

The Role of Government —(1)

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Part of the difficulties experienced by the Philippines during the 20 years of Marcos rule stemmed both from lack of clear understanding of the exact role of government and limits of its power as well as failure to demand for and safeguard citizens' rights under a democratic system. There are specific roles which government could effectively assume and perform. These roles include: (1) coordinating economic activities; (2) promoting political stability and reducing uncertainty; and, (3) enhancing government's responsiveness to the needs of the people it governs.

This paper on "The Role of Government" under the general theme, "Government Reforms: Perspectives for Change and Agenda for Action" will focus on the type and nature of reforms needed in government within the context of current developments.¹

Objectives of Government Reforms

On many occasions, the economic recovery and growth of the nation could not proceed without genuine reforms in various sectors of society, including the politico-administrative system. There is likewise the need to institute fundamental changes in the economy, including the withdrawal, modification, or replacement of inappropriate policies and structures in order to bring about growth and development.

The document entitled, "Economic Recovery and Long-Run Growth: Agenda for Reforms" which serves as the framework for the preparations of the medium-term development plan, discusses certain vital reforms which have to be implemented. These include policy changes on external debt policy, monetary policy, fiscal policy, labor and employment, trade, agriculture, population and basic social services, justice, and government structure.

The reforms sought in these key policy areas aim to remove distortions in the economy, promote efficiency, and meet the requirements of recovery and long-run growth. Moreover, administrative reforms proposed are directed

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towards dismantling the structures of privilege and power that had for a long time stifled growth and initiative in the country. These institutional reforms also aim to enable government to reorganize itself and thus, more effectively carry out the required economic and social reforms.

The Role of Government

Part of the difficulties the nation encountered during the Marcos regime stemmed from (1) the lack of a clear understanding of the exact role of the government and the limits of its power, and (2) the failure to safeguard rights under the democratic system.

Despite personal biases against government as a provider of goods and services, there are however specific roles which government could assume and more effectively perform.

Role of Government in Development. The first role of government is that of coordinator of economic activities. Such role is viewed as that of establishing a sound framework and environment for development and creating a wider economic area, and of promoting the market system as a primary economic strategy for development.

In addition, the government as coordinator of development should also be able to encourage technological development and the free flow of information, consistent with the principles of transparency and accountability in all aspects of public service.

Another fundamental responsibility of government as coordinator of economic activity is to establish a free and healthy environment within which the nation's productive energies can be nurtured and developed to the fullest. The economic environment should be governed by mutually consistent policies that affect all aspects of economic behavior. The key elements are fiscal, monetary, exchange rate, employment and wages and trade policies. All these figure in determining the rate of domestic inflation, the rate and pattern of capital accumulation, resource utilization and the amount of foreign exchange earnings, the maintenance of balance of payments equilibrium and foreign borrowing, and ultimately, the pace of economic activity and growth. It is important, therefore, that this framework be flexible enough to permit the economy to adjust to external disturbances, to provide adequate incentives to long-term growth, and to permit the attainment of the objectives of equity and social balance.

A corollary responsibility of government is to enlarge the economic area where competitive markets operate and where the government's direct role will in effect become superfluous. This means that the government should take the lead in (a) reforming institutions which prevent or stifle

competition, particularly in breaking the concentration of land ownership and access to natural resources, (b) eliminating the protection given to foreign and domestic monopolies, (c) minimizing the use of political influence to obtain economic privileges, and (d) withdrawing from non-traditional areas or where the private sector could more efficiently operate.

There are a number of reasons why the government should intervene in economic management. Oftentimes, government is subjected to strong popular pressures to intervene, not only to protect the public interests but also to regulate economic activities and to actively promote economic growth and social welfare. While poverty reduction and redistribution of wealth and incomes are valid instances where the government may intervene in the economy, in reality, the government has exceeded beyond areas traditionally considered as its "core responsibility."

