

Philippine Technocracy as a Bulwark Against Corruption: The Promise and the Pitfall

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Although technocracy in general is associated with economic decision-making rather than the politics of governance, the Philippine experience has shown that much hope has also been pinned on the country's economic technocrats to counter-act corruption in the country. This was seen during the martial law (1972 to 1986) and post-martial law periods (1986-onwards). A reason for this is that technocrats are regarded as professionals and experts in their fields, and more importantly, "apolitical". Their main concern, therefore, is to make sure that their economic policies are to be implemented. They are, therefore, expected to confront obstacles to this including corruption. Thus, during the martial law period, they were looked upon, particularly by the Philippine business community as well as by the country's major lending institutions, i.e., the International Monetary Fund (IMF) and the World Bank (IMF/World Bank) as a bulwark against corruption. The same perspective is also shared during the post-martial law period where the technocrats continue to be viewed as an obstacle to crony capitalism and patronage politics which persists to pervade Philippine society. This paper, therefore, argues that there are factors which facilitate as well as hinder the role of technocracy in this aspect. One is the nature of the political leadership, i.e., whether the president is corrupt or not; second is the role of the IMF/World Bank and/or external donors in asserting the need for good governance; third is the degree of the "politicization" of technocracy, e.g. the nature of their political mass base, and fourth is the degree to which Philippine society is willing to tolerate corruption in government. All these aspects to a certain extent are affected by the state of the country's political and economic stability. By doing so, the paper hopes to address the conditions under which technocracy is able to

provide a leverage against corruption as well as its limitations. It will reveal that although Philippine experts have failed to achieve their final goals to eliminate corruption, the increments have been gained and lessons have been learned in confronting patronage politics and crony capitalism.

I. THEORIZING TECHNOCRACY AS A BULWARK AGAINST CORRUPTION¹

The prevalence of corruption is often identified with developing societies which are characterized by a wide gap between the rich and the poor and where political and economic power are intertwined and held by only a few. This gives rise to a situation whereby economic policies needed to address poverty and socio-economic inequalities give way to patronage which breeds unabated corruption. For technocracy, a solution to this situation is for a system of governance which is shielded from the adverse effects of clientelist politics and relies mainly on technical expertise and merit.

Technocracy, in classical political terms refers to a system of governance in which technocrats are trained experts rule by virtue of their specialized knowledge and position in dominant political and economic institutions (Meynaud 1980).

Moreover,

technocracy is more than expertise per se. Expertise can be organized to serve a variety of social functions and technocracy, in this respect, refers to the adaption of expertise to the tasks of governance (Fischer 1990, 18).

Given these characteristics of technocrats, it is certainly a challenge for them to navigate through the dynamics of Philippine politics where “political power has primarily been used to serve not democratic but oligarchic rule” which “has sustained the grossly unequal distribution of political power and economic wealth in the country” (Miranda 1991-1992, 150). In particular, the Philippines has been described as being a patrimonial state which possesses the following essential features: “The exchange of resources from political officials to their associates (i.e., cronies); policies tend to be particularistic rather than universalistic in nature; the rule of law is secondary to the “rule of man”; and political officials

tend to blur the boundaries between the public and private realms” (Budd 2005 37-38). In relation to this, technocrats in the Philippines have to deal with *kleptocracy* whereby “the head of government organizes the political system to maximize the possibilities of extracting rents and reallocates these rents for personal use, although this is not incompatible with striving for productive efficiency. This most likely characterized the Marcos dictatorship” (de Dios and Ferrer, 2001, 22).

Technocracy in authoritarian regimes. This is quite understandable as corruption is perceived to intensify under an authoritarian regime. This is because one has a system of government

whereby closed policy deliberations can render programs less potent, and in the process, they sacrifice the open information flows and dialogue that foster an accountable government. Absent transparency policy procedures, public monitoring of state policy making grows more difficult, and policies themselves grow more prone to irregularities and corruption (Williams 2006, 122).

Such has been the experience of developing societies. In Southeast Asia, for example, highly centralized state capitalism as in Indonesia under Soeharto and in Malaysia under Mahathir Mohammad, for example, has generally witnessed an uneven playing field which favors the leadership’s family and cronies as well as politico-business families, who because their hands are on the levers of state power, are able to enjoy protection and subsidy for their monopolies. They are the obstacles to the technocrats who are unable to enforce the much needed regulatory reform (Robison 2011, 115).

Conditions under which technocracy is able to implement reforms. Despite this, however, technocracy is able to implement reforms in developing societies due to the following conditions: One is the support it receives from the leadership to implement new economic policies and in the process keeping corruption in abeyance. In Indonesia, for example, from 1986 onwards, several “important trade monopolies were abolished, including politically sensitive import monopolies in steel and plastics”. Extensive reductions in tariffs and import duties were also introduced (Robison 2001, 112). But in general, these reforms are limited. Despite technocratic reforms, for example, in Indonesia, large sectors of the economy previously controlled by the state became private monopolies

backed by the power of an authoritarian state (Robison 2001, 113). Second, is the role of the IMF/World Bank which is viewed as a leverage of technocracy vis-à-vis crony capitalism. The IMF/WB's prescription of liberalism and neo-liberalism during the post-authoritarian period is regarded as a panacea in the liberation of the natural "market" from the hold of rent-seeking and predatory coalitions which are the major nemesis of technocracy. In the Indonesian case, since the beginning, there have been close attachments which were "forged between Indonesia's new economic technocrats and the neo-classical economists in the World Bank and various Western universities (Robison 2001, 107). Third, is the public sentiment against corruption which is an important factor which enhances technocracy's fight against patronage politics and crony monopolies. In Indonesia for example,

corporate conglomerates, began to attract increasing criticisms and resentment in Indonesian society. For liberal critics within Indonesian's growing urban middle class and within the World Bank, conglomeration in Indonesia emerged, not from competition in open markets but as the result of corruption, collusion and nepotism (Robison 2001, 117).

