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## **The Rise and Fall of Virata's Network: Technocracy and the Politics of Economic Decision Making in the Philippines**

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# The Rise and Fall of Virata's Network: Technocracy and the Politics of Economic Decision Making in the Philippines

Teresa S. Encarnacion Tadem\*

The influence of a technocratic network in the Philippines that was formed around Cesar E. A. Virata, prime minister under Ferdinand Marcos, rose during the martial law period (1972–86), when technocracy was pushed to the forefront of economic policy making. Applying concepts of networks, this essay traces the rise and eventual collapse of Virata's network to a three-dimensional interplay of relationships—between Virata and Marcos, Virata and the International Monetary Fund and World Bank, and Marcos and the United States. Virata's close links to social, academic, US, and business community networks initially thrust him into government, where he shared Marcos's goal of attracting foreign investments to build an export-oriented economy. Charged with obtaining IMF and World Bank loans, Virata's network was closely joined to Marcos as the principal political hub. Virata, however, had to contend with the networks of Marcos's wife, Imelda, and the president's "chief cronies." While IMF and World Bank support offered Virata some leverage, his network could not control Imelda Marcos's profligacy or the cronies' sugar and coconut monopolies. In Virata's own assessment, his network was weakened when Marcos's health failed during an economic crisis in 1981 and after Benigno Aquino's assassination in 1983. In those crises, Imelda Marcos's network and Armed Forces Chief of Staff General Fabian Ver's faction of the military network took power amidst the rise of an anti-dictatorship movement. The United States' switch of support from Marcos to Corazon Aquino sealed the demise of Virata's network.

**Keywords:** Philippines, Cesar E. A. Virata, technocracy, Ferdinand Marcos, networks

An important network that has emerged in the Philippines is that of technocracy. It was seen in the 1960s during the pre-martial law period (1960–72), but its significance rose rapidly during the martial law period (1972–86), when technocracy was thrust into the

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forefront of the country's economic policy making. In general, the attraction of technocracy to government leaders generally emanates from the system the latter represent, "in which technically trained experts rule by virtue of their specialized knowledge and position in dominant political and economic institutions" (Glassman *et al.* 1993). This paper argues that the politico-economic clout of the technocracy is based also on the strength of its network(s) in connecting with the important centers of power in society. I use Albert-Laszlo Barabasi's (2002) definition of network:

not just a simple interconnection between two objects, but one which comprises of a complex series of links, nodes, hubs, and clusters, all in varying configurations and density, and differing in strength in terms of their linkages with each other or within themselves.

My article will look into how Barabasi's concept has been applied

to the study of politics . . . and how these concepts help us understand the dynamics of coalition, compromise or contention among and between actors, parties, movements, and institutions. (Abinales and Onimaru 2010, 1)

I will apply the concept of networks in looking at factors that have strengthened as well as hindered a particular technocracy network in the Philippines, i.e., the network of Cesar E. A. Virata, who during the martial law period was viewed as the "chief technocrat." He was President Ferdinand Marcos's minister of finance, and later on prime minister. The paper aims to trace the evolution of the political and economic clout of Virata's technocracy network as well as the factors that caused the collapse of the network. In particular, it will highlight how Virata's technocracy network was thrust into power by a three-dimensional politico-economic relationship among the following networks: Virata's relationship with the leadership, i.e., Ferdinand Marcos; his relationship with the International Monetary Fund and World Bank; and Marcos's relationship with the United States. These relationships intertwined with each other and highlighted the success as well as the collapse of the Virata technocracy network.

This paper hopes to contribute to the writings on Philippine technocracy as well as the networks approach in Philippine politics. As I write this article, I have not come across any writings on the Philippine technocracy using the political networks approach. This may be understandable, as writings on Philippine technocracy have been sparse and have generally used the political economy framework<sup>1)</sup> or the social/cultural approach.<sup>2)</sup>

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1) See Tadem (2012a; 2014, 345–348).

2) See Tadem (2013). My other writing which combine both frameworks are the following: Tadem (2015b; 2012a; 2012b).

This article, therefore, seeks to contribute to the literature on the networks approach in the following manner: (1) it applies this approach to the study of technocracy; (2) it uses political network analysis as opposed to the general trend of major analytical studies in the fields of sociology, anthropology, and communications; (3) it seeks to introduce a Philippine perspective in particular, and a Southeast Asian perspective in general, to the study of network analysis vis-à-vis the more dominant Western-oriented approach; and (4) the article's study of network analysis is applied also to politics in stable situations, i.e., "normal politics" under the authoritarian Marcos regime from a technocrat network perspective.

## I Defining the Technocracy and Their Network(s)

Technocrats are situated in a crucial network in society, which is the middle class. The middle class is also referred to as the "intermediate class" in the development process and politics. This network is crucial in the Third World because "middle class personnel occupy the niches of the state apparatus" (Johnson 1985, 15). The particular network of the technocrats is the new middle class, which came about according to C. Wright Mills after World War II, "with the new technocratic-bureaucratic industrialist capitalist economy" (as cited in Glassman 1995, 161). The middle class in the Third World is largely a "new middle class" consisting of technocrats who are salaried employees of large corporations, government bureaucrats, as well as managers and service workers (Glassman 1995, 350).

This new middle class, which the technocracy is part of, is defined also by neo-Weberians,

who make clear distinctions between the capitalists and the middle-class. For Mills, the new middle-class is the result of the demise of the entrepreneurial capitalism and the rise of corporate capitalism with its army of managers, technocrats, marketers and financiers. The middle-class is therefore the skilled workforce of capitalism and expands with it. (Robison and Goodman 1996, 8)<sup>3)</sup>

The power of the technocracy network is, therefore, found in its middle-class roots, which paved the way for the education and consequent expertise of its members as well as the position it occupies in the state apparatus.

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3) In contrast, the lower-level white-collar workers and the declining blue-collar workers make up the lower middle-class segment of the new middle class (Glassman 1995, 307).

This is clearly seen in Cesar E. A. Virata's middle-class family background.<sup>4)</sup> His father was a mathematics professor at the University of the Philippines who later became the acting president of the university. He is related to Emilio Aguinaldo, a Philippine national hero. He actually describes himself as coming from a "poor" family despite owning hectares of land.

One could say that Virata's description of himself as belonging to the "middle class" is best seen in the context of which class the technocrats perceived themselves to belong to in Philippine society. Placido Mapa Jr., who served in several positions during Marcos's martial law regime—such as chairman of the Development Bank of the Philippines (1976–79), director general of the National Economic Development Agency (NEDA) and Socio-Economic Planning, and president of the Philippine National Bank (PNB) (1983–86)—viewed himself as belonging to the upper class. This was understandable, as his mother's side belonged to the very wealthy sugar landed elite clan of the Mapa-Ledesma-Lizares while his father's side belonged to the wealthy landed elite family of the Alunans. These families originally hailed from the province of Iloilo and migrated to Bacolod, Negros Occidental.<sup>5)</sup> As was the case with the Philippine elites, Mapa attended the boys' schools of De La Salle—run by the La Salle brothers—for his elementary and high school education. For college he went to the Jesuit-run Ateneo de Manila University. Like the other Philippine elite scions whose families paid for their graduate studies in the United States, Mapa went to the United States for his higher studies. He obtained a master's degree in Economics from the Jesuit-run St. Louis University in 1957 and a doctoral degree in Economics from Harvard University in 1962. His class background was unlike that of Virata, who did not have the means to go to private school or a family wealthy enough to pay for his graduate studies in the United States.

Virata, however, would not be considered lower class like another Marcos technocrat, Manuel Alba. Alba, who was the dictator's NEDA deputy director general for planning and policy from 1975 to 1981 and minister of budget from 1981 to 1986, considered himself as coming from the lower class, i.e., from a very poor family. As he pointed out, his father was a municipal treasurer in the lower ranks of the government bureaucracy and his mother was a plain housewife. He was the fourth in a family of 11 children, and the family did not have any landholdings. Like Virata, he was able to take advantage of

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4) Virata's father was a product of the public school system and was sent to Harvard University as a *pensionado*. His grandparents owned a fishpond, rice lands, and a coconut farm; and his grandmother made *patis* (fish sauce) (Virata, interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem, tape recording, November 21, 2007, RCBC Plaza, Makati City, Philippines).

5) Placido Mapa, interview by Yutaka Katayama and Teresa S. Encarnacion Tadem, tape recording, March 13, 2009, Metrobank Plaza, Gil Puyat Avenue, Makati City, Philippines.

the public school system, where he graduated as valedictorian in both elementary and high school. He remembers vividly how he went to school without shoes as his family could not afford them, and how his family members as well as other relatives all pooled their resources to see him through school. His educational background enabled him to enter the elite University of the Philippines (UP), where Virata also studied. For Alba, going to UP was a great achievement as it was considered an iconic institution and being a UP alumnus was a “ticket to everywhere.”<sup>6)</sup>

After obtaining a bachelor's degree in Business Administration from UP, he worked in the country's top accounting firm of SyCip Gorres Velayo (SGV). It was after he passed the Certified Public Accountant exam that he joined the faculty of the UP College of Business Administration (CBA) as an instructor. Through the UP CBA he obtained a fellowship from the US Agency for International Development to pursue graduate studies in the United States. In 1961 he obtained an MBA with a specialization in Marketing and Transportation from the University of Minnesota. He later received another fellowship to pursue a PhD in Management Science and Business Administration (with Marketing, Economics, Transportation Management, Operations Research, and Social Psychology as specialized areas) at Northwestern University, which he completed in 1967.

In the case of Virata, his middle-class background enabled him to go to UP, where he gained his technocratic expertise. His ties to the university's academic network were further reinforced when, after graduating with a degree in engineering, he taught at the UP College of Business Administration. His being a UP faculty linked him to another important network of US government fellowships; Virata was able to access a fellowship from the Mutual Security Administration, a forerunner of the US Agency for International Development, which sent him to pursue a master's degree in Business Administration with a major in Industrial Management at the Wharton School, University of Pennsylvania. This opened up another vital network for Virata, which was the US academe.

When he came back to the Philippines, Virata added another important network to his social, academic, and US networks. He was recruited into SGV, which brought him into the business community network. He worked full time in SGV until he was called back to teach at UP in December 1965. He went on to become a professor as well as dean at the UP College of Business Administration. Virata then combined two networks that complemented each other, academe and the business community.

