to provide less than one-third of the resources it required, the province proper would, under the prevailing conditions, have been completely bankrupt on its own. The case of many of the individual municipalities was much worse. Bacong, for instance, could only produce less than one-tenth of its resource requirements. Of course, this municipality is the poorest in the province, but even Tanjay, the richest municipality, was a deficit community unable to meet about one-seventh of the expenditures it absorbed. As the median total mobilization among the twenty-two municipalities in the province was less than one-fourth of that of Tanjay (Table 3.2), it is obvious that most of these municipalities were very heavily dependent on external sustenance.

It is significant that Dumaguete did produce a surplus of almost ₱750,000. Being the richest of the three cities in the province, Bais had an even better record. By rough estimate, this centre of the sugar industry produced about five million pesos in 1971-72, including ₱469,682 in property taxes, ₱40,359 in municipal licences, and ₱4,021,636 in BIR collections. Assuming that the city absorbed three-quarters of the total amount spent in Dumaguete, it still ended up with a surplus of about ₱2,000,000. Unfortunately, no data were obtained on Canlaon except that it provided the BIR with only ₱300,305 in the same fiscal year. As this amount

is less than what the BIR mobilized in several of the municipalities, it seems reasonable to assume that the third and smallest city in the province would at best have broken even.

The surpluses of Dumaguete and Bais made the deficit for the province as a whole - including the cities - considerably less overwhelming. Nevertheless, its dependence remained severe as the central government still had to finance about half of its total expenditure. It must also be borne in mind that almost 80 per cent of the people of Negros Oriental lived outside the cities.

Table 5.1

Mobilization and expenditure in Negros Oriental, 1971-72

	Mobilization (in pesos)	Expenditure (in pesos)	M/E	E/M
Bacong	38,857	497,188	0.08	12.79
Tanjay	1,894,207	2,208,123	0.86	1.17
Negros Oriental	7,585,508	27,683,435	0.27	3.60
Dumaguete	4,669,964	3,922,511	1.19	0.84

The 1971-72 fiscal year was not an unusually depressed year. Indeed, as Table 5.2 shows, the mobilization of resources that year was considerably more effective than in 1970-71. Not only Dumaguete but also the municipalities collectively achieved significant increases in their total collections. The BIR in particular was substantially more fruitful. Probably as the result of a slump in the sugar industry, Tanjay did actually produce less than the preceding year. It is noteworthy too that the property tax was a bit less productive. The other major sources of local revenue - the municipal licences and the operation of the public utilities and markets - were much more stable.

Not surprisingly, the major expenditures during the 1971-72 fiscal year were appreciably higher for all the localities than those in the preceding year. As Table 5.3 shows, however, the increases were not drastic. It is notable

Table 5.2

Resource mobilization in Negros Oriental,
1970-71 and 1971-72 (in pesos)

	1970-71	1971-72
<u>Bacong</u>		
Basic property tax	15,680	13,113
Municipal licences	6,443	7,043
Public utilities/markets	6,860	7,174
BIR	<u>6,247</u>	<u>8,256</u>
Total	<u>35,230</u>	<u>35,586</u>
<u>Tanjay</u>		
Basic property tax	112,727	113,783
Municipal licences	36,047	36,738
Public utilities/markets	136,679	123,672
BIR	<u>1,668,029</u>	<u>1,517,833</u>
Total	<u>1,953,482</u>	<u>1,792,026</u>
<u>All municipalities</u>		
Basic property tax	790,136	747,471
Municipal licences	251,203	261,672
Public utilities/markets	484,566	506,698
BIR	<u>3,853,850</u>	<u>4,556,569</u>
Total	<u>5,379,755</u>	<u>6,072,410</u>
<u>Dumaguete</u>		
Basic property tax	194,012	205,483
Municipal licences	603,192	628,309
Public utilities/markets	452,570	467,574
BIR	1,427,404	1,771,938
Port and Customs	<u>642,589</u>	<u>846,027</u>
Total	<u>3,319,767</u>	<u>3,919,331</u>

that both mobilizationally stagnant Bacong and Tanjay, which actually experienced a drop in the major revenues, increased their expenditures by around 15 per cent. On the other hand, although the combined major expenditures (budget funds and the salaries of teachers) of the municipalities rose about one and a half times as fast as the principal revenues, the ratios between them for the two years remained about the same. Assuming the major expenditures in Dumaguete in 1970-71 to be around three million pesos, their increase of about 18

per cent for 1971-72 was about equal to the increase in the city's main mobilized resources.

Table 5.3
Major public expenditure in Negros Oriental
1970-71 and 1971-72 (in pesos)

	1970-71	1971-72
<u>Bacong</u>		
Budget funds	82,516	114,627
Salaries of teachers	<u>292,204</u>	<u>312,836</u>
Total	<u>374,720</u>	<u>427,463</u>
<u>Tanjay</u>		
Budget funds	739,306	920,856
Salaries of teachers	<u>1,056,706</u>	<u>1,164,796</u>
Total	<u>1,796,012</u>	<u>2,085,652</u>
<u>The province proper</u>		
Municipal budget funds	4,620,884	5,655,375
Salaries of teachers	10,006,622	11,762,376
Provincial budget funds	4,387,806	5,505,439
BPH	<u>1,397,966</u>	<u>2,213,403</u>
Total	<u>20,413,278</u>	<u>25,136,593</u>
<u>Dumaguete</u>		
Budget funds	2,084,436 ^a	2,410,677
Salaries of teachers	n/a	777,686
BPH	<u>203,573</u>	<u>341,087</u>
Total		3,529,450

a This amount may differ slightly from the actual amount as it includes only the budgeted, rather than the actual, amount in the general fund.

Since neither the resources nor the expenditures during 1971-72 were exceptional, the enormous deficits incurred that year by the municipalities and the province as a whole must be taken as reliably indicative of the grave extent of their dependence. Given this situation, a high degree of centralization was basically unavoidable. The decentralists may nevertheless argue that the level of centralization should not, at least, exceed that of dependence.

Lacking complete data on Bais and Canlaon, we can only evaluate the degree of centralization with regard to the province proper. Although Dumaguete was not a dependent city, it is useful to delineate the extent of the role of the central government there. As most of the surplus in Bais was mobilized by the national government through the BIR, a conservative estimate of the level of centralization for the province as a whole - including the cities - may also be obtained simply by integrating the capital city with the province proper.