Related to this is how such a sentiment could be galvanized into a formidable anti-corruption movement of which technocracy is able to get support of in its fight against corruption. These anti-corruption movement have generally been submerged in the anti-dictatorship movements in Southeast Asia and Latin America.

Related to this is the fourth condition whereby technocracy becomes "politicized" which comes in various forms among which are the following: One is that it is embedded in a strong bureaucracy which does not follow orders from the top and is not willing to become politically active in defense of his own program, nor more impersonal" (Schmidt 1974, 426). This case was seen in Colombia whereby the modern, "technical" bureaucrat which although continued to rely on patron-client type interpersonal intergroup contacts, as in the case of the politicians, was oriented toward the systematic diffusion and implementation of modern solutions for age-old problems of underdevelopment. This brought them into conflict with the interests of the regime (and of local notables or political brokers) since their technical plans have deep political implications (e.g., land reform programs and taxation)" (Schmidt 1974, 427).

Another form is when technocracy is able to create its own political mass base by linking with social movements in society. This was the case of Suharto technocrat Habibie who used his connection with the Muslim modernist group, the Indonesian Muslim Intellectuals Association (ICMI), to catapult him as “a leading figure bridging political Islam and the regime”. Habibie was very much aware of the “potency of ICMI for his own political and technological agendas” to ward off resistance against it from Suharto or any opposing power blocs in his regime (Amir 2007, 97). And lastly, one would also find technocrats who are part of a major political party as in the case of Chile whereby the Pinochet’s economic team known as the “Chicago Boys” was closely allied with the main political faction of the leadership’s “Gremialists” founded by Jaime Guzman in Catholic University in 1966 (Huneus 2000, 461).

These two sectors of the elite had a common professional and political career and where the principal civilian groups of the dictatorship developed a long-term political strategy that deeply influenced both the economic and political orientation of the military regime. They shared a long-term power strategy, that was basically defined by the ‘Gremialists’ (Huneus 2000, 461).

The impact of economic (in)stability on these four conditions. The state of the economy, whether it is stable or unstable, impacts on whether these four conditions provide technocracy a kind of leverage in confronting corruption. As pointed out, “reform outcomes are also a function of the extent to which economic crises shifts power and influence away from anti-reform coalitions of interests and toward pro-reform coalitions of interest” (Jayasuriya and Rosser 2001, 236). The 1997 economic crisis, provides an informative example how the bargaining leverage of technocracy are enhanced or hindered in the Southeast Asian experience. In Indonesia, the 1997 economic crisis inflicted damage on the “coherence of coalitions that sustained the state-centered predatory systems of the Soeharto era” (Robison 2001, 118). It also helped pave the way for IMF policies which struck at the very heart of the Indonesian leader’s regime. They included “a range of fiscal reforms: the postponement or cancellation of several large industrial projects; the abolition of various state trading monopolies in flour, sugar, soy beans, and other commodities; and the liquidation of insolvent banks” (Robison 2001, 118). But a reality which the economic crisis also brought about was that in the case of Indonesia and Thailand, it also opened “a new door for a

new struggle to reforge coalitions and build regimes.” In Indonesia, for example, one had a situation where the previous power bloc was replaced by a new one. What further aggravated this situation was the failure of the IMF/World Bank to also solve the crisis which spelled the demise of technocracy (Robison 2001, 118). In the case of Malaysia, then Prime Minister Mohammed Mahathir went against prevailing economic belief during the currency turmoil in 1998 by fixing the ringgit to the dollar in defiance of the IMF. Against austerity measures advised by the IMF and the dominant economic philosophy, Mahathir also increased government spending. The result was that Malaysia got out of the crisis ahead of other Southeast Asian countries and he practically took over the role of technocracy (Zulueta and Dumlao 2012, A3).

Technocracy in a time of “democratization.” The decline of authoritarian regimes, therefore, in Southeast Asia, did not signify the end of patronage politics and corruption as the obstacles to technocratic policy-making. After the economic crisis and the downfall of Suharto, for example, the technocrats were consequently to remain important (but not dominant) players in the policy-making process (Jayasuriya and Rosser 2001, 244). What emerges is technocracy has to contend with a new power equation, i.e., the emergence of a political bloc which has close connections among the dominant political apparatus and key financial and corporate entities as in the case of Malaysia (Jayasuriya and Rosser 2001, 252). What seems to be the fact is that although there may have been a change in the political dispensation, corruption and patronage politics will continue to be the bane of technocracy for as long as there is a wide gap in socio-economic inequalities and power continues to be held by only a few politico-economic elites.