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6) Manuel Alba, interview by Yutaka Katayama and Teresa S. Encarnacion Tadem, tape recording, December 12, 2008, Third World Studies Center, G/F Palma Hall, College of Social Sciences and Philosophy, University of the Philippines, Diliman.

## II The Technocracy Network during the Pre-Martial Law Period

What brought Virata into the technocracy network was his recruitment into government, which was facilitated by his academic network. The latter began in December 1965, when Rafael Salas<sup>7)</sup>—who was then UP vice president under President Carlos P. Romulo—invited him to join the Finance Transition Committee and the Agriculture Transition Committee, where he later became a member of the Presidential Economic Staff (PES). For Virata, it was Salas who had a major influence on Marcos with regard to the latter inviting technocrats and academics to join the government.<sup>8)</sup> Virata’s academic network, therefore, linked him to the government, with no less than President Ferdinand Marcos personally inviting him to be part of his administration. Marcos represents an important hub in the government network for the technocracy. As pointed out by Barabasi, the role of the hub is to connect different communities together, and these hold the system together (Barabasi 2010). Moreover, hubs are defined as the central point of activity, interest, or importance. The most highly connected nodes are the hubs (Barabasi 2009, 192). President Marcos was the hub in government that held together the different political, economic, and social networks of Philippine society, which the technocracy network was part of.

### II-1 *Redefining the Technocracy Hierarchy*

Virata’s entry into the government’s technocracy network may be described as the “new kid on the block” effect, which is most present in networks. This is because there were already other technocrats who were part of the key economic policy-making bodies, namely, the Project Implementation Agency (PIA) and the National Economic Council (NEC). The pre-martial law technocracy hierarchy had Armand Fabella as the director of the PIA and Mapa as his deputy. Fabella, like Mapa, belonged to the upper class of Philippine society, and his family owned coconut lands in Pagsanjan. Their wealth was enough for his father to study at the University of Chicago. Fabella’s father became the first Filipino Certified Public Accountant in the United States, where he added to his wealth through engagement in the stock market.<sup>9)</sup>

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7) Rafael Salas would become Marcos’s executive secretary. Virata’s uncle Leonides Virata was at that time the director of economic research with the Central Bank. But this did not seem to play a part in Virata’s recruitment into government.

8) Cesar E. A. Virata, interview by Yutaka Katayama and Cayetano Paderanga, tape recording, December 13, 2007, RCBC Plaza, Makati City, Philippines.

9) Armand V. Fabella, interview by Yutaka Katayama, Cayetano Paderanga, Temario Rivera, and Teresa S. Encarnacion Tadem, tape recording, August 11, 2008, Fabella Residence, Harvard St., Wack Wack Subdivision, Mandaluyong City, Philippines.

Virata, on the other hand, was Mapa's deputy when the latter was the head of the PES, which replaced the PIA. Mapa's other deputy was Alexander Melchor. Mapa said that since he could depend on his reliable PES deputies, he could spend most of his time outside the office meeting with congressmen.<sup>10</sup> It was, however, to Virata that Marcos gave the important position of secretary of finance in 1970 and not to his two seasoned technocrats, Fabella and Mapa. One probable reason for this was that Fabella and Mapa originally came from the Macapagal administration, and when Marcos came into power Fabella had to leave as he was Macapagal's PIA director. Another reason in Mapa's case could have been that since he was Fabella's deputy and could stay on with the help of endorsements from family friends and relatives, Marcos may have been wary of him as he came from the upper class, specifically the influential sugar bloc. This bloc wielded a power that Marcos may not have been comfortable with. Moreover, Mapa's family had a political track record, with his grandfather and father having held political positions in government. As pointed out by Mapa, his grandfather was a member of the first National Assembly during the time of President Manuel Quezon, which was the Commonwealth period, and his father was secretary of agriculture and natural resources under President Elpidio Quirino (1948–53).<sup>11</sup>

As for Fabella, his entry into the Marcos administration was facilitated in 1969 by Benjamin "Kokoy" Romualdez, the younger (and said to be favorite) brother of First Lady Imelda Marcos, who saw the need for Fabella's technical expertise. Romualdez asked Fabella to help out in the Marcos government in a program put together by the executive assistant of Vice President Fernando Lopez. He later became a consultant with the Central Bank.<sup>12</sup>

As noted by Onofre D. Corpuz, Marcos's minister of education, as well as by Virata and Mapa, Marcos was not comfortable with technocrats who were "politically threatening." They observed this with Marcos's executive secretary, Salas, who was considered a brilliant "technopol," i.e., a person who had the skills of a technocrat as well as a political strategist and who belonged to the sugar landed elite class. They felt that Marcos was not comfortable with him. Sensing that he did not have Marcos's support in his political ambitions, Salas left the government to head the UN Agency for Population. He was succeeded by another technopol, whom Marcos was also not comfortable with. This was Alejandro Melchor, a graduate of the United States Naval Academy in Annapolis.

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10) Mapa, interview, March 13, 2009.

11) Placido Mapa, interview by Yutaka Katayama, Cayetano Paderanga, Temario Rivera, and Teresa S. Encarnacion Tadem, tape recording, March 27, 2009, Metrobank Plaza, Gil Puyat Avenue, Makati City, Philippines.

12) Fabella, interview, August 11, 2008.

Corpuz and the other technocrats felt that Marcos was politically threatened by Melchor because the latter was close to the US military. Thus, Marcos abolished the position of executive secretary. As is clear, Marcos was not the type of person who was willing to take chances even with the best and the brightest. Salas was very careful about this—about the rule of power to never compete with your boss—very early in the game. Nevertheless, Marcos still felt threatened by him.<sup>13)</sup> According to Horacio “Boy” Morales Jr., who was identified with the “Salas boys”—those who worked closely with Salas—Marcos did not like technopols or political technicians. As for the likes of Virata, Morales felt that they were not true technocrats because they were academicians.<sup>14)</sup> Morales believed that since Virata had no political ambitions and did not belong to the upper class like Fabella and Mapa, he was not a political threat to Marcos. In addition, Virata was able to catch the attention of Marcos by having a quality that the latter liked: they both shared the same economic concern of boosting foreign investments in the country as well as encouraging an export-oriented economy.

## II-2 *Consolidating the Virata Technocracy Network*

Virata transformed from being a node in the technocracy network into being a hub. He consolidated his relationship with the technocrats of the Macapagal period—Fabella and Mapa—albeit transforming it into a different kind of relationship where he was now “senior” to them because of his position as secretary of finance. According to Mapa, it was Virata who offered him a position in government when telling him about the possibility of the Philippines occupying a seat on the World Bank Executive Board. He offered the position to Mapa and asked him whether he would be interested in going to Washington. Mapa thought it was a rare and excellent opportunity, which he said he grabbed; and so the Philippine government nominated him.<sup>15)</sup> Thus, from 1970 to 1974 he was alternate executive director in the World Bank and for a short while also alternate executive director of the IMF.<sup>16)</sup>

Virata added other technocrats to his network. These included Vicente T. Paterno as chairman of the Board of Investments (BOI) in June 1970. The BOI was established to provide greater incentives for foreign investment. Another technocrat whom he

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13) Horacio “Boy” Morales Jr., interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem, tape recording, August 14, 2009, Third World Studies Center Office, Palma Hall, University of the Philippines, Diliman, Quezon City; Onofre D. Corpuz, interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem, tape recording, January 25, 2008, Corpuz Residence, UP Professors Village, Tandang Sora, Quezon City, Philippines.

14) Horacio “Boy” Morales Jr., interview, August 14, 2009.

15) Mapa, interview, March 13, 2009.

16) Mapa, interview, March 13, 2009.

recruited was Gerardo Sicat, who replaced Filemon Rodriguez as the head of the NEC in 1970. Like Virata, Sicat did not agree that the path to development was through heavy industrialization and protectionism. He was also supportive of trade and export industries.<sup>17)</sup> Their other allies in government were Placido Mapa Jr. and Armand Fabella, who shared a belief in Virata's development paradigm. Like Mapa, Fabella was open to dealing with the World Bank and IMF when he was the director of the PIA during the Macapagal administration, and he continued with this role during the pre-martial Marcos administration.

### II-3 *Working Closely with Virata*

The technocrats saw the importance of working closely with Virata. For example, Mapa as finance secretary would usually communicate either with Virata or with Central Bank Governor Gregorio Licaros when it came to policy decisions. But many times, he said, he would take his own initiative and just let Virata and Licaros know what he had done. He felt he could do this because he was confident of his relationships with them. In general, they shared the same perspectives in economic planning.<sup>18)</sup> Thus, Mapa pointed out that in his position as alternate executive director of the World Bank and IMF, he no longer received direct instructions from Marcos. He got all his instructions from Virata, Licaros, or Marcos's Executive Secretary Alejandro Melchor. He added that if he needed any instruction, he would also route it through them. However, Mapa clarified that although he had a history of communicating directly with Marcos, as a matter of protocol when he was in the World Bank he would be careful to route communications through Virata, Licaros, or Melchor.<sup>19)</sup>

The technocrats generally agreed with Virata's suggestions, as well as vice versa. The exception was Sicat, whom Virata described as a hard-core advocate of liberalization, unlike Virata, who saw the need to make compromises to assuage the powerful and contentious Filipino families in the business community. An example of this was Sicat's opposition to the concept of pioneer and non-pioneer industries, which Virata instituted with other fellow technocrats. The measure was intended to find some ways of defining which areas foreign investors could freely venture into and which would be preserved solely for Filipino interests.<sup>20)</sup> This was to temper the animosity of Filipino entrepreneurs against foreign competition. The policy stipulated that industries that had not been in

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17) Virata, interview, November 21, 2007.

18) Mapa, interview, March 13, 2009.

19) Mapa, interview, March 13, 2009.