Since the Bureau of Internal Revenue was the only mobilizing agency of the central government in the municipalities, its collection of ₱4,556,569 (Table 3.2) from the twenty-two municipalities in Negros Oriental constituted the aggregate of the centrally mobilized resources of these individual units. Together with the province-wide collections by the Motor Vehicles Office, the branches of the Court of the First Instance, and the Registrar of Deeds (Table 3.3), the national government mobilized a total of ₱5,471,074 in 1971-72. As the mobilized resources came to ₱7,585,508 in all, it was responsible for 72 per cent of the mobilizational effort in the province. In other words, it was more than two and a half times as active as the municipal and the provincial governments together.

The central government was considerably less dominant with regard to the expenditures. In addition to the ₱12,698,917 for the salaries of teachers and the personnel of the judicial, medical, agricultural extension, and community development services within the individual municipalities, it generally dispensed ₱2,681,417 primarily through the Bureau of Public Highways (BPH). Given the fact that public expenditures in the province proper added up to ₱27,683,435 (Table 4.3), the direct contribution of the national government was only slightly larger than the aggregate spent by the local governments.

One way of measuring the level of dependence of a local community is to divide its deficit by its total mobilized revenue. Similarly, the extent of centralization may be taken as the quotient between the effort of the central government and that of the local authority concerned. From this perspective, it is obvious that for Negros Oriental as a province, the degree of local dependence is greater than the extent of centralization. As Table 5.1 shows, the deficit incurred by the province amounted to more than two

and a half times the product of mobilization within it. That the central government also mobilized more than two and a half times as much as the local governments should be less important to the decentralists than the fact that it was much less active with regard to the expenditures. At any rate, taken together the amounts mobilized and spent directly by the national agencies were only one and a half times those handled by the local authorities.

As in the province, the national government was a much more active agent of resource mobilization in Dumaguete than the city government itself. Collecting only 63 per cent of the total revenue of the city (Table 3.4), however, the national agencies mobilized proportionately much less than they did in the province. With regard to the expenditures, those of the city government which came to ₱2,410,677 were actually more than one and a half times those of the central government (Table 4.4). Consequently, the city government mobilized and spent almost exactly as much as the national agencies.

The relatively low level of centralization in Dumaguete probably made Negros Oriental as a whole subject to less centralization than the province proper. The difference, however, was unlikely to be considerable. As Table 5.4 shows, altogether the national government collected and directly expended in Dumaguete and the province 41 per cent (as compared to 52 per cent in the province alone) more than the local governments concerned collectively. Although Bais was also a surplus city like Dumaguete, it cannot be expected to have contributed to further lowering the extent of centralization with regard to the region as a whole. As noted earlier, its surplus was the result largely of its exceptionally large BIR collection which constituted no less than 80 per cent of its total mobilized revenue.

It is clear, then, that the degree of centralization in Negros Oriental was less than the extent of its dependence. The proponents of decentralization may nevertheless argue that it is still unacceptably high. It seems reasonable that the surplus communities like Dumaguete should be given more autonomy. There is also no fundamental reason why the central government should not refrain altogether from directly mobilizing and spending public resources even within the dependent local politics. The insistence on local autonomy for its own sake, however, is not really defensible. Surely

Table 5.4

Level of centralization in Negros Oriental, 1971-72

	Total (in pesos)	Local (in pesos)	National (in pesos)	Central- ization (national/ local)
<u>The province</u>				
<u>proper</u>				
Mobilization	7,585,508	2,114,434	5,471,074	2.59
Expenditure	<u>27,683,435</u>	<u>11,903,101</u>	<u>15,780,334</u>	1.33
Total	<u>35,268,943</u>	<u>14,017,535</u>	<u>21,251,408</u>	1.52
<u>Dumaguete</u>				
Mobilization	4,669,964	1,722,785	2,947,179	1.71
Expenditure	<u>3,922,511</u>	<u>2,453,225</u>	<u>1,469,286</u>	0.60
Total	<u>8,592,475</u>	<u>4,176,010</u>	<u>4,416,465</u>	1.05
<u>Province and</u>				
<u>Dumaguete</u>				
Mobilization	12,255,472	3,837,719	8,418,253	2.19
Expenditure	<u>31,605,946</u>	<u>14,356,326</u>	<u>17,249,620</u>	1.20
Total	<u>43,861,418</u>	<u>18,194,045</u>	<u>25,667,873</u>	1.41

the overriding consideration is the adequate provision of political goods to the people which in turn demands the mobilization of adequate resources. Unless greater autonomy can be shown to result in a more effective collection and expenditure of resources, the demand for it is not very relevant. Indeed, the conventional debate between the centralists and the decentralists has been rather meaningless, if not downright harmful, as it has only befogged the basic issue of local dependence and decay. In the final analysis, it should not really matter who mobilizes and spends the resources. The urgent necessity is that the mobilized revenues should be adequate and the expenditures effective.

Chapter 6

The national picture and the significance of administrative reform

From the preceding chapters it is clear that Negros Oriental was very underdeveloped politically. The amount of political goods available to the people in the province was decidedly meagre. Moreover, even this amount was considerably beyond the capacity of the province to provide from its own resources.

Considering the fact that Negros Oriental was among the poorer provinces in the country, its level of political development may not be regarded as indicative of the situation in the nation as a whole. Unfortunately, we do not have adequate comparative data for other provinces. The available data, however, strongly suggest that Negros Oriental was not at all exceptional. Severe underdevelopment was evidently a nation-wide predicament.

Political goods

On public health, the Office of the President acknowledged that in 1967 only 'about 48% of the population is being served with water through the existing waterworks, artesian wells, and developed natural springs' (Philippines, 1967:24). It also pointed out that of the 1330 rural health units throughout the country, only 330 were fully staffed and equipped (p.29). A study on the provincial government of Nueva Ecija in Central Luzon, conducted by the Local Government Center (LGC) of the College of Public Administration, the University of the Philippines, revealed that only 3 per cent of the people in the province were served by water systems in 1968; the rest were dependent on rain, springs, deepwells, bamboo aqueducts, and other sources (LGC 1968:3).¹

¹This study is part of a very useful series on provincial, city and municipal governments conducted by the Center on the request and with the co-operation of the local governments concerned. Unfortunately they are narrowly focused on the organization and management of these units.

