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Revising Economics for the Next Generation

by

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REVISING *ECONOMICS* FOR THE NEXT GENERATION

by

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Abstract

The revision of *Economics*, a textbook in elementary economics, using the Philippines as the basis of the study material, will be available in academic year 2003-4. The paper begins with a review of the antecedents of the efforts at the University of the Philippines School of Economics to improve economic teaching materials in the country. The first part – elementary economics – builds on the concepts of the markets and on the law of supply and demand and illustrates the principles with actual life situations and economic policy applications. Different forms of market structures are discussed and departures from competition are related to problems of industrial policy, taxation, regulation of monopoly and competition policy. The second part – macroeconomics – deals with the open economy. Ignoring the usual step by step procedure of the closed economy until it opens to trade and payments, the analytical structure goes head-on with an economy operating in the presence of government fiscal operations and of international trade and payments. Monetary and exchange rate policy enters the analysis to complete the macroeconomic framework. The final part – Philippine economic development issues – covers separate chapters on economic growth and productivity, foreign direct investment, agriculture, rice economics, land reform, micro-financing for the poor and small businesses, and commercial development. In addition, it ends with a review of economic systems. Separate topics on income distribution, poverty, population, and industrialization policy were merged into the elementary economics part of the book as were saving and financial development in the macroeconomics part. Unlike the first book, the revised edition will be released around May, 2003 in three volumes. Each tract can be separately used for specific courses in introductory and intermediate Economics – Volume 1: *Elementary Economics*; Volume 2: *Macroeconomics*; and Volume 3: *Philippine Economic and Development Issues*.

Key words:

Elementary economics, Philippine economy, economic education, economic development, Philippines

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REVISING *ECONOMICS* FOR THE NEXT GENERATION

Introduction

This essay is a backdrop for the forthcoming revised edition. This background includes the little known efforts in the past to improve economic teaching materials in the country at the elementary level.

The task of rewriting my book, *ECONOMICS*¹ is almost finished. It will take several more months before it becomes available. It should be available for the school year 2003-04. Thus, the revised edition will come out twenty years after its first publication in 1983.

The revision took an effort that was more demanding than my original plan. It is 39 chapters long, a bit longer than the original edition. Its content is almost completely rewritten. Quite a number of materials from the early edition were discarded in favor of new material and improved approach. New material reflects the changing emphasis in coverage of introductory economics as well as the growing complexity of economics in a Philippine context. Data updating is complete. The illustrations expand the examples on the link between theory and application in regard to the workings of the Philippine economy.

The revision effort took longer than I had planned earlier. And it took more mental sweat and tears than I originally had planned to shed. Once I got embarked on the project, it became irresistible to improve it in directions that I had long wanted to pursue.

The calvary and reward of effort

A serious revision of the work was in the offing as early as 1994. At that time, the whole book was transcribed in electronic files by a team of secretaries at the UP School of Economics. Optimistically, I thought that work during weekends would do the job while I was living in Washington D.C. to do the revision. An early try immediately warned me about the folly of such an effort. My World Bank job took me to various tasks and countries and deadlines. The revision work could not be undertaken as an academic diversion.

Upon retirement from the World Bank at the end of 1997, I returned immediately to the School of Economics and thought about working on the revision immediately. But it took some reentry problem to be back into a disciplined academic schedule. Swinging back to work after reaping the rewards of personal freedom was especially challenging. Eventually, my old self won over the liberated hedonist. Then, I decided that the best way to deal with the revision was to test some ideas in the classroom again. So, I taught the elementary course for two years. During this period, I built up some ideas and an approach on the materials of the book. My initial thought was to cut the book into two parts.

¹ Gerardo P. Sicat, *Economics*, Manila, National Bookstore, 1983.

Writing a book that is constrained by an outline of already written material is not as easy as writing a book fresh from no material at all. This I found out from past experience. When I first wrote the 1983 edition, it took me only a period of about one and a half years of work. When Professor Heinz Arndt of the Australian National University started, on my permission, to Indonesianize my book sometime in 1985, it took several years to finish the project. He mobilized a team of Australian and Indonesian economists to work on the project. Aside from Arndt himself, the following from ANU helped: Anne Booth, Ruth Daroesman, Peter Gardener, Bruce Glassburner, Hal Hill, Terry Hull, Gavin Jones, J.A.C. Mackie, R. M. Sundrum, and Thee Kian Wie. In addition, of course, there was a translation team that put it together.

The greatest challenge of anything involving many people is coordination. This is most especially true when the activity is a mere side event in the careers of the participants. It takes a determined person to pull out into completion a book written by a committee. By putting his personal stamp on it, Heinz Arndt had succeeded in bringing the revised book, *Ilmu Ekonomi*² in December 1991. (Unfortunately I have to record with sadness Heinz's recent departure from the scene a few months ago.)