20) Cesar E. A. Virata, interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem, tape recording, May 2, 2008, RCBC Plaza, Makati City, Philippines.

operation or established in the Philippines would be categorized as “pioneer.” They could be 100 percent foreign-owned. But industries that Filipinos had started and were operating—for example, cement—would be called “non-pioneer.” Virata had to correct Sicat’s view and explain to him that the purpose was to avoid conflict between foreign and domestic investments.<sup>21)</sup> Paterno also shared Virata’s views. As he pointed out, Sicat and he were not attuned to each other as Sicat was very much concerned with liberalization and market forces while Paterno was more in favor of guided industrial development. For Paterno, market forces were fine for countries that were already established but not for countries like the Philippines, which still had to build up their industrial capability.<sup>22)</sup> Both Virata and Paterno point to their engineering background as a cause for their differences with Sicat, who Virata notes was a pure economist.<sup>23)</sup>

Virata, therefore, became the hub of this network that defied a scale-free model and had no place for dominant latecomers, i.e., where all nodes were identical (Barabasi 2010). His importance is seen more in a competitive environment where fitness plays a role, as represented by Virata’s economic perspective, which was shared by Marcos. For Virata, such a concern was brought about by his SGV or business community network when he traveled around the country while working for SGV. This network brought him also to Taiwan and Korea, whose development very much impressed him.<sup>24)</sup> The SGV node of the business community network, and therefore of Virata, gave him a certain development perspective that Marcos also shared. The technocracy network of which Virata was a hub was able, therefore, to link with the crucial Marcos hub of the government network. As pointed out by Barabasi (2009, 64) hubs are special:

They dominate the structure of all networks in which they are present, making them look like small worlds. Indeed, with links to an unusually large number of nodes, hubs create short paths between any two nodes in the system. . . .

Through the Marcos hub, the Virata technocracy network was linked with another hub of the government sector, which was the Philippine Congress. This was because Virata’s initial task as a government official was to help the government formulate and shepherd the passing of the Investment Incentives Act of 1967 to attract more foreign investment

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21) Virata, interview, May 2, 2008.

22) Vicente T. Paterno, interview by Yutaka Katayama, Temario Rivera, and Teresa S. Encarnacion Tadem, tape recording, August 15, 2008, 11th Floor Columbia Tower Ortigas Ave., Mandaluyong City, Philippines.

23) Cesar E.A. Virata, interview by Cayetano Paderanga, and Teresa S. Encarnacion Tadem, tape recording, September 30, 2008, RCBC Plaza, Makati City, Philippines.

24) Mapa, interview, March 13, 2009.

into the Philippines. This would be the base for the importance of Virata's technocracy network to Marcos and would give him a prominence over the other technocrats, some of whom had been there even before he came. As pointed out, between "two nodes with the same number of links, the fitter one acquires links more quickly" (*ibid.*, 95). By 1970, Marcos had appointed Virata as secretary of finance and a member of the Monetary Board of the Central Bank of the Philippines.

Virata's economic perspective as well as the task assigned to him by Marcos opened up two crucial hubs for him: the World Bank and the International Monetary Fund. Marcos would appoint Virata as the point person in trade negotiations and representations in these international financial institutions and Consultative Group<sup>25)</sup> meetings.<sup>26)</sup> By 1970, he also served as the Philippine governor to the World Bank and the Asian Development Bank.

This opened a vital economic network for Virata, which was propagating an economic paradigm of trade and investment liberalization under a free market regime. Virata's technocracy network acquired a truly central position in the larger network of economic decision making, which Barabasi describes as reserved for nodes that are simultaneously part of many large clusters (*ibid.*, 61). Virata's technocracy network wittingly or unwittingly became an important source of support for the IMF and World Bank. This was highlighted when Virata as head of the NEC replaced the traditionally nationalistic Hilarion M. Henares and his technocracy allies, e.g., Alejandro Lichauco. Henares's NEC during the Macapagal administration (1961–65) was at loggerheads with the economists in the influential PIA, who were pressing for an open-door policy for foreign investments and foreign loans, mainly from the IMF. Marcos's victory in the 1965 presidential election against Macapagal signaled the marginalization and consequent downfall of the nationalist technocracy network of Henares-Lichauco and the domination of Virata's open-door economy technocracy network. What characterized Virata's network, therefore, was the power law degree distribution of a scale-free network, which predicts that most nodes have only a few links, held together by a few highly connected hubs (*ibid.*, 71). Virata was connected to two very influential hubs: the Marcos and the IMF/World Bank hubs.

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25) The Philippines Consultative Group's chairman was from the World Bank. Its membership included representatives from the IMF and major lending countries such as the United States, large private bank consortia tied with the debt package, and the Asian Development Bank. This Consultative Group determines how public and private funds are to be spent as well as decides the country's financial strategy, ranging from taxation policies to anti-inflation programs (Wellons 1977).

26) Virata, interview, December 13, 2007.

#### II-4 *Technocracy and the Networks of Political Allies*

The nationalist technocratic network, however, would continue to have allies in the Philippine Congress network. This consisted of no less than then Senate President Gil Puyat, who was also the head of the National Economic Protectionism Association (NEPA), an important network of nationalist economists, businessmen, and entrepreneurs. Marcos would, however, provide Virata with the network of allies he needed in Congress; these came mainly from Marcos's Nacionalista Party, a potent political hub. This was the hub that helped Virata and Marcos pass the Investment Incentives Act. Its major members for this purpose were Senator Jose W. Diokno, head of the Senate Committee of Economic Affairs; Senator Jose Roy, head of the Committee on Finance and chair of the Ways and Means Committee; and Congressman Lorenzo Sarmiento, head of the House of Representatives Committee on Economic Affairs, who helped craft the investment bill in 1967. They were also working on replacing the Basic Industries Act of 1961.<sup>27)</sup> Virata worked closely with Senator Diokno in particular. They succeeded in having the bill passed despite opposition from Senate President Puyat. Virata relied on the political acumen of Diokno and Sarmiento in talking to their colleagues in Congress and in strategizing on how to have the bill passed. Marcos, therefore, had influential party mates in Congress who shared his, Virata's, and the United States' economic perspective. One of the major results of the Investment Incentives Act was the reversal of laws against foreign participation in the country's vital industries such as rice and corn and other forms of agribusiness. The act also enticed foreign oil companies to enter into service contracts for the exploration and development of Philippine oil fields (Bello and Rivera 1977, 115). In 1970, the Export Incentives Act was tackled and passed. The act allowed foreign-owned firms to export 70 percent of their manufactured goods. All these laws paved the way for the entry of foreign investor networks into the country, something that the IMF and World Bank as well as the US government wanted.

#### II-5 *The Marcos Hub and the Virata Network*

Marcos, as Philippine president, was an important connector, which is considered to be a significant component of the social network. Connectors are generally described as "nodes within an anomalously large number of links which are present in diverse complex systems . . ." (Barabasi 2009, 56). For the Virata network, this may explain why Marcos was a crucial hub, particularly because of the support Virata received from Marcos's political allies in Congress. Despite the allies in Congress, Marcos's support for Virata's

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27) Cesar E. A. Virata, interview by Yutaka Katayama and Teresa S. Encarnacion Tadem, tape recording, November 23, 2007, RCBC Plaza, Makati City, Philippines.

technocracy network would prove to be most vital as it had to rely on the leadership's political acumen against the nationalist network. The latter network was represented by, among others, Senator Lorenzo Tanada, who challenged the entry of Dole Corporation as a major investor in agriculture in the country by declaring the control by transnational corporations of large tracts of agricultural land as unconstitutional. Local capitalists such as Senate President Puyat of Puyat Steel and Manilabank informed Virata that he would not approve the Philippines' entry into the General Agreement on Tariffs and Trade prior to the Kennedy Round in 1968. For the United States, the General Agreement on Tariffs and Trade was an avenue by which it could further liberalize the world economy. In general, Virata said, government policies to allow the entry of foreign companies—such as Lonestar, a cement company from Texas—were met with hostility by their local competitors.<sup>28)</sup>

For Virata, there was an explicit division of labor between technocrats and the political leadership. To seek his guidance, the technocrats would tell Marcos, “Mr. President, you know, we don't know politics.”

He would reply, “Do your best in your own field, and you let me know whether we can implement it politically. I will help you in that aspect.”<sup>29)</sup>

As far as Virata was concerned, Marcos could deliver. Thus, the strength of Virata's technocracy network seemed to hinge on political support from Marcos. For Virata, one of the reasons why Marcos could deliver was his political network in Congress, particularly with regard to what Virata considered to be the most powerful bloc, the sugar bloc. Virata wanted to impose a 20 percent export tax, which he wished to get passed by Congress as an anti-inflationary measure and to finance government deficit. He knew he could not do it if the sugar bloc did not agree. But he said that Marcos had some room to maneuver as the bloc was not monolithic and Marcos was able to forge alliances with a particular faction in the bloc represented by Roberto Benedicto—Marcos's classmate at the UP College of Law—and the Montelibanos, among others. Marcos also used his powers as president to persuade the other protectionist blocs in Congress to go along with the government's policy of opening up the economy. For example, with regard to logging concessionaires, Marcos could withhold their license to log if they did not support his government policy. Virata viewed Marcos as a strong politician whom people would call a “dictator,” and that was even before he declared martial law.<sup>30)</sup>

The pre-martial law period, therefore, highlights the dominance of Virata's technocracy network, which consisted of like-minded technocrats such as Mapa, Fabella, Sicat,

28) Virata, interview, May 2, 2008.

29) Virata, interview, November 21, 2007.

30) Virata, interview, November 23, 2007.

and Paterno. Given his position as secretary of finance, Virata was head and shoulders above the rest, and they worked closely together with him. They were strongly supported by the network of Marcos's political and economic allies in Congress and the business community respectively. What further boosted this support was backing from US networks, particularly the IMF and World Bank hubs, which agreed with the economic policies Marcos and Virata's technocracy network were pushing for. What brought them all together was the shared economic vision of liberalization and the pursuit of an export-oriented industrialization policy. This enabled them to reinforce their relationship with their political and economic allies in the political and business communities.