Even the municipalities within the Greater Manila metropolitan area seemed to suffer from very inadequate health services. In San Juan which had five health centres in 1969, the main clinic located in the municipal health office in the municipal building was only a small cubicle 'without running water, basin or toilet' (LGC 1969c:144). The nearby municipality of Pasig was a bit better off with nineteen health centres for its twenty-eight *barríos* in 1971. These centres, however, were far from adequate; while the main one was congested and dirty, the rest simply 'lack the necessary supplies, medicine, and equipment'. This same municipality had only three operating garbage dump trucks which could serve only the *poblacion* (LGC 1971:118, 120-1, 85).

As suggested in Chapter 2, one indication of the adequacy of the provision of justice is the size of the backlog of cases in the courts. In the country's fifteen judicial districts of the Court of First Instance (excluding Manila) alone there were in total 71,134 cases pending as of 30 June 1969 (JPS 1971:Table 8.4, p.87). Since only a small percentage of cases was likely to reach this level from the city and municipal courts, this figure greatly understates the magnitude of the backlog accumulated by the judicial system.

Again the situation within the Metropolitan Manila area may give an idea of the capacity of the judiciary at the municipal level. As of October 1970, for example, there were 3560 cases, mostly criminal, pending at the municipal court in Pasig (LGC 1971:76). At the city level, it has been reported that in Davao only 59 per cent of the new cases filed during the 1968-69 fiscal year were disposed of and that by 30 June 1969 the accumulated cases pending at the city court numbered almost 5000 (LGC 1970b:220).

The weakness of the courts was matched by the inadequacy of the police departments. In Pasig, only about 50 per cent of the reported crimes against property during the three-year period from 1967 to 1969 were solved by the police (LGC 1971: 95). A similar level of performance prevailed in Davao where only 55 per cent of the total number of crimes reported during the same period were cleared (LGC 1970b:140).

In terms of roads, Negros Oriental was clearly better off than the country as a whole which had an average of less than two kilometres per 1000 hectares (LGC 1968:3). It is generally known, however, that roads were very unequally

distributed throughout the archipelago, with Luzon and Mindanao being the most and the least well-endowed respectively. Hence in the province of Nueva Ecija in central Luzon, for instance, the ratio was in 1968 34 km per 1000 ha (LGC 1968:3).

Nevertheless even around Manila the provision of roads was far from adequate. In the municipalities of Pasig and San Juan already referred to above, the condition of the municipal roads in particular was a constant source of popular complaint. Although nearly all the *barrios* in Pasig were connected with roads, 'a great length of these roads are poorly maintained, particularly ... outside the town proper' (LGC 1971:83). Similarly, the municipal roads in San Juan 'are narrow, of gravel or macadam pavement, and not constructed according to technical and safety standards' (LGC 1969c:160).

Resource mobilization

The impression that dependence was also characteristic of most of the Philippine provinces was amply supported by data on the level of resource mobilization in the province of Negros Occidental. Being the centre of the sugar industry, this was unquestionably one of the richest provinces in the country. In fact, the affluence of its provincial government was second only to that of Rizal which covered parts of Metropolitan Manila. According to one dependable report (LGC:1973), the provincial government of Negros Occidental received an average annual income of ₱12,512,515 during the three-year period from 1969 to 1971. This was almost four times the median income among the sixty-six provincial governments outside Manila and almost three times that of Negros Oriental which nevertheless ranked twenty-second in the group. With respect to the number of motor vehicles, Negros Occidental was again one of the richest provinces, next only to Rizal and Pampanga. In 1970, it had six and a half and four times as many registered motor vehicles as the median province and Negros Oriental respectively (*JPS* 1971: Table 5.8, p.49).

In view of this obvious wealth, it is not surprising that the municipalities of Negros Occidental were capable of producing almost eight times as much in resources as those of its sister province during the 1971-72 fiscal year. Significantly, as Table 6.1 shows, the Bureau of Internal Revenue in Negros Occidental was relatively even more productive than the municipal governments. As the BIR mobilized most of the

resources from the sugar industry, this reflected the industry's well-known dominance in the provincial economy.²

Table 6.1

Mobilized municipal resources in Negros Oriental and Negros Occidental, 1971-72 (in pesos)

	Negros Oriental	Negros Occidental
Own mobilization	1,959,313	10,374,288
BIR	<u>4,556,569</u>	<u>41,593,671</u>
Total	6,515,882	51,967,959

Sources: The offices of provincial treasurers in Negros Oriental and Negros Occidental.

In addition to the amounts in Table 6.1, the provincial government actually brought in a total of ₱1,111,015 in incidental revenues. Since the provincial income from the Motor Vehicle Office amounted to ₱754,961 in Negros Oriental (Table 3.3), the revenue from this source in Negros Occidental may be estimated, on the basis of its relatively much larger number of registered motor vehicles, to be around ₱3,000,000. Finally, the proceeds from the registration of deeds and court collections, which came to ₱159,535 in Negros Oriental, may be put at about ₱333,000 in view of the population ratio between the two provinces. All in all, then, resource mobilization in Negros Occidental, outside the chartered cities, may be estimated to have produced about ₱56,400,000 during the 1971-72 fiscal year.

Despite this impressive record, it is not clear that Negros Occidental could be adequately self-supporting. Unfortunately, we have no data on public expenditures in the province similar to those for Negros Oriental. It is important to note, however, that Negros Occidental was slightly more than twice as populous as Negros Oriental, their populations

²The province has a total land area of 792,607 ha. According to the office of the governor, 364,688 ha were planted to sugarcane in 1972.

in 1970 being 1,491,737 and 715,240 respectively (LGC 1973). During the 1967-68 school year, the 6441 primary and elementary school teachers serving in Negros Occidental were also more than twice as numerous as their colleagues in Negros Oriental who numbered only 3086 (*JPS* 1970:Table 3.1, p.16). Since more than 42 per cent of the total expenditure in Negros Oriental was allocated for the salaries of the teachers, this latter fact is very suggestive of the comparable public outlay in Negros Occidental.

Assuming the provision of political goods to be at the same level in the two adjacent provinces, then, it seems reasonable to estimate the total public expenditure in Negros Occidental to be at least twice that in Negros Oriental. As the latter amounted to ₱27,683,435 (Table 4.3), there appears to be little reason to expect Negros Occidental to have been more than breaking even.

The picture of the Philippines painted by the preceding sections is that of a country the great majority of whose citizens were deprived of adequate political goods and were, at the same time, incapable on their own of producing the resources necessary for the provision of such goods. In 1970, only 7,607,744 or about 21 per cent out of 36,684,500 Filipinos were living in the sixty-one chartered cities (LGC 1973). Even assuming that the cities were generally self-supporting and were therefore capable of raising the level of their political development, the problem of such development in terms of the nation as a whole appeared to be staggering.