II. PHILIPPINE TECHNOCRACY AND CORRUPTION DURING THE MARTIAL LAW PERIOD

These are the realities and challenges which confront Philippine technocracy who were recruited into government because of their academic qualifications and technical expertise. Their recruitment was intensified during the Marcos Administration in 1965 because of the leadership’s need to attract more foreign investments into the country and to pursue an export-led industrialization strategy as opposed to the previous import-substitution policy with focus on heavy industrialization. Among those who were brought into

government service were the following technocrats who pursued academic degrees from the United States: Finance Secretary and Prime Minister Cesar E. A. Virata, MBA from the Wharton School of the University of Pennsylvania, Head of the Board of Investments Vicente T. Paterno, MBA from Harvard University; Philippine World Bank Alternate Executive Director Placido Mapa Jr., PhD in Economics from Harvard University; Secretary of Planning Gerardo Sicat Jr., PhD in Economics, Massachusetts Institute of Technology; Minister of Budget Manuel Alba Jr., PhD in Management Science and Business Administration from Northwestern University Chicago; Minister of Trade and Industry Roberto V. Ongpin, MBA from Harvard University; Executive Director of the Presidential Reorganization Committee Armand Fabella Jr., B.A. in Economics, Harvard University; Minister of Energy Geronimo Velasco, MBA from the Wharton School of the University of Pennsylvania; and former Central Bank Governor Jaime Laya, PhD in Economics, Stanford University.

A. Confronting Patronage Politics and Corruption During the Martial Law Period

As with their counterparts in developing societies, Philippine technocracy had to confront the various predatory power blocs in society which were nurtured by the political leadership. These took on the various forms which included the following: One was the use of government money for personal projects, or extravagances and this was epitomized by the First Lady Mrs. Imelda Marcos. As pointed out by Virata, Mrs. Marcos had a penchant for building edifices that were not supposed to be government buildings and he would refuse her requests for this since these were not in the budget.² But despite this, Virata said that she would still be able to get the funds for this from key officials in government who he referred to as her “financiers” like Roman “Jun” Cruz, the Government Service Insurance System (GSIS) which was the government’s pension fund agency. Virata said that eventually, some of these buildings became government buildings which the government had to pay.”³

Another form of corruption was the monopoly of key industries by Marcos cronies which was epitomized in Roberto Benedicto Sr.’s and Eduardo Cojuangco Jr.’s control of the country’s top two major export earning earners, the sugar and coconut industries, respectively. The technocrats had no control of these two lucrative agricultural sectors under Marcos’ two “chief cronies” as they were

referred to. With regards the sugar industry, Benedicto monopolized the sugar trading set up through NASUTRA (National Sugar Trading Corporation).⁴ As for the coconut industry, Virata said that President Marcos would not discuss this with him.⁵ One controversy which emerged in the coconut industry was Cojuangco's monopoly of producing and selling the hybrid coconut seeds to replace the ageing coconut trees.⁶ Another disagreement was the imposition of a coconut levy on the coconut farmers. The levy was to be used as a form of financial assistance to the farmers during times of economic crisis for the coconut industry. Virata pointed out the Department of Finance (DOF) and the Budget did not record that as revenues and subsidies at the same time. The levy was sent to this private coconut development fund.⁷ A third form of corruption came from local politicians closely allied to the leadership. As Virata narrated, one of the biggest smugglers of cigarettes was a Cavite governor who belonged to Marcos' Nacionalista party.⁸ And a fourth form of corruption was the one found in government agencies such as the Bureau of Customs and the Ministry of Public Works and Highways.

Forms of controlling corruption. In controlling corruption, the technocrats attempted to implement their own reforms in their respective departments. Paterno, for example, as head of the Board of Investments (BOI) attempted to maintain it as a clean organization. Noting that people did not really receive a fair salary and he could not increase their salaries because they were subject to government regulations, Paterno said that they were able to keep people on two counts: first, was although they could not increase salaries, they provided study grants. Second, was that he told the key technical people that the longer they stay in BOI, the higher their corporate salary will be when they leave. Paterno told them that they should only leave if they are offered 50 percent above their salary. This way he felt that he provided them good incentive to deal honestly with the government's clients.⁹ As for Virata, he tried to control corruption in government corporations by putting safeguards into the corporate boards when he was minister of finance. He wrote the president recommending that GSIS (Government Service Insurance System), SSS (Social Security System), and the retirement system of the military RSBS (Retirement and Separation Benefits System) be placed under the control of the Insurance Commission. Virata, however, said that this was rejected by all the chief executive officers (CEOs) so this recommendation of his was not approved by the president. A reason for this Virata believes is because they would be under very strict control over the use of funds.¹⁰

Getting the support of the President to curtail corruption. This brings forth the reality that during the martial law period controlling corruption lay very much in the hands of the President. According to Alba, the President told him that if the First Lady has some requests, he should let him (the President) know. Thus, for Alba he always consulted with the President when it came to this matter.¹¹ As for Laya, he said that when he was appointed as Budget Commissioner, he realized that this was a very sensitive position. He, therefore, asked the President directly, how should he exercise his responsibilities?" The President told him to go ahead and do what he thought was best for as long as it followed existing policies. Marcos, however, told him that if there was any deviation from policies, Laya should clear this first with the President.¹² Laya thus instituted a system wherein he would include all of the requests that he felt were meritorious in a summary sheet and he would present this to Marcos when they had the opportunity. Marcos, he said, would say "yes" or "no" to each one. By doing this, Laya felt that he tried to preempt those "little orders".¹³