The Virata network's prominence, therefore, cannot be described by the scale-free model whereby the node's (in this case Virata's) attractiveness was determined solely by its number of links. What emerged as more important was the Virata node's fitness to play a role in a competitive environment (Barabasi 2009, 95). In this way, the Virata node compared to the node represented by nationalist economists, e.g., Hilarion Henares, had the advantages of a fitness connectivity product that is able to link with a higher product, i.e., Marcos and the IMF/World Bank; this, therefore, made it more attractive than the node represented by the nationalist economists. Because the Virata node was able to acquire links following a power law, it was able to develop into a hub as its network displayed "fit-get-rich" behavior, meaning that the "fittest node will inevitably grow to become the biggest hub" (*ibid.*, 103).<sup>31)</sup>

### III The Virata Technocracy Network during the Martial Law Period

Given this context, it was not surprising when Fabella observed that Cesar Virata was a rising star.<sup>32)</sup> For Marcos, however, the importance of Virata's network was confined mainly to the economic sector and did not cover the political arena, which apparently was more important for Marcos. This was seen in his declaration of martial law, which did not involve any of the technocrats. The political network that worked with Marcos in the declaration of martial law was the "Rolex 12." This was the collective name for 12 of the closest and most powerful advisers of President Marcos during the martial law years in the Philippines from 1972 to 1981.<sup>33)</sup> The origin of the name Rolex 12 came from a widespread story that each associate received a Rolex watch from Marcos himself,

31) For further details of Philippine technocracy and policy making during the pre-martial law period, see Tadem (2015b).

32) Mapa, interview, March 13, 2009.

33) "Rolex 12," [http://en.wikipedia.org/wiki/Rolex\\_12](http://en.wikipedia.org/wiki/Rolex_12).

although this was allegedly proven to be untrue.<sup>34)</sup>

As Virata pointed out, none of the technocrats were part of Marcos's inner circle, which planned the declaration of martial law. Virata also pointed out that "nobody among us said we wanted martial law." He emphasized, "I had not heard any of my colleagues say that they wanted martial law."<sup>35)</sup> This was understandable because in terms of economic policy making, Virata saw that Marcos could basically get what he wanted and thus there was no need for martial law to pursue the government's economic policies. In other words, Marcos seemed to have the networks he needed to obtain his objectives. The United States, which had strongly supported the Virata technocracy network, was also kept in the dark with regard to Marcos's declaration of martial law. Nevertheless, the United States supported it, and this gave the go-ahead to the IMF and World Bank to continue extending loans to the Philippines through Virata. Thus, the two important hubs that gave the Virata network leverage were in alliance with each other with regard to the declaration of martial law.

During the martial law period, Marcos would be the hub that kept the different and important networks together. Marcos was then a one-person hub supported by various networks, chief among which were the technocrats, the military, and his relatives and cronies. These were also said to be the three legs that propped up the martial law regime, a.k.a. Marcos. All the crucial political and economic networks, which included the United States, had to deal with Marcos. As for Virata's network, it was tasked by Marcos with continuing to deal with the IMF and World Bank. Virata's network did not have links with Marcos's military network.

Thus, for Virata's network, it did not seem a problem that they were kept in the dark on the planning of martial law. The new regime consolidated Virata's technocracy network in implementing, wittingly or unwittingly, the IMF and World Bank's development paradigm of trade and investment liberalization under a free market regime albeit under an authoritarian capitalist state-led economy. With the abolition of Congress, martial law made it easier for Virata to pass economic policies such as the amendment of the Tariff Code, which allowed the Philippines to enter into the Tokyo Round of Trade Negotiations

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34) The "Rolex 12" consisted of Philippine Constabulary Vice Chief Tomas Diaz, Minister of Defense Juan Ponce Enrile, Chief of the Armed Forces of the Philippines Romeo Espino, Chief of the Philippine Constabulary Metropolitan Command Romeo Gatan, Chief of the Philippine Constabulary Metropolitan Command Alfredo Montoya, Chief of the Intelligence Services of the Armed Forces of the Philippines Ignacio Paz, Chief of the Philippine Constabulary Fidel Ramos, Chief of the Philippine Air Force Jose Rancudo, Chief of the Philippine Navy Hilario Ruiz, Chief of the Philippine Army Rafael Zagala, Chief of the National Intelligence Security Authority Fabian Ver, and Eduardo "Danding" Cojuangco Jr. ([http://en.wikipedia.org/wiki/Rolex\\_12](http://en.wikipedia.org/wiki/Rolex_12)).

35) Virata, interview, December 13, 2007.

in 1974.<sup>36)</sup> This was because of the abolition of the power of the nationalist network in Congress. As Virata pointed out, before the declaration of martial law numerous bills were bundled up in Congress but this was no longer the case under martial law, as the bills were cleared by the decreeing powers of the president.

### III-1 *The Strength of Virata's Technocracy Network*

The strength of Virata's technocracy network was that it continued to be connected to Marcos as its major hub and from this hub it was given the authority to deal with the IMF and World Bank hub. With this structure, Virata did not see martial law as undermining his network's clout, although for him there was really no need for martial law. Nevertheless, it did not seem to matter for the Virata network whether economic decision making was being undertaken under an "elite" democracy or an authoritarian regime. What seemed to be important to Virata was that he continued to have the backing of Marcos. And more important, this did not hamper the Philippine government's and his relationship with a crucial network, i.e., the IMF and World Bank.

Martial law, therefore, reinforced the relationship, as Virata's importance to Marcos continued with the role he played as the government's point person with the IMF and World Bank. For Virata this role was understandable as he believed that international institutions had better two-way communications with technocrats; he pointed out that technocrats were better qualified than politicians to understand development policies. He and Marcos continued to share the perspective that they needed the IMF and World Bank for further trade liberalization as signified by the Philippines' entry into the General Agreement on Tariffs and Trade.<sup>37)</sup>

It was through Virata's network that the IMF and World Bank were able to take a more aggressive stance in influencing the economic policies of the martial law regime. This was seen in 1979, when the two institutions initiated the "industrial reform program" in the country as the last stage of Philippine export-led industrialization. This plan consisted of the following policies: drastic dismantling of protective tariffs, withdrawal of subsidies from local enterprises, creation of better incentives for foreign investments, and establishment of more export-processing zones to enable multinational corporations to take advantage of low-cost Filipino labor (Bello and Kelly 1981, 3). One network that benefited was the foreign business community, particularly the American Chamber of Commerce (Business International Research Division 1980).

As for Virata's relationship with the technocrats in his network, it was further

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36) Virata, interview, May 2, 2008.

37) Virata, interview, November 21, 2007.

strengthened during the martial law period. As Mapa narrated, when he was appointed president of the Development Bank of the Philippines (DBP) in 1976, when its previous head—Leonides Virata, the uncle of Cesar Virata—passed away, he said that he would follow what Leonides had instituted, which was to informally consult and coordinate or just exchange notes with his fellow heads of economic agencies every Friday over lunch. His fellow heads included the secretary of finance, the Central Bank governor, the secretary of commerce, and the heads of the PNB, DBP, NEDA, and Budget. Mapa felt that Marcos valued their opinions. He observed that the people Marcos had working for him—for example, other Cabinet members and other heads of institutions—would be attuned to his thinking. As Mapa pointed out, what they would try to do first among themselves was to avoid—and to help each other overcome—conflicting positions. Thus, it helped that they got together regularly to coordinate with each other.<sup>38)</sup>

As Mapa noted, there were many policies that were not under their control. He noted that Virata would try to talk to President Marcos about some things but would not always get what he wanted. In some instances, they found themselves on a collision course with First Lady Imelda Marcos. The projects of the First Lady that they opposed included her Cultural Center of the Philippines and the Light Railway transit.<sup>39)</sup>

In Fabella, Virata recognized important traits that could be of use to Marcos. Fabella said that under the Macapagal administration he was a Cabinet member, but under Marcos's martial law regime he was designated in 1980 as chairman of the Presidential Reorganization Committee. Fabella noted that while he was doing the reorganization, Virata and other members of Marcos's Cabinet had the habit of asking him how the proposed changes would affect their respective departments. Noticing this, Fabella said it was Virata who told him that he should be present at all the meetings. For Fabella, this was a tremendous opportunity to find out how things were going. In relation to this, Fabella credits Virata with maintaining some form of balance; he perceived the others as "thieves." It was for the above reasons given by Mapa and Fabella that they and other technocrats expressed their respect for Virata.<sup>40)</sup>

The Virata network during the martial law period was further boosted by the entry of two other technocrats into government; these were Virata's former students at the UP CBA, Jaime Laya and Manuel Alba. Alba was originally brought into the Marcos government by Onofre D. Corpuz, whom Marcos appointed as president of the University of the Philippines from 1968 to 1971 and minister of education from 1975 to 1979. Alba was Corpuz's student in his UP undergraduate years. After Marcos won the 1965 pres-

38) Mapa, interview, March 13, 2009.

39) Mapa, interview, March 13, 2009.

40) Fabella, interview, August 11, 2008.

idential elections, Corpuz set up the Development Academy of the Philippines, which was to provide training for career professionals with the aim of strengthening the bureaucracy. Corpuz also had Alba appointed as executive director of the Presidential Commission to Survey Philippine Education from 1971 to 1973 and founding executive director of the Educational Development Program Implementing Task Force. The task force was created to implement all foreign-assisted projects in education. In 1973, Alba left government to take on the post of director of the East-West Center, Technology and Development Institute, in Honolulu. In 1975, Sicat asked him to be the deputy director general for planning and policy at NEDA.<sup>41)</sup> This ushered in Alba's entry into Virata's technocracy network. Laya was also pulled into government by Sicat. He served as Sicat's NEDA deputy director general in 1974. He was also concurrently the deputy governor of the supervision and examination sector at the Central Bank. In 1975 he was appointed as minister of budget, and in 1981 he was appointed as governor of the Central Bank. From 1984 to 1986 he was the minister of education, culture, and sports. While in government, Mapa said that Laya worked closely with Virata and Melchor.<sup>42)</sup>

### III-2 *Hindrances to Virata's Technocracy Network*

The links of Virata's network with Marcos and the IMF/World Bank were not enough to establish the network as a "winner-take-all" one with no potential challengers. The winner-take-all network as described by Barabasi (2009, 103) refers to one in which the fittest node grabs all links, leaving very little for the rest of the nodes. Such networks develop a star topology in which all nodes are connected to a central hub, in this case the Marcos hub. However, Virata's network faced several challenges.

One was that Marcos compartmentalized his technocrats. Virata had his own network, composed mainly of former UP-based technocrats whom Virata nurtured, such as Sicat,<sup>43)</sup> the first director general of NEDA; Alba, minister of budget; Laya, governor of the Central Bank; and those who worked closely with him, such as Mapa<sup>44)</sup> and Paterno.<sup>45)</sup> What they had in common, with the exception of Mapa, was that they all came from UP.