Administrative and managerial capability

This problem of too few political goods and too little resources could to some extent be alleviated by improvement in the administrative and managerial capability of the local governments themselves as well as the central government agencies which operated in their areas. Such improvement could have raised the efficiency of both resource expenditure and resource mobilization.

A given amount of public expenditure may obviously produce different quantities of political goods, depending on the care with which it is made. In this regard, perhaps the most commonly heard charge against the local governments as well as the central government agencies serving them was that they were wasteful. In particular, they were said to

be spending too much of their funds for the salaries and benefits of their over-abundant personnel. To discourage this particular form of wastefulness, there was in existence a special legislation which specified the maximum portions of the budgets of provinces and cities of different ranks expendable for salaries and wages (LGC 1970a:24).

Apparently, this law was very widely, if not universally, ignored. For example, while it was legally allowed to set aside only up to 55 per cent of its general fund for the remuneration of its employees, the government of Negros Oriental actually spent for this purpose more than 61 per cent of that fund during 1971-72. In Batangas, a province with the same rank, the provincial government allocated slightly more than 64 per cent (LGC 1972a:89, 93). The cities were not any more law-abiding. In both 1970-71 and 1971-72 fiscal years, Dumaguete appropriated more than 10 per cent of its general fund in excess of its legal limit of 60 per cent. Similarly, Dagupan, another second-class city, spent an average of almost 76 per cent during the four-year period between 1966 and 1969 (LGC 1969b:75).

Quite clearly, there was some room for improving the efficiency of resource expenditure, and hence increasing the availability of political goods within the local government units with the existing level of resource mobilization. There seemed, moreover, to be an even greater potential to enhancing that level itself. In general, it had been noted that the Philippines had been quite lax in its tax effort, even in comparison with other Asian countries (Philippines 1969:ix).

Of the main resources directly mobilizable by the local governments, the real property tax was the most important to the municipalities and hence the provinces proper. The biggest source of income after the allotments from the central government, it constituted, for example, 9 per cent and 16 per cent of the 1971-72 general funds of Negros Oriental and Negros Occidental respectively. In Batangas, it made up more than 14 per cent of the revenues in all the provincial funds combined (LGC 1972a:Appendix 13, p.85). Unfortunately, the mobilization of this tax had been hampered by lax collection and defective assessment.

The provincial treasurer of Negros Oriental reportedly complained in 1970 that the provincial government could only collect about 50 per cent of all the taxes due to it (*Negros*

Express 26/9/70:1). Although startling, this admission did not indicate a particularly poor performance on the part of the province relative to other provinces. From 1964 to 1968, Nueva Ecija was able to mobilize barely 25 per cent of its collectable real-estate tax annually (LGC 1968:35). For Batangas, the 1970-71 record stood at less than 37 per cent (LGC 1972a:53). Of the 49 municipalities in Leyte, only 17 collected more than 50 per cent of the taxes due in 1966-67 while 13 achieved less than 30 per cent mobilization. The same report on Leyte comments: 'Tax delinquency cases are mostly from three to five years back, although some are as late as 1948 or even before the second World War' (LGC 1969a:79,84). Only a slightly better performance was achieved by the province of Pangasinan which collected an average of almost 58 per cent of all the current and delinquent taxes during the six-year period from 1966 to 1971 (LGC 1972b:259). Contrary to what might be expected, the municipalities closest to Manila did not seem to be exceptionally active. In Pasig, for example, the collections during the 1966 to 1969 period were less than the amount left uncollected (LGC 1971:223).

Since the amount collectable from the property taxes depended upon their assessment, its total potential mobilization was determined by the level, accuracy, and coverage of the latter. It was generally acknowledged that these items were all very unsatisfactory.

Very few local governments had begun to apply the latest assessment rates adopted by the Department of Finance in 1964. Instead, most were still continuing to base their assessment of property values on a schedule established in 1948. Since even the new rates were estimated to peg valuation of real properties at only about 50 per cent of their current fair market values, the prevailing levels of assessment tended to be very low.

While refusing to offer any estimate, the office of the provincial assessor of Negros Oriental admitted that the level of valuation in the province, which was still generally based on the 1948 rates, could be raised quite substantially. Of the four other provinces already referred to above, Leyte and Batangas seemed to be the most generous to their property owners. While most of the municipalities in the former were imposing merely 15 per cent assessment in 1969 (LGC 1969a:97), the general level of valuation in the latter was only 17 per

cent in 1972 (LGC 1972a:52). The comparable percentages for Pangasinan and Nueva Ecija were 30 (in 1972) and 37 (in 1978) respectively (LGC 1972b:256; LGC 1968:35). Again the municipalities around Manila were no more assertive. In San Juan, for instance, the average assessment level for the different types of lands in 1969 was estimated to be only about 21 per cent of their market values (LGC 1969c:68).

With respect to their accuracy and coverage, the valuation efforts of the various local governments showed several shortcomings. Perhaps the most widespread of these was the administrative neglect of proper record keeping and coordination between the assessment and collection functions. A much more serious defect which also appeared to be common was the exclusion of substantial amounts of property from the tax rolls (Mariano 1969:462). In Batangas, for example, almost a third of the total land area escaped taxation in 1972 (LGC 1972a:52). In part, this undesirable state of affairs simply reflected the inability of the local governments to identify all the taxable properties within their jurisdictions. Another contributing factor was the well-known tendency of the tax code to be extraordinarily generous in its grant of exemption to various categories of property owners. Finally, it was common knowledge that extensive real estates had been deliberately hidden and protected from taxation.

The poor performance of the local governments as exemplified by their collection of real-estate taxes could be taken as a justification for further centralization of the resource mobilization function. There was, however, also a widespread suspicion that the centralized collection of the numerous internal revenue taxes which constituted the bulk of the mobilizable resources (Table 6.1) was far from being satisfactory. The trouble is that, for various reasons, no estimate of the level of its effectiveness was available.

Incidentally, some suggestive data became available as the result of the declaration of martial law toward the end of September 1972. Since the New Society was supposed to bring about a drastic improvement in the governmental performance, the increase in tax collection immediately following its advent may be regarded as indicative of its mobilization potential.