In the case of Paterno, when he became Minister of Public Works and Highways (MPWH) he conducted elections in the Ministry which asked the people who were the most corrupt in the agency. Paterno said that around 1,000 employees participated in the elections and he said that the number one got 72% of the votes, while the number two got 60% of the votes and the number three received 52 percent of the vote. When he presented this to the president, Marcos told him, "Number 1, get rid of him; number 2, he's the brother of a Congressman who has helped me a lot, just talk to him; and then number 3, get rid of her." Paterno, therefore, per instruction of the President got rid of the two and just talked to number 2.¹⁴ Like its other authoritarian regime counterparts, therefore, Marcos' martial law state epitomizes the patrimonial state "where the line between the public and private realms is blurred, where particularistic concerns and considerations take precedence over all others, and where the cronies have penetrated the state, and state autonomy remains scarce" (Budd 2005, 39).

B. The IMF/World Bank as an Ally in Curtailing Corruption

Although the technocrats could not fully control corruption in government the implementation of their economic policies were not generally stymied during the earlier years of martial law. A reason for this was that Secretary of Finance

Virata spearheaded the establishment of the Consultative Group, which consisted of the country's major donors such as the United States, Japan and the United Kingdom and the multilateral lending institutions during the martial law period. This was because of very strong pressure from donors, creditors, including their own suppliers as to the types of projects the Philippines should engage in.¹⁵ As pointed out by Virata, almost all the development and infrastructure projects which he embarked on had the support of foreign assistance from these foreign governments as well as from international lending agencies.¹⁶ During this period, what seemed to have mattered more for the IMF and the World Bank was not the curtailment of corruption but of any form of opposition against technocracy's implementation of policies favoring foreign capital foremost of which came from the nationalist economists and nationalist movement. Thus, the declaration of martial law was most welcomed to them (Bello, Kinley and Elinson 1982).

But when these donors, particularly the IMF/World Bank began to perceive that crony monopoly of industries and corruption began to impede the interests of foreign investors in the country, the IMF/World Bank began to step in. Virata, for example, said that the IMF/World Bank were not happy about Cojuangco's monopoly of the coconut industry and actually had this investigated.¹⁷ A more holistic approach in reigning in crony corruption by these multilateral lending agencies was the popular perception that the IMF/World Bank were reported to have pressured Marcos to lift martial law and declare a New Republic in 1981 headed by a Cabinet composed of World Bank technocrats led by Virata. This was because these two multilateral lending institutions saw that the technocrats could not go on with their task of "cleaning up" the regime without support from them (Bello, Kinley and Elinson 1982, 184). Thus, by having a Cabinet headed by Virata and other technocrats, the IMF/World Bank believed that there would be a stricter control over the use of their funds for the country. Furthermore, these two IFIs believed that by being in the Cabinet, the technocrats can prevent this from happening (Bello, Kinley and Elinson 1982, 191). This was specially so because these two multilateral agencies also believed that the reputation of the technocrats as honest and credible public officials will help improve the image of the corrupt Marcos regime. There would thus be some semblance of political stability in the country which will allow the unhindered implementation of the IMF/World Bank policies in the Philippines (Bello, Kinley and Elinson 1982, 184).

C. Technocracy and the Curbing of Corruption in a Period of Economic and Political Crisis

This experience, therefore, highlights how the IMF/World Bank became a vital leverage for technocracy to curtail corruption. This was given further leverage during a period of economic crisis in 1981 which was brought about by the Iran-Iraq War from 1979 to 1980, which resulted into the price increases¹⁸ and which was further aggravated in 1983 with the assassination of the country's chief opposition leader ex-Senator Benigno Aquino Jr. The latter witnessed the burgeoning of the anti-dictatorship movement spawned by the excess of the Marcos regime's relatives and cronies, human rights violations and prevalence of poverty. Like in the experience of its Southeast Asian counterparts, the economic crisis seemed to raise the value of the technocrats to the political leadership as the leader needed the former to access loans. As narrated by Virata, in November 1982, Marcos needed him to talk to the country's creditors to request that the country's credit lines not to be cut off. Virata said that he had to deal with 458 banks. But the problem Virata said was that each one of them suddenly had their reasons for not extending assistance to the Philippines. The situation became worst when Aquino was assassinated resulting into the government's lack of credibility. Virata said he tried to convince Marcos to replace him because he knew he would not be effective anymore in raising the money. But the President did not agree and he told Virata that he had to do the job.¹⁹

The need of Marcos for the technocrats at this point seemed to have given them further clout to curb corruption. As narrated by Virata in 1984, when the opposition, led by Aquino's widow, Corazon Aquino led rallies promoting a run on state- and/or crony-owned banks such as the Philippine National Bank (PNB) and the United Coconut Planters Bank (UCPB), then Central Bank Governor Jose Fernandez learned that a decree was signed by the President stating that the Central Bank shall be obligated to restore the funds to the Bank brought about by the rallies. This meant that if these crony-owned banks lost dollars, the government needed to restore it. Virata said that Central Bank Governor Jose Fernandez called him to tell him (Virata) that the new decree was wrong. So Virata called the president and asked to see him in the morning regarding his decree amending the Charter of the UCBP.²⁰ During their meeting, Virata told Marcos, "Mr. President, this signed decree has no parallel or precedent in international law. When the Central Bank helps an institution they have to follow

certain procedures, like you must have acceptable security, and Monetary Board approval." Virata also told the President that it would not be good if the decree was made public. The President thus instructed his Executive Assistant Juan "Johnny" Tuvera not to release that decree. Virata believed that the one who crafted the decree was the group of Eduardo "Danding" Cojuangco Jr. Cojuangco at that time was UCPB chairman.²¹