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41) Alba, interview, December 12, 2008.

42) Placido Mapa, interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem, tape recording, April 22, 2009, Metrobank Plaza, Gil Puyat Avenue, Makati City, Philippines.

43) Sicat was all set to join the Economic Growth Center at Yale University when Virata prevailed on him to chair the National Economic Council (Virata, interview, November 21, 2007).

44) Mapa together with Cesar Zalamea headed the Presidential Economic Staff when Virata was recruited to join this government agency.

45) Paterno said that Virata and Mapa were the ones who recruited him to the Board of Investments in 1969, when he was ready to leave his private sector job in the Manila Electric Company, Meralco (Paterno, interview, August 15, 2008).

Virata was the mentor of Alba and Laya in the UP College of Business Administration. He also sent them abroad to pursue their PhD. These people composed Virata's network, which was responsible for accessing loans from the IMF and World Bank. The recruitment of technocrats into Virata's network can be described as what Barabasi refers to as prior acquaintanceship, which

allows directors to vouch for prospective recruits. Therefore, the small-world dynamics help the creation of a powerful "old boy network", or corporate elite, that has unparalleled influence in economic and political life. (*ibid.*, 206)

The Virata network had to operate together with other technocrats who had their own networks and worked independently of the Virata network. One was the network of Roberto Ongpin,<sup>46)</sup> minister of trade and industry. His strength seemed to lie in his purported ties with the Chinese community, where he was known to have allegedly operated the "Binondo cartel," which was regarded as a de facto Central Bank. Virata did not approve of Ongpin's Binondo cartel, although he agreed with Ongpin's support for the Association of Southeast Asian Nations' 11 industrial projects that Paterno did not agree with. Paterno preferred to support small and medium-scale industries. He also was not too comfortable with the big loans being given by the IMF and World Bank, as he believed they would only breed corruption.<sup>47)</sup> The other network was that of Geronimo Velasco, minister of energy. This network included the contacts Velasco made during his stint as the highest salaried person in the Philippines when he was an executive in Dole Philippines. Marcos, thus, made sure that the economy was not left in the hands of one technocrat's network, i.e., Virata's. This was also a way of dividing and conquering the technocrats. Ongpin and Velasco, therefore, can be described as "new kids on the block" who were not accounted for in a scale-free model, just like Virata. That is, they had "intrinsic qualities that influence the rate in which they acquire links in a competitive environment" (*ibid.*, 95). More important, they were able to establish a direct and strong link with the potent Marcos hub.

Aside from the disagreement between Virata and Paterno with regard to the 11 ASEAN industrial projects, Virata also had disagreements with Minister for Planning Sicat, who was in favor of a full-blown export-oriented industrialization of the Philippines, unlike Virata. This was exemplified even during the pre-martial law period, when Sicat also did not agree with Virata's concept of "measured capacity," which the Philippine Chamber of Industries was pushing in order to avoid overinvestment and which led to

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46) Roberto "Bobby" Ongpin was Virata's deputy in the Presidential Economic Staff. Ongpin also worked in SGV when Virata was with the accounting firm.

47) Paterno, interview, August 15, 2008.

the waste of scarce capital resources. The intention of this was that the BOI had to study market demand, including external demand. The BOI would only approve of capacities with some allowance for a particular industry, so that the economy would not waste Philippine resources. This, of course, went against the principles of the free market economy, which was the reason Sicat did not agree with it.<sup>48)</sup> But Virata felt that scale was important for economic progress and that there was a need to reach a certain scale that was economical and competitive if the Philippines was to achieve economic progress. For Virata, the level of protection or subsidy was an important policy to guide Philippine business, and he believed that this was true also for foreigners, whose interest was to secure a share of the market and to exploit the country's resources.<sup>49)</sup> With regard to Placido Mapa, Virata did not agree with his opposition to the birth control methods that were being advocated by the IMF and World Bank. Mapa was a member of what was viewed as the ultra-conservative Opus Dei, while Virata was a Freemason and he and his relatives were supporters of the Philippine Independent Church, which was considered more progressive than the Catholic Church. Despite these differences, the members of Virata's technocracy network generally gave in to him. It was because of this that Virata held an influential position in his network, where he could be defined as one of the hubs. Hubs can be likened in the business community to individuals who communicate with more people about a certain product than does the average person. With their numerous social contacts, they are among the first to notice and use the experience of the innovators. Though not necessarily innovators themselves, their conversion is the key to launching an idea or an innovation. If the hubs resist a product, they form such an impenetrable and influential wall that the innovation can only fail. If they accept it, they influence a very large number of people (*ibid.*, 130).

### III-3 *First Lady Imelda Marcos*

What seemed to be a formidable obstacle to the Virata network was First Lady Imelda Marcos and her own technocracy network, consisting of, among others, Conrado "Jolly" Benitez,<sup>50)</sup> her brother Benjamin "Kokoy" Romualdez,<sup>51)</sup> and Roman "Jun" Cruz.<sup>52)</sup> One of Virata's many major disagreements with Mrs. Marcos was over the establishment of

48) Virata, interview, November 21, 2007.

49) Virata, interview, November 21, 2007.

50) Conrado Benitez obtained his PhD in Education at Stanford University and was considered to be an Imelda Marcos technocrat and her right-hand person for development projects.

51) Benjamin "Kokoy" Romualdez was known to operate the "real" Department of Foreign Affairs. He took the lead in the negotiations on the bases agreement with the United States.

52) Roman "Jun" Cruz headed the Government Service Insurance System, or GSIS, which is in charge of government employees' pension funds.

her Ministry of Human Settlements. Virata felt there was no need for this, as there was already a National Housing Authority. Virata also felt that the idea of human settlements was just a “U.N.-flavor of the month thing just like the current concern for the environment.”<sup>53)</sup> He also said no to several of the First Lady’s projects, but he believed that she would get her funds from the private sector and from the Government Service Insurance System (GSIS) under Cruz. The government, however, would have to pay off all her debts. As he pointed out, he refused a number of the First Lady’s requests since her projects were not in the budget, and because of this she called him “Dr. No.” Eventually, some of the buildings became government buildings. The loans extended by the private sector and the GSIS to Mrs. Marcos, which went into the establishment of government buildings, had to be repaid by the Philippine government.

Another incident that highlighted Virata’s clash with Imelda Marcos’s network was when the former, in an attempt to curb corruption in government offices, wanted to put certain safeguards in the GSIS, the Social Security System<sup>54)</sup> or the SSS, and the Retirement and Separation Benefits System or the RSBS. One safeguard was to put the GSIS and SSS under the office of the Insurance Commission. Virata said he wanted to do this to preserve the integrity of these pension and insurance funds by having sound investment guidance. He believed that the funds could be subject to abuse. Virata pointed out that Gilbert Teodoro Sr. of the SSS agreed with him but that Cruz of the GSIS would not, because he was very supportive of the First Lady’s projects, having extended advance financing to a number of them. Virata said that the president did not approve of his recommendations on the grounds that these institutions had their own charters and trustees.<sup>55)</sup>

There was an incident in 1982, when the country was at the height of its rescue operations for collapsing firms, when Mrs. Marcos wanted to appropriate US\$12 million 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; 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 from the coffers of the Ministry of Human Settlements, which she headed (Sacerdoti 1983, 48).

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53) Cesar E. A. Virata, interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem, tape recording, November 28, 2007, RCBC Plaza, Makati City, Philippines.

54) The SSS took care of the pensions of employees in the private sector.

55) Cesar E. A. Virata, interview by Cayetano Paderanga, Temario Rivera, and Teresa S. Encarnacion Tadem, tape recording, July 29, 2008, RCBC Plaza, Makati City, Philippines.

#### III-4 *Virata and the Network of Oligarchs and Politicians*

As for the oligarchs, Virata acknowledged that Marcos shielded the technocrats from them by reducing their political and economic powers. But he acceded that Marcos also instituted his new oligarchs because they were his supporters.<sup>56)</sup> In relation to this, Virata was also challenged on how to navigate among the politicians, i.e., the government's allies who lost the elections. Virata felt that this was the most difficult part as these politicians thought that the government projects were helping their opponents politically.

#### III-5 *Virata and the Network of Marcos's Chief Cronies*

Virata accepted that he, and no one else, could interfere in the interests of Marcos's chief cronies, Roberto Benedicto and Eduardo "Danding" Cojuangco. For Virata, as far as the technocrats were concerned, his technocracy network was no match for Benedicto and Cojuangco. Aside from the chief cronies having direct access to the president, Virata noted that they had their power base. From Virata's point of view, the technocrats were just interested in finding out what Benedicto and Cojuangco were doing and how these two chief cronies of Marcos were affecting the other sectors. When the technocrats saw that they were taking more than they deserved, that was the time Virata's network spoke up. The leverage of Virata's network vis-à-vis the chief cronies was its link with the IMF and World Bank, ergo the United States, which were not happy in general with the cronies' monopolization of industries. An example was Cojuangco's monopoly of the coconut industry, especially the takeover of US coconut oil processing firms. This went against the IMF and World Bank's economic mantra of free competition and liberalization. To show its disapproval of crony monopolies, the US government even filed a lawsuit against Cojuangco and Juan Ponce Enrile's<sup>57)</sup> coconut conglomerate—Granex, Crown Oil Corporation, and Pan Pacific Commercial—for conspiring to create a shortage of oil in order to drive up prices (Bello *et al.* 1982, 191). In general, however, Virata's network was able to stand its ground against these three major networks—Marcos's cronies and relatives, and the networks of oligarchs and politicians—as the IMF and World Bank continued to give loans to the Philippines that Virata's network was responsible for negotiating.

Ironically, however, the technocratic centralization encouraged by the IMF and World Bank allowed for an increasing concentration of power in President Marcos's hands, which translated into further support for crony interests. This was because a

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56) Virata, interview, December 13, 2007.