As Table 6.2 shows, there were indeed substantial increases in both the property taxes and internal revenues

Table 6.2

Collection of property taxes and internal revenues
in the municipalities of Negros Oriental and Negros
Occidental, before and after martial law (in pesos)

Basic property taxes (current)	1971 (Oct.-Dec.)	1972 (Oct.-Dec.)	% increase
Negros Oriental	111,371	206,766	86
Negros Occidental	388,961	564,916	45
Internal revenues	Oct. 1971- April 1972	Oct. 1972- April 1973	% increase
Negros Oriental	1,684,504	1,878,059	11
Negros Occidental	17,358,753	36,451,842	109

Source: Regional Office, BIR, Bacolod City.

in the two Negros provinces during the first seven months of the new regime compared to the same period the previous year. From the experience of these two provinces, it would be difficult to argue that the BIR had been more effective than the local governments. Intriguingly, it had been relatively more efficient in the poorer province (Negros Oriental) which itself was relatively a much weaker mobilizer. This suggests that the wealthier provinces were more able not only to mobilize resources on their own but also to prevent mobilization by others.³

All in all, there seems to be some validity in the advocacy of administrative reform as a prerequisite to development. By maximizing the efficiency of both expenditure and resource mobilization, such reform would conceivably reduce substantially the severe dependence of the local units, particularly the municipalities and provinces. Beyond this, however, there would still be the urgent need to increase substantially the quantity and quality of the political goods. Administrative reform alone cannot possibly meet this as well.

³It is obviously more difficult to collect taxes from small property owners than from affluent landlords. On the other hand, the increase in the BIR collection in Negros Occidental could substantially be traced to tax amnesty granted by the martial law administration to owners of hitherto hidden wealth.

Chapter 7

The political economy of concentration and stagnation

The fundamental obstacle to political development is clearly the basic economic condition of the rural areas. Given the general poverty of the rural population, no amount of administrative tinkering could possibly produce enough resources to augment the supply of political goods adequately.

Rural stagnation

Unfortunately, the rural economy had in fact been deteriorating. In 1960, the share of the traditional sector in the GNP, for example, was 24.1 per cent (Hicks and McNicoll 1971:44). At about the same time, the proportion of labour in agriculture was more than 70 per cent (Power and Sicat 1971:20). While the latter did not change appreciably, both the GNP share and the percentage of employed labour force of the traditional sector declined as shown in Table 7.1.

Table 7.1

GNP and employment shares of the traditional sector

	GNP	Employed labour force
1960	24.1	60.2
1964	22.7	57.1
1968	21.5	56.5

Source: Hicks and McNicoll (1971, Table 3, p.44 and Table 7, p.52).

The main reason for this dismal state of affairs is the stagnation of agricultural productivity. As Frank Golay has observed (Golay 1961:289), agricultural production per head

of population in the last 1960s was

a little improved over levels attained prior to World War II ... [even though] agricultural output has grown steadily from the low wartime levels of 1944 and 1945. The increase in agricultural output since the late interwar period has not been due to increases in productivity of either land or labour but to expansion in land under cultivation.

At the same time, there was no significant expansion of rural non-agricultural activities. 'What is particularly noticeable in the Philippines is the relative absence of small factories in the rural areas and small towns' (ILO 1974:64).

It is apparent that both stagnant productivity and anaemic rural industrialization were in turn the result of very inadequate attention. With regard to expenditures on infrastructural development, for example, only slightly more than half (52.5 per cent) of the total investment between 1965 and 1972 was allocated to all the other provinces besides Rizal (which includes Manila) and Central Luzon (ILO 1974: 86 and 196). Only very meagre institutional support had been given to non-agricultural activities (ILO 1974:86).

This inattention was only symptomatic. The problem is not simple neglect but the very structure of the national economy itself.

Metropolitan concentration

In contrast to the rural stagnation and anaemia, there had been an overwhelming concentration of economic activities in Manila and its surrounding area. At the end of the 1960s and the beginning of this decade, 'about two-thirds of the value-added from the organized manufacturing sector', for example, was 'accounted for by establishments in Metropolitan Manila and the Southern Luzon region' (Power and Sicat 1971: 106). In terms of employment in the same sector, the area claimed about 80 per cent (ILO 1974:154). During the five-year period between 1956 and 1960, Metropolitan Manila (Manila proper and suburbs) alone 'accounted for about half of all reporting establishments and total employment, slightly less than half of total value-added, and slightly more than half of the total value of products sold' (Sicat 1964:196). Ten years later it still consumed '90 per cent of the nation's

electrical energy and [housed] half of the nation's manufacturing activity' (Burley 1973:13).

As a result of this concentration, there was understandably a dramatic income inequality between the metropolitan centre and the rest of the country. In 1968, 40 per cent of the national income was enjoyed by the Manilans who constituted only 4 per cent of the population (Villegas 1970:247). Put differently, the average income in metropolitan Manila around that time was almost four times the rural average (Power and Sicat 1971:65). Three years later, the median family income in Manila was more than twice that for the country as a whole (ILO 1974:Table 69, p.378).

Economic structure

Such stark imbalance in the economy could not be accidental. In this case, it was largely the result of a peculiar relationship between import-substitution industrialization and continuing reliance on the export of primary and semi-processed products of agriculture, mining and forestry. Traditionally dominant, the latter activity still accounted for no less than 70 per cent of the total export earnings during the decade of the sixties (Power and Sicat 1971:105). It was this source which largely fuelled the concerted industrialization drive begun in the early fifties.

To make the drive highly profitable and thus attractive, it was generously supported not only by protection but also by low rates of interest, over-evaluation of the currency and several other fiscal advantages. Such measures naturally resulted in the predominance of highly capital-intensive manufacturing activities. Given the foreign-exchange form of the available capital, the industries were in no need of domestically produced inputs and were in fact heavily dependent on imports not only in capital equipment but also in materials and intermediate goods. The fact that the capital ownership was also highly concentrated finally meant that the industrial establishments tended to be large. Thus, it was found that firms with 200 or more employees were responsible for more than 50 per cent and 70 per cent respectively of the total employment and value-added in manufacturing (ILO 1974:142).

The predominance of large-scale, capital-intensive, and import-dependent industries unavoidably meant concentration. To ensure a dependable flow of their undervalued imported inputs, the industries naturally favoured location near a

principal port. They obviously also favoured the convergence of power, transport, financial and other facilities not only for convenience but for the greater resulting external economies as well. As the industrialization proceeded, the demand for the infrastructural services increased, leading to the expansion of these services which further augmented their attraction. The increasing concentration of economic activities naturally brought about, and was further reinforced by, considerable income growth which, together with the influx of immigrants from the rural areas, provided an increasing market demand for the manufactured goods. At the same time, educational and cultural institutions mushroomed, differentially catering to the needs of the economic elite and the urban mass, and giving polish and glitter to the life of the metropolis.