Such a situation depicts the boom-bust" economies which are characteristic of patrimonial states. As pointed out, during "the boom years, the patrimonial officials dispense their largesse with little thought on issues such as performance, efficiency, or productivity. Furthermore, patrimonialism promotes rent-seeking and other nonproductive activities. The patrimonial state fails to lay the groundwork for future development; thus, when the inevitable bust comes, the economy collapses like a house of cards" (Budd 2005, 40). It is when the economy goes "bust", whereby the technocrats seem to hold more political leverage.

But as with the experience of technocracy in Southeast Asian, the reforms were also limited. This was seen when the leadership continued to allow the corruption of his relatives and cronies. Mrs. Marcos' spur-of-the-moment lavish projects, for example, never failed to upset whatever economic program the technocrats had for the country. In 1982, for example, when the country was at the height of its rescue operations of collapsing firms, Mrs. Marcos wanted to appropriate US\$1.2M from the cabinet and presidential funds to host a film festival in Manila. Virata put his foot down and refused to accede to this demand. President Marcos realizing the gravity of the country's economic situation agreed with him. This, however, did not deter Mrs. Marcos from getting US\$111,111.00 from the coffers of the Ministry of Human Settlements which she headed (Business International Research Division 1980). Thus, even "in times of crisis, the patrimonial officials' support for the technocrats is still contingent on their concern for their associates' economic well being" (Budd 2005, 39). Furthermore, patrimonial states "like the Philippines and Indonesia have a difficult time breaking free from the predatory attacks of the cronies, thereby truly insulating the policy-making process" (Budd 2005, 40). It was not surprising, therefore, to see that with the collapse of Marcos' authoritarian rule as brought about by the 1986 People Power Revolution, one also witnessed the down fall of his technocrats. Having no political mass base of their own, technocracy was rendered helpless in such a situation.

III. PHILIPPINE TECHNOCRACY AS A SHIBBOLETH AGAINST CORRUPTION IN AN “ELITE DEMOCRACY”

During the post-martial law period, there was much promise that technocracy would do a much better job in controlling corruption because the country was now under a “democratic” dispensation. Although the Marcos’ technocrats were banished as “pariahs” in Philippine society, they were replaced with other technocrats sharing the same economic expertise and who continued to espouse the same developmental paradigm as the IMF/World Bank.²² Their development paradigm of neoliberalism, during the post-martial law period stressed on a market-led rather than a state-led development with the hope that the economic failures due to inefficiencies and incompetence as well as corruption of the authoritarian regimes in developing societies like the Philippines will not be repeated. Furthermore, these two multilateral agencies also highlighted the importance of good governance, i.e., transparency and accountability in government. As pointed out,

Recently, corruption has also been regarded as an indicator of good governance, about whether governance structures effectively promote transparency, accountability, and a sound management of resources. Most donors and developmental aid agencies share the perspective that corruption is inimical to good governance and should be dealt with accordingly (Co 2007, 3).

This was despite the fact that Philippine political realities basically remained the same. As noted, the disproportionate role corruption plays in the Philippines continue to hinge on the following factors in Philippine politics and economy:

system of patronage in politics at both local and national levels; the lack of information among the majority (originally due to poverty, ignorance and alienation); the manipulation of government by powerful outside vested interests (originally based on landownership and relations of dependency); the entrenchment of a stratum of political opportunists and big money politics; and a political system used as means of wealth accumulation based on manipulation of the electoral process (including media, skillful use of resources and contributions). It is these which ultimately explain the failure of the controls over the presumed relationship between the public and its would-be servants (de Dios and Ferrer 2001, p. 38).

This has continued to spawn the appalling socio-economic inequalities which characterize Philippine society whereby President Fidel V. Ramos' first State of the Nation Address in July 1992, "drew attention to the inequity of the uppermost 20 percent of Filipino families controlling more than 50 percent, and the bottom 20 percent making do with 5 percent of the national income" (Miranda 1991-1992, 50). No less than post-martial law presidents have been implicated in grand corruption such as the Public Estate Authority (PEA)-Amari²³ scam under President Ramos and the IMPSA deal under President Joseph Estrada²⁴ (de Dios and Ferrer 2001, 25).

A. Political Crisis and Increasing the Technocratic Clout

Unlike the martial law period, the Philippines did not undergo any economic crisis which initially strengthened the political clout of the technocrats because of the dependence of the leadership on them to get more loans. What it experienced though was a political crisis, similar to the martial law period where the leadership saw the need for the technocracy to bring about political stability. This was seen during the impeachment trial of President Estrada in 2000 when he was accused of receiving in November of that year more than P400 million in payoffs from operators of "jueteng", an illegal numbers racket" (Doronila 2011). Estrada, to give some semblance of "cleaning up" government of crony capitalism and corruption brought into his government Edgardo Angara Jr., his vice-presidential candidate and former corporate lawyer, as his Executive Secretary. Some viewed this move as similar to Marcos' use of Virata, a technocrat, as government's way of showing its "seriousness" in fighting corruption (Tiglao, 2001, 9). This was of course to no avail as Estrada was overthrown in the People Power 2 revolution and except for his four senior economic advisers who resigned, (Doronila 2010), went also his technocrats who just like during the martial law period drew its economic clout from the leadership.