57) Enrile was Marcos's minister of defense.

major consequence of centralization was the lessening of checks on the leadership, which allowed the monopoly of state power by the networks of relatives and friends of the Marcos regime. Members of this ruling bourgeois network used the government as a vehicle to enrich themselves. The crony networks, which are also referred to as “bureaucrat capitalists,” greatly benefited from the local technocrats’ efforts to attract foreign capital because they had the right connections with the regime to either enable them to enter into joint ventures with multinational corporations or to avail of foreign loans acquired by the state (*ibid.*, 105). Moreover, the technocrats were said to have tolerated Marcos’s cronies as they both shared a common concern with bringing the country’s major export crops under the control and supervision of the state. Conflict of interest, however, ensued between these two parties on the question of whether or not export crops should become a center of state or private accumulation. The technocracy believed the former, while the cronies believed otherwise. The Virata technocracy network believed that the cronies would use this source of private accumulation to achieve their political ends (Hawes 1984, 238).

This was exemplified in the coconut levy controversy pitting the Marcos cronies led by Cojuangco against Virata. The Marcos cronies imposed a coconut levy on farmers, which the technocracy viewed as a double tax on the latter. Virata argued that the levy should be abolished because it further depressed the already low price paid to farmers for their copra and was not at all beneficial to the coconut farmers (Bowring 1982, 8). Marcos initially sided with Virata and agreed to have the levy abolished but later reversed his decision during a Cabinet meeting while Virata was abroad. Virata is said to have tendered his resignation, which Marcos refused. The former consoled himself by saying that he would not abandon the struggle for economic liberalization (*ibid.*).

The opposition experienced by the Virata network can be described as the manner in which the fitness model “allows us to describe networks as *competitive* systems in which nodes fight fiercely for links” (Barabasi 2009, 106), in this case, the link to the Marcos hub. The Virata network also defies the scale-free model, which “reflected to our awakening that networks are dynamic systems that change constantly through the addition of new nodes and links” (*ibid.*). In the case of challenges to the Virata network, it did not matter how many cronies or technocrats Marcos added to his network; what was important was the nature of the competition they posed to the Virata network. When it came to accessing IMF and World Bank loans, none of them could compete with Virata’s technocracy network.

### III-6 *The Emerging Political Value of the Virata Technocracy Network*

It is in the area of accessing IMF and World Bank loans for the Philippine government

that the Virata network may be described as the “star” dominating the vast majority of links to the Marcos hub. Opposition from the Imelda Marcos and crony networks further strengthened the Virata network’s links to the IMF-World Bank hub, as these two financial institutions saw Virata’s network as a bulwark against crony corruption in the Marcos government. The IMF-World Bank group was said to pressure the Marcos regime to lift martial law and declare a New Republic in 1981 headed by a Cabinet composed of World Bank technocrats: Finance Minister Virata, appointed as prime minister; Industry Minister Roberto Ongpin; Central Bank Governor Jaime Laya; Minister of Planning Placido Mapa; and Alejandro Melchor, who served as a Cabinet-rank presidential adviser and executive secretary to Marcos during the earlier years of martial law (Bello *et al.* 1982, 184).

Virata, however did not agree with this perspective. As he pointed out, Mrs. Marcos wanted the position of prime minister, which the Marcoses’ colleagues in the Kilusang Bagong Lipunan (Movement for New Society, or KBL)<sup>58</sup> nominated her to. He said he was taken by surprise when President Marcos preferred him for the position. When asked in our interviews how true the write-ups were, particularly in the *Far Eastern Economic Review* (Tanzer 1981; Sacerdoti and Tasker 1983), that his selection as prime minister was because of pressure from the United States in general and the IMF and World Bank in particular—as they did not like the corruption of the First Lady and the Marcos cronies—Virata was dismissive, although he said that he was aware of the reference to him as an “Amboy.”<sup>59</sup> Whether this is true or not, what is significant is that Virata’s ascendancy to the position of prime minister highlighted his value to Marcos. This situation seems to have transformed the Virata technocracy network into what Barabasi (2009, 237) calls the hierarchical modularity or the modular scale-free network, which makes multitasking possible. As elaborated by Barabasi, while the

dense interconnections within each module help the efficient accomplishment of specific tasks, the hubs coordinate the communication between the many parallel functions. Bottlenecks and slowdowns are inevitable if the same module is simultaneously confronted with several tasks. (*ibid.*, 234)

The United States, through the IMF and World Bank, therefore, was perceived to have pressured Marcos to accord the Virata network not only economic responsibilities but also political responsibilities as well as make sure that crony corruption was kept in check.

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58) The KBL was the political party that Marcos created during the martial law period.

59) “Amboy,” an abbreviation for “American boy,” is a moniker used for someone who represents the interests of the United States (Virata, interview, November 28, 2007).

A major hindrance to Virata's economic and political responsibilities was the emergence of a consolidation of hubs, epitomized by the KBL political party network. During the KBL caucus early in 1985, Mrs. Marcos bemoaned that some of her projects, such as the Kilusang Kabuhayan at Kaunlaran (Movement for Livelihood and Development), received insufficient funding. This complaint was followed by Marcos's chief crony Benedicto, whose monopoly of the sugar industry was frowned upon by the IMF and World Bank. Benedicto accused the technocrats of allowing the IMF to exert undue influence on the local economy. He urged the KBL not to accede to the demands of these financial institutions. Labor Minister Blas Ople supported this accusation by saying that the country had already given up its sovereignty to the IMF (Bowring and Sacerdoti 1983, 54). Such a situation highlighted how Virata's network clashed with four powerful networks under the KBL umbrella that were all part of the Marcos hub: Imelda Marcos's network of technocrats, Marcos's crony network, Marcos's political allies, and networks of Cabinet officials who were not economic technocrats but believed that they were being undermined by the Virata network under the tutelage of the IMF and World Bank. What occurred here was also an acknowledgment that for the umbrella KBL network, the Virata technocracy network could undermine the hubs it represented thanks to support from the IMF and World Bank.

The growing opposition to the Marcos dictatorship seemed to also favor Virata's network, as this gave it more leverage on Marcos not to support the crony interests. This was seen in 1984, when the political opposition against Marcos called a bank run on government and crony banks, such as the government's PNB and the United Coconut Planters Bank. Virata said Marcos had passed a decree saying that the governor of the Central Bank would be obligated to restore the funds of banks that had been affected. Virata believed it was Cojuangco's group that had crafted that decree. Cojuangco was then head of the United Coconut Planters Bank. Central Bank Governor Jose Fernandez<sup>60</sup> and Virata did not agree with the decree. Virata told Marcos, "Mr. President, this signed decree has no parallel or precedent in international law."<sup>61</sup> He added that when "the Central Bank helps an institution they have to follow certain procedures, like you must have acceptable security, and Monetary Board approval." Virata told Marcos it would not be good if the decree was made public. Marcos instructed his Executive Secretary

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60) Fernandez replaced Laya as Central Bank governor. This was because Laya was accused of "window dressing" the dollar reserves of the Central Bank to prevent the IMF and World Bank from seeing that the level of international resources had reached a dangerously low level (Galang 1983, 72). Virata said they needed to get a technocrat who was not identified with the Marcos government, and Fernandez was such a person (Virata, interview, May 2, 2008).

61) Virata, interview, July 29, 2008.

Juan (Johnny) Tuvera<sup>62)</sup> not to release that decree.

Marcos's withdrawal of the decree further signified the need for the Virata network of technocrats to access IMF and World Bank loans, without which the country could not survive. Thus, despite opposition from his party members in the KBL, Marcos came out with a statement saying, "[T]he KBL central committee since 1972 has always reviewed all policies and programs adopted by the Party but which are now claimed by new managers." This was his way of signaling to his party members to stop their attacks on the technocrats (Rocamora 1983, 6). The technocrats would go on to take over almost all the crony-owned companies that had been saved by the government during the economic crisis.

At this point, the Virata network may have acquired the status of a star hub in the category of the winner-take-all network, where there seemed to be no potential challenger. As Fabella noted, several of the policies the technocrats were able to pursue were because of Virata. He described Virata as supportive, and Fabella knew his limits and how far he could push. For Fabella, it did not matter if the government ran into a fiscal crisis, as the technocrats knew it was coming and could not do anything about it.<sup>63)</sup>

Furthermore, what transpired seems to have destroyed the hierarchy of hubs—the hubs of the cronies, relatives, and political allies—characterizing the scale-free topology and turned the Virata network into a starlike network, with a single node grabbing all the links (Barabasi 2009, 103–104). A probable reason for this is that the cronies and relatives, e.g., Imelda Marcos, Cojuangco, and Benedicto, were also contained within their own specific sectors—Cojuangco in the coconut industry and Benedicto in the sugar industry. And in the case of Imelda Marcos, although she had political and economic power through her Ministry of Human Settlements and as governor of Metro Manila, her access to resources was also dependent on the loans that the Virata network was able to avail of through the IMF and World Bank. All these dynamics, however, were dependent on decisions made by Marcos.

#### IV The Collapse of the Virata Technocracy Network

All the above factors were not enough to sustain Virata's network, which was brought to an end by the collapse of its most important hub: the Marcos hub. This may be described

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62) Tuvera was Marcos's senior presidential assistant from 1978 to 1986.

63) Fabella, interview, August 11, 2008.

as what Barabasi calls a series of cascading failures, which is when a network collapses and its failure shifts loads or responsibilities to other nodes:

If the extra load is negligible, it can be seamlessly absorbed by the rest of the system, and the failure remains effectively unnoticed. If the extra load is too much for the neighboring nodes to carry, they will either tip or again redistribute the load to their neighbor. Either way we are faced with a cascading event, the magnitude and reach of which depend on the centrality and capacity of the nodes that have been removed in the first round. (Barabasi 2009, 120)

Virata's fellow technocrats in his networks were very much aware of the problems that the First Lady as well as Marcos's cronies were creating for them. In reaction to this, they tried as much as possible to support Virata, whom they regarded as their senior in terms of responsibilities. It was against this background that Virata was appointed as prime minister in 1981. Mapa noted that during this time, so as not to be isolated, he needed to work with other agencies as a coordinator and referee because there were conflicting positions among different ministries and agencies. He said that he would try to do everything through Virata, as he was prime minister. He said that he and his fellow technocrats would support Virata, and many times during Cabinet meetings there would be conflicts, but they would ask for a committee to be formed to referee. Many times, Mapa would end up being the chairman of that committee. As Mapa observed, it was very hard to get colleagues to reconcile their differences. He pointed in particular to Secretary of Energy Geronimo Velasco and Secretary of Trade and Industry Roberto Ongpin, who were difficult to control as they had direct lines to the president. In the case of Velasco, Mapa felt that he sided more with the technocrats but when there were some matters that affected him, he would go directly to the president. In general, however, Mapa felt that Virata was very good in terms of going back to the president and also trying to keep Velasco and Ongpin in line.<sup>64)</sup>

Nevertheless, this cascading failure, as perceived by Virata, could not be stopped due to Marcos's failing health. As Mapa noted, when the president got sick there seemed to be a power vacuum and Virata and Melchor tried to salvage the situation. There were, however, areas where they were not in a position to do anything.<sup>65)</sup> The situation was aggravated by the assassination of ex-Senator Benigno "Ninoy" Aquino on August 21, 1983, which gave tremendous impetus to the growing opposition against Marcos. The assassination of Ninoy Aquino came at a time when the economy was reeling from a world recession and a deterioration of the country's terms of trade, which were gradually causing a number of companies—including crony-owned ones—to collapse. In 1981 the

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64) Mapa, interview, March 13, 2009.