The fact that Manila had always been the trading as well as political centre of the archipelago only meant that it inevitably continued to be the commanding metropolitan capital. Its initial advantages accelerated and accentuated the concentrative process. While Manila was thus destined to be the focus of economic activities, it is equally clear that the regions were doomed to stagnation. Highly capital-intensive manufacturing obviously could not provide much employment opportunity to help absorb the rural-unemployed, although the bright metropolitan lights and interstitial service employment did attract considerable emigration out of the rural areas. Rural industrialization was discouraged not only by the lack of demand for domestic inputs by the import-dependent manufacturing establishments but also by their overwhelming competitive advantage. In other words, small-scale rural industries clearly had little function to perform and neither means nor room to expand.

Even the primary export sector did not really involve much of the productive capacity of the countryside, except land. Being concentrated and self-contained, the mines, the estates and the logging camps could not stimulate wide-ranging productive impulses. They certainly did not require or even encourage much investment in irrigation, roads and other rural infrastructures.

In summary, metropolitan concentration and rural stagnation were equally integral aspects of the post-independence Philippine economy. Being the consequences of the same forces, namely the continuing reliance on primary export and the import-substitution industrialization largely fuelled by

it, they were necessarily parallel and, to some extent, mutually reinforcing.

Nevertheless, it may still be argued that the basic economic structure outlined above does not inherently prevent economic growth. After all, it is not completely unreasonable to expect that expanding industrialization would eventually produce significant spill-over or trickling benefits for the rest of the economy. Hence, the rural areas could still slowly emerge from being simply a captured market and a spectator to become a productive participant in the development process.

Unfortunately, this optimistically assumes that the industrialization would not only continue to expand substantially over quite a long period but also broaden its base beyond import-substitution. This assumption is not very tenable. In the first place, because of their instability the primary exports could not be depended on to propel the industrialization drive to the point when it could begin to be self-sustaining through substantial utilization and production of domestic inputs or the ability to earn foreign exchange from manufactured exports. Hence it was 'a rapid growth of traditional exports ... that made the foreign exchange position viable between 1960 and 1966' and it was 'the abrupt decline in the quantity of these exports after 1966 that brought a renewal of balance of payments difficulties ...' (Power and Sicat 1971:116). More importantly, there were no incentives for significantly altering the industrialization pattern. Any move away from import-dependence and import-substitution would be less profitable to the industrialists cum primary exporters and would thus be opposed by them. Even more crucially, such a move would significantly alter the basic structure of the economy and hence involve far-reaching changes in the political system. A brief structural analysis of the polity will show why this is so.

Political structures

Being unitary, the political system endowed a highly centralized formal decision-making power in the Presidency and the Congress. Moreover, there was a high degree of executive and administrative centralization.

As we have seen in Chapters 3, 4 and 5, the local governments were given very little authority in resource mobilization and public expenditure. With regard to the latter, the

central government in Manila did not only exercise power through the pervasive national agencies like the departments of education and public works. The President and the Congress actually had considerable direct control over the national funds. The President was formally empowered to decide personally on the release and apportionment of all non-routine expenditures. In particular, with the help of the Congress he was responsible for the allocation of the huge development fund, popularly known as the pork-barrel fund. He also had complete personal discretion over various contingency funds.

In addition to resource mobilization and expenditure, the central government had an overwhelming authority in the matter of appointment to public offices. Again, much of this authority rested with the President personally. He was directly responsible, for example, for the appointment of judges throughout the country.

It has often been said that his centralization of executive and administrative power was counterbalanced by political decentralization most evidently manifested in the structure of the two national parties which have been characterized as 'loose coalitions or *ad hoc* alliances of provincial leaders who brought their respective personal followings with them' (Corpuz 1965:16). The reality, however, did not really admit any balancing of politics. As we shall see below, it would be too simple to characterize the political process as being decentralized. The political and governmental structures were mutually supportive.

It is true that, unlike most other underdeveloped countries, the Philippines was markedly characterized by the existence of very powerful provincial families. By one count (Simbulan 1965:205), there were 169 of these families found in every province, whose dominance was based primarily, though of course not exclusively, on wealth. Interestingly, perhaps the great majority of them were connected with the traditional exports discussed above. Certainly the owners of the large sugar estates, the sugar 'barons' in the Visayan provinces were among the most powerful of these provincial 'oligarchs'. Ownership of large amounts of land was also a principal factor. Indeed, it was found that 'the provinces that produced the greatest number of leaders are those that have the highest concentration of land-ownership' (Simbulan 1965:202).

Great wealth was essential for the accumulation and exercise of dominant political power. Perhaps more manifestly and to a greater extent than many other Southeast Asians, the Filipinos rely on dyadic relationships which emphasize the satisfaction of particularistic interests. This situation allows for the special importance of patronage as the basis of social status and influence. In this way, the dominant provincial families were the greatest and foremost patrons in their regions. Directly and indirectly, they were expected and able to satisfy the particularistic demands of the greatest number of people. On the one hand, they surrounded themselves with their principal clients who in turn had their own clients, and so on. More directly, they acted as 'patrons of big events in the province or in the municipalities, such as fiestas, fairs, athletic contests, and the like' (Agpalo 1972:46). Needless to say, this extent of patronage required a large amount of material resources. In return, of course, the families obtained the gratitude and loyalty of the people of their localities and thus their decisive political power. In politics, the descending layers of clients served as their enthusiastic lieutenants, campaign workers and supporters.

With the existence of wealthy and powerful local groupings, the political parties clearly could not develop into centralized and disciplined machines. The independence of the provincial leaders, however, could be easily exaggerated. Although they could command considerable resources and hence could no doubt resist any attempt to subjugate them (Lande 1965:5), they did require considerable help from the centre and could not easily defy the top national leaders. Very few of the dominant provincial families could be wealthy enough to rely entirely or even largely on their own private fortunes for the financing of their political activities. The notoriously expensive electoral campaigns alone would be too draining to most of them. Moreover, central authority and assistance were in several ways not merely desirable but also necessary. Although there were indeed numerous politically profitable community projects that local leaders could directly and privately undertake or contribute to, many others, especially the more spectacular ones such as school buildings, community halls and feeder roads, were not only too expensive but were also formally public. For such projects, formal approval and funds had to come from above. Similarly, the local leaders had to depend heavily on the centre for the satisfaction of various especially popular demands such as public service appointments and special licences and permits.