A new dimension of technocratic clout because of a political crisis, however, was seen during the Arroyo administration (1998-2010) which highlighted not only the role of technocracy in curbing corruption by demanding the resignation of the President. The political crisis was spawned by the *Hello Garci* scandal of the May 2005 elections which caught President Gloria Macapagal Arroyo instructing via cellphone Commission on Elections (COMELEC) Commissioner Virgilio Garcillano to increase her votes by at least 1 million over her closest

presidential opponent, the actor Fernando Poe Jr. (Zamora 2005). Because the political scandal was getting in the way of implementing the government's economic policies, Arroyo's economic and social technocrats²⁵ pressured her to confess to the public that indeed it was her voice and to apologize for this in the hope that this will lessen the backlash. They believed that this was causing political instability which hindered the implementation of their economic policies. President Arroyo agreed and said she was "sorry" to the public for her "lapse of judgment" (Lirio, 2005).

The technocrats, however, also went a step further by demanding the President to send her husband away because of the *jueteng* scandal among others, and to fire officials identified with him such as Edgar Manda of the Laguna Lake Development Authority (LLDA) and Efraim Genuino of the Philippine Amusement and Gaming Corp. (PAGCOR). Her husband agreed to going away but "vigorously opposed the sacking of officials identified with him". When it became clear to the technocrats that President Arroyo was not going to let go of her husband's cronies, particularly, Genuino, 10 of them, 7 Cabinet Secretaries and 3 Bureau Directors, resigned on July 10, 2005 and held a conference at the Hyatt Hotel to announce their resignation. They became known as the "Hyatt 10" (They were led by Cesar Purisima²⁶, President Arroyo's former Secretary of Trade and Industry who later on became the Secretary of Finance (Lirio 2005, A6).²⁷ This was the first time that there was a "mass resignation" of technocrats in the Philippines. Under the martial law regime, there were only two technocrats who left the government as they could no longer tolerate the excesses of Marcos and his cronies. One was Minister for Economic Planning Gerardo Sicat who resigned and took up a post in the World Bank in Washington D.C. and the other was Minister of MPWH Vicente T. Paterno who resigned and joined the anti-dictatorship movement.

B. The "Politicization" and Strengthening of Technocracy

The technocrats, however, who left government, i.e., the Hyatt 10, found a way of continuing their advocacy against corruption in government by supporting the presidential candidacy of then Senator Benigno Simeon C. Aquino in 2011 who campaigned on an anti-corruption platform. Previously, these technocrats led a series of rallies demanding the resignation of President Arroyo but this was to no avail. But they were vindicated by the public with the landslide victory of

Aquino. Aquino was a “reluctant” presidential candidate. He did not consider the presidency at all until the death of his mother on August 1, 2009 where hundreds of thousands came out to express their sympathy as well as to thank her for restoring democracy back to the Philippines in 1986. The outpouring of grief for Mrs. Aquino was also construed as an expression of opposition against the corrupt Arroyo government as Mrs. Aquino is remembered as having courageously campaigned against the corruption of the Marcos dictatorship. These emotions capitulated her son into the presidency.

With the ascendancy of Aquino into the presidency, a number of these former Arroyo technocrats were eventually reappointed to Cabinet positions foremost of whom was Cesar Purisima as Secretary of Finance.²⁸ Guillermo Parayno Jr., who was Arroyo’s Internal Revenue Commissioner was also appointed as Customs Commissioner. Parayno’s appointment was backed up by the influential Makati Business Club (MBC).²⁹ Parayno, on the other hand, also mentored Kim Henares, who was appointed head of the Bureau of Internal Revenue (BIR), when she served as his deputy at the tax bureau. More importantly, however, he was tapped by the IMF and the ADB to serve as adviser and consultant on fiscal issues to other developing nations” (Lucas, 2010). Both Secretary Purisima and Commissioner Henares “have been warmly received by the international community, especially holders of the country’s bonds (the value of which relies heavily on the level of tax collections)” (Lucas, 2010).

The “politicization” of technocracy may therefore prove to be positive in strengthening the fight against corruption in government. Further political clout is given to them with the support of lending institutions which continue to see technocracy as a bulwark against corruption in the country. The importance of the support of the U.S. in the country’s anti-corruption drive was recently seen when to show its trust and confidence in the new Aquino Administration, the U.S. unlocked USD434 million in poverty and corruption fighting grants for the Philippines. The assistance was coursed through the Millennium Challenge Corporation (MCC) which the previous Arroyo administration has been coveting since 2009 but never got. This was because it always flunked the corruption test where on a median 0, the Philippines scored a -0.20 or about 26% in the Control of Corruption parameter. The MCC Board headed by US Secretary of State Hillary Clinton, decided “to defer approval of the Compact agreement until after the national elections held last May” (Jaleco, 2010). Such an assistance is viewed as

providing the financial assistance which technocracy needs to implement its policies.