65) Mapa, interview, April 22, 2009.

situation worsened further when Dewey Dee, a Chinese businessman, left the country with US\$100 million worth of unpaid debts. This adversely affected the financial system and several big business establishments. Another blow to the Philippine economy came when Mexico defaulted on its debt payments in 1982. Virata may have managed to control the situation in the beginning, but after Ninoy Aquino's assassination things got out of hand, particularly because Marcos was sick and not in command of the situation.<sup>66</sup> Imelda Marcos and Armed Forces Chief of Staff General Fabian Ver, representing a faction of the military network loyal to Marcos, took control.<sup>67</sup> This did not bode well with the United States, as it despised the Imelda Marcos-General Ver network. What resulted was that the hierarchy of highly connected hubs was taken out, with Marcos no longer in command. This proved to be the final blow to the networks that were linked to this hub, including Virata's technocracy network.

The situation led also to the loss of support for the Marcos government from a crucial sector, which was the business community, particularly the middle class. With the growing corruption, human rights violations, and socioeconomic inequalities, the business community—led by the Makati Business Club—together with the Catholic Church hierarchy began to voice their opposition against Marcos.<sup>68</sup> The business community initially tolerated the corruption of Marcos's cronies, but when the economy began its downturn and the government used state funds to rescue the crony companies, the business community began to move toward the side of the opposition. Their major complaints were the following: (1) they felt that the government was unable to curb graft and corruption; (2) they said the technocrats were too bureaucratic and arrogant and lacked practical experience; (3) they resented the bailout of crony companies; (4) they disapproved of the technocrats' blind loyalty to the policies of the IMF and World Bank group, which led to the centralization and streamlining of the local economy such that it benefited only foreign investors and not their local counterparts (Bello *et al.* 1982, 191).

The loss of support from the business community, Church, and middle-class networks was significant for Marcos, because the United States viewed these networks as important sources of legitimacy for Marcos's martial law rule. Before the business com-

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66) Virata, interview, November 23, 2007.

67) Virata, interview, November 23, 2007. Ver was Marcos's trusted aide. He was Marcos's former driver and hailed from Ilocos Norte, the same province as Marcos. Marcos chose Ver to be the chief of the Armed Forces of the Philippines over his own second cousin, Fidel V. Ramos, who was viewed as the next chief with the retirement of Romeo Espino, due to seniority.

68) The Church hierarchy included Jaime Cardinal Sin, who together with Corazon Aquino called for the People Power Revolution in 1986. The Church hierarchy is considered as mainly appealing to the Filipino middle class.

munity and Church hierarchy joined the opposition, the major source of opposition was the mainstream Left, i.e., the Communist Party of the Philippines, its armed group, the New People's Army, and its illegal united front, the National Democratic Front or the CPP-NPA-NDF. Between the mainstream Left and Marcos, the United States would of course support the latter. But the United States could not ignore that the CPP-NPA-NDF was also drawing from the other disenchanted sectors of society, i.e., the lower classes, the marginalized, and even some segments of the middle and upper classes. For the United States, the repercussions of the policies of a technocratic regime were not only economic but political as well. The determination of the technocracy to produce an apolitical and pro-business atmosphere gave the leadership a legitimate excuse to depoliticize the Filipino people. This was implemented in various forms, e.g., the imposition of authoritarian controls on the flow of information, the elimination of leaders of national movements, and the denial of civilian rights (Stauffer 1974, 173). Joint ventures between technocracy-manned state corporations and multinational corporations led to adverse socioeconomic consequences, e.g., the displacement of people. Small farmers, fishermen, and quite a number of the urban poor were forced to evacuate their land and sea locations to pave the way for industrial and agricultural projects such as export processing zones, a copper sintering plant, a nuclear plant, and export-crop plantations (*ibid.*). Tribal Filipino communities were evicted from their ancestral lands to pave the way for infrastructures such as dams to provide electricity and irrigation in order to entice foreign capitalist business ventures into far-flung areas. This led to the cultural genocide of at least 4.25 million tribal Filipinos (Rocamora 1979, 2).

All these developments led to the burgeoning of an anti-dictatorship struggle in the country. With the business community and Church hierarchy networks joining the ranks of the opposition and, more important, the emergence of Aquino's widow, Ma. Corazon "Cory" Aquino, as the leader of the opposition, the United States began to see Aquino as a palatable alternative to Marcos.

The ultimate push for the United States to support the opposition was the defection within the military led by Marcos's Defense Minister Juan Ponce Enrile and his military aide, Col. Gringo Honasan, as well as Philippine National Police Chief Fidel V. Ramos. The three of them with their supporters in the military joined the civilians to wage the 1986 People Power Revolution against the Marcos dictatorship. Virata's network did not have any links with Enrile or Ramos or, for that matter, Marcos's military network. Virata did not even know that his own military assistant, Lt. Col. Angelo Reyes,<sup>69</sup> was a mem-

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69) Reyes became secretary of the Departments of Environment as well as Energy under the Gloria Macapagal Arroyo administration (2001–10).

ber of the Reform the Armed Movement of the Philippines.<sup>70)</sup>

The withdrawal of US support for Marcos also severed the relationship of the Virata technocracy network with the IMF and World Bank, since the latter relationship was the basic reason for Marcos's support of Virata's network. Previously, there had been some who defected from Virata's technocracy network: Director General of the National Economic and Development Authority Gerardo Sicat Jr. resigned in 1981 and left the country in 1985 for a World Bank position in Washington, DC; and Vicente Paterno, minister of trade and industry and later on of public highways, resigned from government in 1980.<sup>71)</sup> Both could no longer tolerate working for the Marcos government. There was no problem in replacing them, and their desertions were not drastic enough to break down the Virata network. As pointed out by random theory, when nodes are removed randomly, there are a fraction of nodes that indicate a critical point has been reached whereby the network breaks apart: "If you remove more nodes from the critical fraction, then it would break apart into different pieces" (Barabasi 2010).

Virata knew that the critical fraction had been reached even before the 1986 People Power Revolution. This realization came about when he was in the United States, in the middle of negotiating loans for the Philippines with the IMF and World Bank. He was seeking a debt moratorium because the Mexican default of 1982 had triggered an economic crisis in the Philippines. Such macroeconomic failures, as pointed out by Barabasi (2009, 209), "can throw entire nations into deep financial disarray." Moreover, because the Philippine economy was part of a highly interconnected network of financial institutions, the breakdown of some selected nodes—in this case, the crisis in the Mexican economy combined with the inability of the IMF and World Bank to immediately resolve it—set off a cascade of failures that shook up the whole economic system, especially in the Philippines. It did not help that because of Marcos's growing unpopularity, the issue was not given priority by the two international financial institutions. When Virata sought a meeting with the IMF and World Bank, the institutions told him that they could not field any personnel to talk at that time and that the only window they could give Virata's

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70) RAM was the network of Honasan, which staged a mutiny during the 1986 People Power Revolution. It consisted of military officers who were disgruntled over the corruption in the military. RAM, which was nurtured by Enrile, consisted mainly of the lower ranks in the military, i.e., colonels, lieutenants, and others. Virata, who said he appointed Reyes as his director for information for the Office of the Prime Minister to monitor, in particular, intelligence reports, abandoned him during the 1986 People Power Revolution. Virata said he had to seek refuge in Cavite, where the governor was his friend (Virata, interview, November 23, 2007).

71) Paterno left the KBL after calling on the *Batasang Pambansa* (National Legislative Assembly) to institutionalize reforms such as a freer press, fair elections, and identification and punishment of those behind the Aquinas assassination (Situationer 1983, 152).

economic team was after the World Bank meeting. Finally, they selected October 17, 1983 as the date for the meeting. In the meantime, Aquino was assassinated in August 1983 and the situation took a turn for the worse.<sup>72)</sup> At that point, Virata told Marcos he could no longer do his job and he might as well resign, but Marcos told him to stay on.<sup>73)</sup>

This seemed to be a recognition by Virata that his relevance to Marcos was dependent on Marcos's relationship with the United States, which determined Virata's relationship with the IMF and World Bank. Virata's predicament can be equated to what Barabasi (*ibid.*, 105) describes as the "fit-get-rich" behavior of scale-free networks, which prevails in the marketplace when there is a hierarchy of operating systems such that the most popular is followed by several less popular competitors. Such a hierarchy is present in most industries. In Virata's case, his popularity and leverage hinged on his being able to obtain the IMF and World Bank loans that the Philippines badly needed. In this respect, Marcos's relatives, cronies, and political allies could not compete with Virata's network. But Virata was gradually losing this network. And, as pointed out by Barabasi (*ibid.*, 110), "vulnerability is due to interconnectivity"; this can be applied to the Virata network's links with Marcos and the IMF and World Bank.