Given the overriding power of the central government under the national leaders, it would of course be impossible for the regional leaders in control of the provincial and local governments to be very independent. A provincial leader was even more vulnerable if his group did not happen to be the clearly dominant faction in his province. In such a situation, his ability and power to manoeuvre was naturally more limited. Yet, it is equally very easy to overrate the effective power of the central governmental and political leaders. The case of one provincial elite described by Agpalo illuminates the actual character of the relationship between the national and regional leaders. According to him (Agpalo 1972:373),

the political elite of Occidental Mindoro are vulnerable to and have become victims of the manipulation by the national government. Their appointments are turned down if they do not comply with various requirements, some legal and others political. Their pork-barrel funds are not released, if certain political considerations are not met. Their requests for budgetary aid . are taken care of, but they must pay some kind of *quid pro quo* ...

On the other hand, they

also learn how to maneuver to get better or the best results from the national government. They, in turn, manipulate the national officials, making use of their support from their political bailiwicks.

More than anything else, the unique role of the Congressman¹ had determined the structure of the political relationship between the centre and the provinces. Janus-like, each

¹The Philippine Congress was made up of two chambers: the House of Representatives and the Senate. The term congressmen, however, usually referred only to the Representatives who numbered 104 just before the imposition of the Martial Law. Each province had at least one Congressman, depending on the size of its population. The Senators who numbered 24 were elected .at large nationally.

Congressman at once was a provincial and a national leader. As a representative of his province, he was definitely a member of the top provincial elite. In fact, particularly in a small, single-constituency province, he was likely to be at least as powerful as the governor. Indeed, governorship and membership in congress were very often closely linked. Although few governors had been Congressmen, a large number of Congressmen had served as governors. It has also been noted (Corpuz 1965:98) that:

In the 1950's and 1960's a trend seemed to be shaping up. The husband or wife was a member of the Congress, the other was the provincial governor.

On the other hand, as a member of the most important national institution next to the Presidency, a Congressman was one of fewer than two hundred most powerful political leaders of the country. His actual power depended no doubt on many factors including particularly the length of his tenure in Congress, the importance of his province and the extent of his dominance in it, and his parliamentary and party skills. In any case, every Congressman was in a position to play a peculiarly crucial role. Far from being a liability, his dual membership in the national and regional elites allowed him to use his power and influence in the national or regional arena to support and augment the same in the other. In so doing, he was indispensable to both.

To the other members of the regional elite, the Congressman was the principal source of benefits which were necessary for the maintenance of their own dominance through the satisfaction of the demands of their followers. After all, the Congressman not only had a share in the various funds under the direct and indirect control of the Congress but was able to influence the central government agencies which were in charge of supplying most of the local projects and services. Since the extent to which a Congressman could deliver the benefits depended on his own standing in the national elite, it was clearly in the interest of the regional leaders to give him the necessary support.

For similar reasons, the main members of the national elite, the senators and the President and his lieutenants, were equally anxious to support the Congressmen. In the final analysis, the power of the President or a Senator

depended on the number and combined influence of Congressmen he could count on. This means that the President or a Senator would always try to boost the hold of their Congressional allies in their respective provinces. In effect, he would share with them his power and privileges.

In reality, then, the political system was simply a giant system of patron-client relationships, reflecting the basic pattern of social relations among the Filipinos. Within this system there were naturally no sharp points or lines of conflict between the national and regional leaders. It would thus be unjustifiable to characterize the system conventionally as centralized. By the same token, however, it would be very easy to overemphasize its decentralized character. What should be highlighted is the fact that the system required a concentration of a great deal of resources at the centre. Without such concentration, the system would certainly collapse as the national leaders, including the Congressmen, could not possibly perform their crucial role as the chief patrons in the polity.

Obviously, the channelling of the concentrated resources in the form of patronage implied considerable central direction. One reason why the concentration cannot, however, be simply called centralization is that the resources could not be kept at the centre but had to be distributed throughout the system. Furthermore, the central direction was also essentially in the interest of the regional leaders. As we have seen, it allowed them to develop particularistic relationships with the national leaders which they could then exploit, also particularistically, for the sustenance of their own local prominence. Paradoxically, therefore, centralization promoted decentralization.

The political-economic linkage

In short, the relationship between the regional and national leaders was that of mutual advantage. Thus it was basically the same in character as the parallel relationship in the economic system, between the import-dependent import-substituting manufacturers in and around the metropolitan centre and the exporters of primary products in the regions. In both systems, this pattern of interdependence implied and fed upon rural stagnation. The owners and operators of the export-producing estates and camps were not merely uninterested in the development of agriculture and rural industrialization outside their enclaves. The continuing poverty surrounding

them was in fact conducive to the maintenance of their social status and power. Similarly, local apathy or dependence, which has become a clichéd observation among the students of Philippine politics, was definitely not simply an unfortunate state of affairs. After all, patronage requires not only patrons but also clients. Some of the latter may of course be also patrons in turn but the Philippine rural populace, being at the bottom of the patronage line, was simply and necessarily dependent.

This close parallel between the polity and the economy is hardly surprising. The political and economic elites obviously had strongly complementary interests. Since they depended on special government measures such as tariff protection, low rate of interest and over-evaluation of the currency, the manufacturers naturally favoured the centralization of political power with which they could deal conveniently and on which they could concentrate their pressure. On the other hand, as they required a lot of money which they could get hold of conveniently, the national political leaders had a definite vested interest in supporting concentrated, large-scale industrialization tied to similarly concentrated, large-scale primary export operation.

More fundamentally, the political and economic systems were necessarily parallel because their elites were inextricably enmeshed. The great regional families not only dominated both the economic and political life in the regions but to a considerable extent constituted the national elite as well. In the final analysis, the export of primary and semi-processed products and the import-substitution manufacturing were two complementary activities of the same group which was, moreover, closely linked with the large landlords. Together these two groups supplied the main national political leaders who had to be, and invariably were, the wealthiest citizens of the country. Of course these interlocking ties were not always blatant. As usual, higher education and professional attainment provided both the mediating cover and the reinforcing mechanism. All prominent regional families maintained residence in Metropolitan Manila where their sons and daughters could fully utilize their obvious advantages to dominate the most prestigious educational institutions and professions. The powerful were not only wealthy but also generally very well educated and professionally successful.