The importance of the leadership in the fight against corruption. A present reality though is technocracy continues to rely heavily on the president to fight corruption for its economic reforms to be implemented. This was given a boost with the continuing popular perception that the current leadership is not corrupt. This is despite the eruption of corruption scandals under the present Aquino Administration and which the opposition attributes to the leadership's giving political favors to his KKK (Kaklase, Kaibigan at Kabarilan or classmates, partymates and shooting buddies).

The popularity rating of President Aquino in September 2012 was a "very good" satisfaction rating of plus 62.5%. For the government, these statistics reveal the "tangible indicators of the people's support for his brand of leadership and anti-corruption campaign" (Burgonio 2012, A4).

A crucial event which highlighted the perception of the government's success in fighting corruption was the impeachment of Chief Justice Renato Corona in June 2012. Corona, who is perceived to be a lackey of former President Arroyo, was viewed by the Aquino Administration as a major stumbling bloc to his anti-corruption drive. This was something which still has to be done in Indonesia whereby its judiciary is widely regarded as inefficient, poorly trained, and corrupt. Furthermore, it was widely known that court decisions, in many cases, were for sale. "But despite the problems caused by the collapse of oil prices, the politico-bureaucrats and the conglomerates remained strong enough to stave off attempts for judicial reform" (Jayasuriya and Rosser 2001, 245-246). Because of the positive increments in the government's anti-corruption campaign, fewer executives are said to be "witnessing corruption in the public sector and the proportion of those saying that companies in their own sectors are giving bribes fell between 2009 and 2012 marking, 'radical progress' in the fight against corruption". "These were among the findings of a preliminary report by Social Weather Stations (SWS) based on a survey of enterprises on corruption. The report was presented at the Second Integrity Summit (Philippine Daily Inquirer 2012, A2).

For technocrats like Secretary of Finance Purisima, the administration's achievements in fighting corruption is one of the major sources which has

contributed to the country's good economic performance earning it a global credit rating which is clearly an investment grade (Domingo 2012, B3). In relation to this, the World Economic Forum (WEF) released on September 5, 2012, its global competitiveness report which showed that "the Philippines leaped by 10 notches to the 65th spot among 144 countries surveyed". "The latest ranking put the Philippines at the upper half of surveyed countries for the first time". Guillermo Luz, co-chair of the Philippine National Competitiveness Council (NCC) said that "the significant improvement in the area of government institutions could be credited to the ability of the Aquino administration to convince the business community that reforms especially in the area of transparency and efforts to curb corruption, are being implemented in government agencies" (Remo 2012, B2-1). This was also acknowledged by the Aquino Administration's spokesperson Secretary Edwin Lacierda who noted that "leadership by example" of the President as being instrumental for the new assessment. Lacierda added that the "fact that he is clearly known as not susceptible to corruption is a big incentive" (Ubac 2012, A4). Thus, as noted by Ramon Magsaysay award-winning journalist Sheila Coronel, that President Aquino "is not a thief makes a big difference in his administration's anticorruption effort" (Yasmuan 2012, A21). Coronel also highlighted the importance of the democratization process in the country in combating corruption. She pointed out that during the Marcos years, the corruption which began during that period pulled back the Philippines compared to its Southeast Asian neighbors. Furthermore, Coronel noted that apart "from staying in power indefinitely, the dictator made things worse by centralizing all power unto himself... Checks and balances provided by the legislature and the judiciary were nonexistent so it became too easy to steal" (Yamsuan 2012, A21).

Challenges for technocracy as a bulwark against corruption. Challenges, however, continue to remain for Philippine technocracy in combating corruption. One is that its economic policies should not only bring about growth but also address the redistributive aspects of development. As noted by former COMELEC Chair Christian Monsod poverty and gross inequalities which continue to characterize Philippine society is perceived to be perpetuated by the continuing monopoly of wealth and power by only a few and where people engage in corruption because everybody else does it (Monsod 2011, A14). Another challenge is to pressure the leadership not to succumb to the political dynasties which continue to control Philippine economy and politics. For the coming May 2013 congressional and local elections, families which have long been entrenched in local politics are

asserting themselves as they file their certificate of candidacies (COCs) which began on October 1, 2012. These include old political clans such as the Marcoses of Ilocos Norte, the Ortegas of La Union, and the Dys of Isabela as well as new ones in the post-martial law period such as the Angaras of Aurora, Pinedas of Pampanga and the Garcias and Umalis of Nueva Ecija. Such a situation is a bane for technocracy whereby the monopoly of political and economic power is merely transferred from one family to another or is held by the same family. In the experience of developing societies, this breeds corruption (Inquirer Bureau 2012, A1-A17). For as long as this remains, this will render technocracy's economic policies inutile with 90 percent of the Filipino people, belonging to classess D and E, being left out by the flow of progress (Quismundo 2012, A2).