As a consequence, the sphere in which competitive markets operate and where private firms may participate had been significantly stymied. It should be noted that despite its defects and inadequacies, the market system is considered a cheap mode of economic organizations. Its one virtue as an institution is that, where it exists, it facilitates transactions among large numbers of people and coordinates economic activities without the need for large resources or bureaucratic direction. Even when markets do not exist, or do fail, however, it is not immediately obvious that the government must step in. A general principle which must be observed is that government should intervene only when it can do better. Moreover, if it is to intervene, it should do so in ways that minimize economic costs to achieve desired goals.

Promoting Political Stability and Reducing Uncertainty. Another important responsibility of government is the promotion of political stability and peace and order. The reasons for this are obvious. Political stability and peace and order are a *sine qua non* to economic development. Any short-run recovery and long-term growth strategy must contend with the existing political structure. Thus, there is need for the government to ensure that the national political authority reigns supreme throughout the country and if need be to apply the state's power among socially undesirable elements which threaten political stability and peace and order.

The level of business uncertainty poses undesirable effects on the economy. Uncertainty encourages companies to build up inventories and cash balances, while discouraging innovation and investment. While a certain amount of uncertainty is inevitable, the government can reduce this uncertainty by providing the atmosphere for a free flow of information. Regular consultations between business and government would also be encouraged by creating a forum for government and private sector participants to meet and exchange views on a variety of topics affecting them. In both cases, there is greater transparency in the activities and intentions of government,

thereby reducing distrust which often trigger instability or failure of the market system.

Improving Government's Responsiveness

The continuing existence of any government can be justified only by its ability to respond quickly and effectively to the needs of the people it governs. A third major role of government, therefore, relates to its ability to continually assess itself and its structures and operations so as to determine if it is still adequate and responsive to the ever-changing needs of society. Government should thus provide an efficient, effective, and responsive machinery for the formulation and implementation of programs and services that would directly cater to the requirements of and promote the welfare of the people.

For this purpose, it is important that the government's administrative reform program be guided by two organizational principles: organization simplicity and decentralization or the delegation of substantive political and administrative authority to local governments and subordinate units of government.

Making the government structure and operation simple is urgent and practical. In a structure where administrative authority and communication layers are reduced, red tape and costs in time and resources are minimized. Therefore, government organizations with complex administrative structures need to be simplified either through elimination of structural layers or procedural steps, or both. In other words, measures or procedures that tend to delay decision-making or the delivery of critical services to the people should be done away with.

To devolve certain power and functions to lower or subordinate units is another useful guide to administrative change, and that is decentralization. A decentralized administration can make the government more effective in a number of ways. Firstly, it promotes efficiency and effectiveness by making lower level and subordinate units decide on their own level of competence. This is especially true because they have the best information and advice available since they are closer to the scene of action. Secondly, it reduces costs in time and resources since matters need not be elevated to the higher authority. Thirdly, it is more responsive since it allows greater participation of the affected publics and the clientele.

For sure, there are other roles of government. However, these are the key roles and could be the basis for identifying the major elements and defining more clearly the limits of such roles.

Endnote

¹This paper was prepared within the context of the following politico-administrative developments, a few months after the assumption of Aquino government into power. First, the experience during the people's revolution which ousted the Marcos regime was still fresh in mind. Second, the members of the Constitutional Commission were formulating a new constitution that was to provide the broad framework for governance and which was also supposed to define more clearly the extent and limits of governmental power. The 50-member Presidentially-appointed Constitutional Commission convened on June 2, 1986. Third, the Cabinet was reviewing proposals, principally from the Presidential Commission on Government Reorganization (PCGR) for extensive administrative reforms that were to institute a leaner but more effective bureaucracy. Finally, the nation was faced with the challenge of responding quickly — and correctly — to the people's clamor for change. Success, therefore, in meeting these challenges was to be gauged not by the amount of time spent in discussions but rather by the quality and immediate impact of contributions to bring about the changes for the people.