Epilogue

From the findings and arguments of the main chapters of this study, two overriding conclusions should stand out: (a) that the fundamental problem of development in the Philippines - rural stagnation - is truly massive, and (b) that the solution of this problem would require basic and far-reaching overhaul of the closely enmeshed economic and political systems. The first is hardly surprising and is beyond dispute. Unfortunately, the second has not been properly acknowledged. At least, it has never been unambiguously formulated and hence squarely faced by local as well as foreign students of the economy and politics of the Philippines. Reflecting the prevailing ideology¹ and conventional pre-occupation of their respective disciplines these economists and politists have generally pursued their analysis well short of the point where the necessary connection between politics and economics would be revealed. To a significant extent this limitation seems to be intentional, dictated by both caution and the desire to be constructive.²

A very good example of the essential timidity of even the politically sensitive economists is well displayed in *Sharing in Development*, the ILO study already cited several times in the last chapter. Financed by the United Nations Development Programme, the report was apparently endorsed by the New Society administration.

Correctly identifying the fundamental economic problem, the report firmly argues for a sharp shift 'from a narrow

¹I have identified this ideology as basically liberal (Nawawi 1976b).

²The most succinct formulation I have heard of what is constructive was given by Dr Goh Keng Swee, the Deputy Prime Minister of Singapore, to a group of my political science students at the University of Singapore in 1972. He said that to be constructive an analyst should (a) only consider the 'how' and not the 'why' of policies and (b) should balance each critical observation with at least two declarations of praise. This rule of thumb is certainly endorsed by all governments in Southeast Asia.

emphasis on large-scale industry fuelled by traditional exports towards a broadened development path which would involve the neglected sectors of food producing agriculture and medium and small-scale industry' (p.xxiii). Specifically, it recommends a 'two-pronged strategy: (a) the balanced mobilization of the rural sector, in order to provide employment opportunities for the people in the preponderant rural areas of the Philippines and to generate the rural surplus, used directly or indirectly, to support future urban industrial growth; and (b) the diversification of exports towards new labor-intensive industrial goods, in order to ensure that the urban industrial sector is itself in a position to help to fuel its own future development rather than to continue to have to depend exclusively on the rural sector' (p.xxv).

In even more concrete terms, the report goes on to specify (on the same page) that:

With respect to the balanced mobilization of the rural sector [the emphasis should be] on the need for credit and land reform, for substantial government decentralization to the sub-municipal level, and for sustained efforts in irrigation, electrification and other infra-structural investments. With respect to the industrial export drive ... recommendations center on making it easier for hitherto neglected medium- and small-scale industries to play an increasing part, and on gradually dismantling the protective environment that now inhibits substantial Philippine expansion into world markets on the basis of the combination of her plentiful supply of high-quality labor with her relatively strong and increasingly experienced entrepreneurial capacity.

To its credit, the study vividly defines 'balanced rural mobilization' as (p.29):

The simultaneous growth of primary and secondary food production and of rural industry and services in a mutually reinforcing, self-feeding fashion. It is a mushrooming exchange of food grains, vegetables and poultry, on the one side, and pumps, implements, shoes and shirts, on the other, with the simultaneous generation of incomes and reciprocal markets. This mushrooming activity,

with its generation of productive employment and output gains in a large number of small places, is not confined to an interchange of productivity between a town and its rural hinterland but includes production and trading activities among the islands and between smaller towns and the intermediate-level urban growth poles, as well as enhanced output-generating activity within a *barrio* itself.

At a glance, the above prescriptions appear to be both reasonable and comprehensive. On reflection, however, they in fact prove to be narrow and quite naive.

In the first place, they have failed to take into account the political will to implement them. To be taken seriously, the basic strategy suggested above must at least acknowledge the fact that it runs directly counter to the interlocking economic and political interests of the dominant national cum regional elite. As has been pointed out in the preceding chapter, the import-substituting import-dependent industrialization was both very convenient and highly profitable to the elite. We have also seen that the administrative centralization was an integral element of the political-economic system. Hence, the recommended shift to industrialization for export and significant decentralization would be strongly opposed.

Even if the elite could be persuaded or forced to desist from opposing them, the desired changes would not necessarily come about. After all, there is no reason to expect that capital would rush into the new export activity or the many, presumably competing, new medium- or small-scale industries. Similarly it is difficult to imagine that the local communities, especially the *barrios*, would by themselves spring to lively dynamism as envisaged. As the report itself admits (p.67), each level of local government

shows the effects of its traditional role as the implementor of policy from above, the locus of political patronage from above, and the seeker of largesse from above. Not surprisingly, each has lacked both local initiative and local capacity ... Each municipality has its center -- *the poblacion* -- dominated by local medium-size landowners and other relatively well-off citizens whose interests are not those of the *barrio* people.

It would seem, then, that at the very least the recommended strategy calls for an activist central government, able and resolved to propel the new industrialization and fire the confidence and initiative of the rural populace. Leaving aside the question how it could possibly emerge without the appearance of a new political elite, we should expect such government to require ample resources. It is debatable, of course, whether the amount would actually be larger or smaller than that available to the old regime. But in any case the report should have indicated how the necessary resources could be obtained. Obviously it would be unreasonable to expect them to be forthcoming from the traditional exporters cum industrialists.

Considering the fact that the report was more or less officially sponsored by the government, its failure to push its analysis further could perhaps be seen as purely tactical. If the implications of the advocated strategy were unmistakable, it would of course be silly to state them openly and thereby risk incurring certain official displeasure. However, the implications do need to be spelled out more unambiguously before they can be sufficiently evident.

What seems to be a more reasonable interpretation of the above shortcomings of the report is that the authors are simply ambivalent. They must be aware of the possible implications but are unwilling, basically for ideological reasons, to make them more explicit. Indeed, they seem to want to cling to the fundamental liberal proposition that all that is needed for economic development is the removal of technical or administrative barriers. Hence the removal of protection would be, in their view, quite adequate for the stimulation of industrial export. With respect to rural mobilization which they regarded as 'clearly the more difficult, and thus the more critical' (p.28), they simply maintain that (p.30)

the main difficulty in the way of generating an internally balanced growth pattern within and among the major islands results from organizational problems ... What is needed, we believe, is a new combination of truly local public sector decision-making as regards *what* is to be done, with a greater emphasis on the Government's efficient response as regards *how* to do it (emphasis original).

Interestingly, this ambivalence seems to parallel or reflect the ambivalence of the leaders of the New Society themselves. To really appreciate the latter, it would be necessary to examine carefully the record of achievements and failures of the Marcos regime in the last six years.³ Such examination, however, is beyond the intention of the present study.

³For a preliminary assessment of the first two years of the martial law administration, see Nawawi (1975).

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