CONCLUSION

This paper has, thus, attempted to show that just like their counterparts in Southeast Asia and Latin America, Philippine technocracy is deeply mired in the predatory politics of its society. The outcome as expected is unabated corruption. But as with the experience of technocracy in developing societies, there were factors which enabled it to assert its political as well as economic clout in confronting patronage politics. In the Philippine experience during the martial law and post-martial law period, these included the following:

One is the dependence of technocracy on the leadership to curb corruption. Under the Marcos dictatorship, although technocracy on their own attempted to institute reforms in their respective agencies, they ultimately had to seek the support of Marcos in reigning in the First Lady and his cronies among others. But as what was also seen, the leadership did not have the political will to completely do so contributing to one of the major factors which caused his as well as his technocracy's ouster in the 1986 People Power revolution. Such a situation would be repeated under the Estrada Administration, which due to alleged corruption, the leadership and his technocrats were also ousted under a people power revolt. There seems to be more hope under the present Aquino Administration which is making headway in its anti-corruption campaign, an electoral pledge which Aquino made and which gave him a landslide victory over his opponents. Aquino's technocrats as well as local and foreign business community have credited the country's positive economic outlook to the government's success in controlling corruption.

Another factor which weighs in on the leverage of technocracy in combatting corruption is the support it gets from multilateral lending institutions and donor agencies in pressuring government to curtail rent-seeking and crony capitalism. During the martial law period, this was seen when Marcos gave in to IMF/World Bank preference for technocracy to play a more major role in his Cabinet as epitomized by Virata's ascendancy to Prime Minister. During the post-martial law period, the U.S. government refused to release the Millennium Development Fund until the Arroyo Administration is able to control corruption. Such a pressure, however, is quite limited. As seen during the Marcos Administration, the IMF/World Bank could only do so much and under the Arroyo Administration, massive corruption continued.

A third factor which impacted on technocracy's attempt to control corruption is public sentiment against crony capitalism which is galvanized into a movement to oust the leadership. During the martial law period, the detachment of technocracy from the anti-dictatorship struggle which was fueled because of the corruption of Marcos and his relatives and cronies also led to their downfall. But during the post-martial law period, a number of technocrats which formed the Hyatt 10 sought the support of civil society in its campaign for Arroyo to resign. Although they were not successful in this endeavor, their effort was vindicated when they supported the presidential candidacy of Benigno S. Aquino who campaigned on an anti-corruption platform with Arroyo as his specific target. This brought back the Hyatt 10 technocrats into power.

Political and economic crisis, as was seen in the Southeast Asian experience, also impacts on the political and economic leverage of Philippine technocracy. The political and economic crisis during the martial law period, pushed the president further to curtail the corruption of his relatives and cronies but this was only to a certain extent. During the post-martial law period, the political crisis which confronted the Estrada and Arroyo Administrations witnessed the ouster of the former from the presidency and the plunge in popularity of the latter paving the way for the victory of Aquino in the 2012 presidential elections.

But as in the experience of the Southeast Asian technocracy, the ouster of a set of elites only led to their replacement of a new set of elites or the same elites involved in new forms of politics engaging in the same predatory politics. In the case of the Philippines, the continued dominance of old as well as new political dynasties, which are viewed as the root of corruption in Philippine society

continues to be a major concern. The Hyatt 10 experience, thus, brings to light the strategies of technocracies in developing societies which have sought to establish their own political mass base as not to be mere appendages of the leadership, politico-economic elites and even multilateral lending agencies. The Hyatt 10 technocrats, by establishing their links with the country's civil society saw the end of the Arroyo Administration as well as its lackeys. Such a link was absent among previous technocrats particularly under the authoritarian regime. A concern, however, is that such links are severed once they are in government and technocracy as with the previous administrations continue to rely on the leadership in combatting corruption. An important lesson learned, therefore, here is technocracy cannot remain "apolitical" in a society under an oligarchic rule. The only way it can hope to successfully combat corruption is to sustain its support from the vast majority of Philippine society, particularly its social movements, in confronting a rapacious elite.

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²⁴President Joseph Estrada was accused of negotiating a US\$14 million kickback in exchange for his approval on a contract for a power plant with Argentina's Industrias Metalurgica Pescarmona Sociedad Anonima (IMPISA) (Porcalla 2006).

²⁵The economic and social technocrats included Secretaries Cesar Purisima (finance), Florencio Abad (education), Corazon "Dinky" Soliman (social welfare), and Emilia Boncodin (budget) and presidential adviser on the peace process Teresita "Ging" Deles. They urged Ms Arroyo to address the "Hello, Garci" controversy (Lirio, Gerry (2005) 'Panic, confusion started at the Palace on June 3'. Philippine Daily Inquirer, 17 September, A1 & A6).

²⁶Purisima used to be the Chair of Sycip, Golez and Velayo (SGV), the country's top accounting firm. The "Hyatt 10" consisted of the economic and social technocrats who called for President Arroyo to confess to the "Hello Garci" tapes as well as Trade Secretary Juan Santos, Agrarian Reform Secretary Juan Villa, National Anti-Poverty Commission Chair Imelda Nicolas (sister of Carnation Inc. President Loida Nicolas Lewis), Internal Revenue Commissioner Guillermo Parayno Jr., and Customs Commissioner Alberto Lina.

²⁷Please see "Teresa S. Encarnacion Tadem, The middle class and political reform: Examining the Philippine technocracy" in Kasuya, Yuko and Nathan Gilbert Quimpo, 2010. *The Politics of Change in the Philippines*, Quezon City: ANVIL Publications Inc., pp. 216-238.

²⁸The others reappointed into government were Corazon Soliman as Secretary of the Department of Social Work and Development and Teresita Quintos Deles as Presidential Adviser on the Peace Process.

²⁹Parayno was previously with the Aquino administration's Economic Intelligence Investigation Bureau and the Ramos administration's customs bureau head (Lucas 2010).

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