The validation of this claim, as Virata pointed out, came with Ninoy Aquino's assassination, when Virata saw his own relationship with the IMF and World Bank sour. He noted that the two financial institutions were beginning to withhold or tighten assistance. When Virata inquired about economic assistance to the Philippines, the IMF and World Bank would reply that the matter was being processed or considered.<sup>74)</sup> Virata blamed this on the United States' diminishing support for Marcos. He observed that the United States was beginning to talk to opposition members and sizing up possible successors, and he noted the continuous bad press on the Philippines in the United States. Virata's dependence on Marcos to access US support, which helped to facilitate World Bank and IMF assistance, may have proven to be the Virata network's Achilles' heel, as described by Barabasi (*ibid.*, 117–118):

[T]he findings indicate that scale-free networks are not vulnerable to failures. The price of this unprecedented resilience comes in their fragility under attack. The removal of most connected nodes rapidly disintegrates these networks, breaking them into tiny noncommunicating islands. Therefore, hidden within their structure, scale-free networks harbor an unsuspected Achilles' heel, coupling a robustness against failures with vulnerability to attack.

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72) Cesar E. A. Virata, interview by Yutaka Katayama, Cayetano Paderanga, and Teresa S. Encarnacion Tadem, tape recording, June 24, 2008, RCBC Plaza, Makati City, Philippines.

73) Virata, interview, November 23, 2007; Virata, interview, June 24, 2008.

74) Virata, interview, November 23, 2007.

Marcos's calling of snap elections under US pressure may have spelled the end of his support for the Virata network. Virata advised Marcos not to call snap elections as he had tenure of office. But he claimed that Marcos called snap elections because the United States was portraying the president as losing control, and that was why he wanted a fresh mandate even though his term had not ended.<sup>75)</sup> After the snap elections, which Marcos won by only a slight margin, Virata offered to resign as minister of finance. He suggested to Marcos that since the margin of victory was so slim, perhaps it was time for change. Virata was not yet planning to resign as prime minister, because he wanted the Batasang Pambansa (National Assembly) to be convened so he could personally present his resignation to the legislative body—since the assembly had elected him.<sup>76)</sup> He added that he could also be charged with dereliction of duty if he resigned as prime minister. But eventually Virata learned that Marcos had offered Enrile the position in order to stop the People Power Revolution.<sup>77)</sup>

The power, therefore, of Virata's technocracy network lay mainly in the support it could get from the US and Marcos hubs, and consequently such support translated into how Marcos needed Virata in order to access loans from the IMF and World Bank. This situation characterizes Barabasi's (*ibid.*, 112–113) failures in random networks, whereby “there is a critical threshold below which the system is relatively unharmed. Above this threshold, however, the network simply falls apart.” In this case, the Virata hub's inability to continue performing its task brought down the network.<sup>78)</sup>

## Conclusion

Cesar E. A. Virata had links to social, academic, US, and business community networks that thrust him into government. In government, he developed his own network; the importance of this network was its link with the Marcos hub, which kept the different political, economic, and social networks together. What strengthened and allowed Virata

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75) Virata, interview, December 13, 2007.

76) Virata, interview, June 24, 2008.

77) Virata, interview, June 24, 2008. Cesar E. A. Virata, interview by Cayetano Paderanga and Teresa S. Encarnacion Tadem, tape recording, September 2, 2008, RCBC Plaza, Makati City, Philippines.

78) What brought down the Marcos hub is based on the perspective of Virata as collaborated by secondary materials used in this article. There are, however, other views with regard to this—for instance, that the Marcos hub collapsed because of the strength of the opposition against Marcos led by Corazon Aquino and Jaime Cardinal Sin, which was complemented by the military mutiny of Marcos's Secretary of Defense Juan Ponce Enrile and Philippine National Police Chief Commander Fidel V. Ramos.

to consolidate his own network in government was that he shared with Marcos a common economic concern, i.e., bringing in investments to the country and the pursuit of an export-oriented economy. This economic perspective opened him up to the IMF-World Bank hub. During the pre-martial law period, the Virata network clashed with the network of nationalist economists of the government's National Economic Council (NEC) as well as nationalist politicians and local capitalists, as they were against the open-door policy of the economists in the Project Implementation Agency, where the Virata network was embedded. When Marcos became president, the nationalist economists were booted out and the Virata network reined in the NEC. The Virata network, however, had to contend with the nationalist networks in Congress, i.e., those against liberalization. But Marcos's party members from the Nacionalista Party, who were part of the Marcos hub, supported the Virata network's open-door policy, i.e., liberalization of the economy. This helped the latter to pass the Investments Act and the Export Incentives Act. Marcos's support for the Virata network would prove to be most crucial. Marcos's political strength among the agricultural and industry blocs lay in his network of political and economic allies such as Benedicto, who represented a faction of the powerful sugar bloc. Marcos also made use of his leverage as president to make the other blocs, e.g., the logging concessionaires, behave. Virata's was, therefore, only one of the networks that connected to the Marcos hub. Its importance was its ability to access loans and foreign assistance from the IMF and World Bank for the Marcos hub.

The declaration of martial law highlighted the compartmentalization of the Virata network as an economic network, as the technocrats were kept in the dark about the declaration of martial law. It also highlighted the importance of Marcos's political networks, i.e., those that were involved in the planning of martial law. The declaration of martial law also established Marcos as the major hub in Philippine politics, with which the Virata network was well-connected because of its important role in accessing World Bank and IMF loans. But this would only be the case for as long as the US hub, which the IMF and World Bank were connected to, supported Marcos's declaration of martial law. Thus, the two very important hubs for Virata—the Marcos hub and the US network, or the World Bank and IMF hub—continued to give the Virata network the leverage it needed.

The Virata network, however, would go up against other formidable networks. Foremost was that of First Lady Imelda Marcos, who would use other sources of government funds, thus bypassing the Virata network, to finance her personal projects. Marcos allowed this to happen. The network of oligarchs and politicians who were all linked to the Marcos hub were viewed by Virata also as hindrances to his economic decision making, but they were not as significant as Marcos's chief cronies, Benedicto and

Cojuangco. Virata's leverage vis-à-vis the chief cronies was the support his network received from the IMF and World Bank, which were not happy with the cronies' monopoly over industries since that blocked the entry of foreign, particularly US, companies into the country. Marcos generally sided with his cronies but would later get pressured by the United States as well as the IMF and World Bank to curb crony capitalism by giving the Virata network not only economic but also political power, as seen in the appointment of Virata as prime minister. This was despite the opposition of networks under Marcos's political party, the KBL, which were all linked with the Marcos hub and were up against the Virata network. These included Imelda Marcos's network of technocrats and Marcos's crony networks, political allies and networks, and Cabinet officials who were not economic technocrats. These networks all believed that they were being undermined by the Virata network under the tutelage of the IMF and World Bank. It is ironic that during the pre-martial law period this was not the case, as the Virata network had a good relationship with Marcos's party members in the Nacionalista Party. During the economic crisis in the early 1980s, the Virata network had the upper hand as Marcos needed to get IMF and World Bank loans. Thus, Marcos also told his KBL party mates and their respective networks to stop criticizing Virata and his technocrats.

For Virata, the breakdown of his network was due to the failing health of Marcos during a period of economic crisis that was aggravated with the assassination of Ninoy Aquino. These situations witnessed the takeover of power by the networks of Imelda Marcos and General Ver's faction of the military network. This led to the rapid decline of support for Marcos from the business community and the Church and an increase in support for the CPP-NPA-NDF. Both these networks joined forces to strengthen the anti-dictatorship struggle. The situation did not augur well for the United States, but it found an alternative to Marcos in the person of Corazon Aquino. By then the Virata network had begun to lose its support from the IMF and World Bank, and with the calling of snap elections by Marcos and his offer of the position of prime minister to Enrile, Virata saw the collapse of his network, which had lost its link with its two important hubs, those of Marcos and the United States. The shifting of US support to Corazon Aquino and the 1986 People Power Revolution also prevented the toppling of the US and IMF-World Bank hubs, which were perceived by the Philippine Left as having supported the Marcos dictatorship.

The rise and fall of the Philippine technocracy, therefore, was dependent on four important nodes that were transformed into hubs: the Virata, Marcos, US, and IMF-World Bank nodes. Virata became the hub for the technocracy dealing with the IMF and World Bank. The fate of this hub was also dependent on the power given to it by the Marcos

hub, which controlled political and economic power, and the other hubs that were linked to it, e.g., Marcos's relatives and cronies, the business community, political allies, and the military, among others. The IMF-World Bank hub was the one that extended the loans needed by the Marcos government through the Virata network. The loans, though, needed the approval of the United States. For Barabasi (2009, 211), one way of avoiding the cascading failures that brought about the downfall of the Virata network was to abandon hierarchical thinking, which he points out did not fit the network economy. He elaborates that in

traditional organizations, rapid shifts can be made within organizations, with any resulting losses being offset by gains on other parts of the hierarchy. In a network economy, each node must be profitable. Failing to understand this, the big players of the network game exposed themselves to the risks of connectedness without benefiting from its advantages. (*ibid.*, 213)

For Barabasi (*ibid.*, 192), the Achilles' heel of the network was the vulnerability of the hubs. In the case of the technocracy network, as well as the other networks linked to Marcos, the Achilles' heel was that they were dependent on Marcos; and when Marcos became ill, he could not stay in command. With the growing opposition to the Marcos dictatorship, the United States began to look for an alternative, and it found one in Corazon Aquino. The only member of the technocracy who joined the opposition was Paterno, who went on to become a senator as part of the Aquino administration's senatorial lineup during the 1988 elections.

Virata's dispensability was further seen after the 1986 People Power Revolution, when President Corazon Aquino appointed technocrats to important positions: among others Jaime Ongpin as secretary of finance and Jose Concepcion as secretary of trade and industry. Jose Fernandez was retained as Central Bank governor. With the exception of Solita Monsod, who was the NEDA director general, they all shared the same economic perspective or development paradigm of the IMF and World Bank. This assured the new Aquino government of continuing loans from these two international financial institutions and, more important, the support of the United States. What emerged is what Barabasi (*ibid.*, 221) calls "a web without a spider," where there is no centralized star network. Instead, there is a

hierarchy of hubs that keep these networks together, a heavily connected node closely followed by several less connected ones, trailed by dozens of even smaller nodes. No central node sits in the middle of the spider web, controlling and monitoring every link and node. There is no single node whose removal could break the web. A scale-free network is a web without a spider. (*ibid.*)

A web without a spider might have been possible under a democracy, but under an

authoritarian political environment where Virata's technocracy network prospered and later on collapsed, it would have been difficult to attain.

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