Early in my career, I had a similar experience. Just shortly after my return from Ph.D. studies in 1963, I got involved in one such effort that was the early precursor of my book. Under the leadership of Jose Encarnacion, Jr., a committee of economists banded together to write a textbook. Pepe Encarnacion was, then, Chairman of the Department of Economics, a unit of the U.P. College of Business Administration that was to become the U.P. School of Economics two years later. Pepe organized the major Ph.D. economists and scholars who were then working in the Department, including colleagues who were teaching in Los Banos and IRRI, to write an elementary textbook. These authors included visiting professors who were then being supported by a generous Rockefeller Foundation grant to the Department (This happened before Ford Foundation also came in to help the School): Amado Castro, Agustin Kintanar, Jr., Richard Hooley, Tito Mijares (statistician), O.D. Corpuz (political scientist and economic historian), Vernon Ruttan, Gerald Sirkin, Emilio Quintana (agricultural economist, Los Banos), T.W. Kapp, Theodore Ruprecht, and, of course, Jose Encarnacion, Jr.

As the project went beyond the manuscript preparation stage, I got drawn more and more into the task of pulling it through, monitoring manuscript development of some of the authors, including writing more chapters to fill the gaps that existed. As publication time came, Pepe insisted that the authorship of the project be written as "G. P. Sicat and Others." And he wrote a memo to all authors to that effect to let the matter rest. That was how the authorship of the book, *Economics and Development*³ came to be. Pepe insisted on that authorship order even after I counter-suggested to him that it was his name that deserved to be there. This is just one instance of my admiration for Pepe's intellectual fortitude. He made many such decisions in his career. He conceived the project and collected the authors to work on it.

About ten years later, Pepe Encarnacion was yet to venture on another book written with other colleagues at the university and the School of Economics. This time, the finished book would be Jose Encarnacion, Jr. and Others, *Philippine Economic Problems in Perspective*.⁴ The

² Gerardo P. Sicat and H. W. Arndt, *Ilmu Ekonomi Untuk Konteks Indonesia*, LP3ES (Lembaga Penelitian, Pendidikan dan Penerangan, Ekonomi dan Sosial), Jakarta, Indonesia, 1991. The book had an introductory foreword by Professor Sumitro Djojohadikusumo, former dean of the Faculty of Economics of the University of Indonesia. The foreword of Professor Heinz Arndt to the book was dated January 1989, so he had turned over the finished project and it took 2 years to have it printed.

³ G. P. and Others, *Economics and Development*, Quezon City, University of the Philippines Press, 1965.

⁴ Jose Encarnacion, Jr. and Others, *Philippine Economic Problems in Perspective*, Institute of Economic Development and Research, School of Economics, University of the Philippines, 1976.

focus of this book was on current problem areas of the Philippine economy. Ten chapters on various topics were discussed: natural resources, population problem, food problem, unemployment, inflation, income distribution, trade and external debt and regional cooperation. His collaborators (in the order of appearance of their respective papers in the table of contents) were Agustin Kintanar, Jr. and Telesforo Luna, Jr., Mercedes Concepcion, Eliseo de Guzman, Jr., Mahar Mangahas, Raymunda Rimando, G. A. Tagunicar, Rosa Linda Tidalgo, Romeo Bautista, Edita Tan, and Gonzalo Jurado. This later book was not intended to displace the early, *Economics and Development* but to complement its subject matter.

Perhaps, if I had not joined the government in 1970, the “prepublication edition” of *Economics and Development* would have undergone a revision and possibly released again by the University of the Philippines Press. But in the interregnum after I had left the NEDA in 1981, there was still a major gap unfilled in the writing of an economics introductory tract, and so I embarked on my project in 1982.

After initially trying to undertake revisions of some portions of the book in 1998, it occurred to me that I could benefit from testing some new material in the classroom. My 1983 text had become unwieldy to teach from. The Philippine material as well as international developments had become outdated. Development thinking about the efficacy of government had given way to privatization and greater economic liberalization. The meaty portion - what I considered to be the core of elementary economics that had to be learned in the Philippines - was also very deficient on several counts, such as limited coverage of some theoretical topics about the market. These were lack of virtues that I had recognized from the first day that the book had appeared in print.

I toyed with the idea of a much shorter book, with minimal Philippine material and confined to a few key ideas. But the more I dwelt on the subject, the more I felt that the book has a comparative advantage in building from what I knew best about the Philippine economy and from surveying the essential economic problems of the country. Economics, to be learned well, cannot be isolated from one's awareness of country and experience. The challenge of any book in economics is how to make the daily events live in the examples of the book and how to focus the subject on the relevant and critical problems. The option of breaking the book into three self-contained parts only came naturally when I began to worry that I had covered a lot of ground and extended the subject beyond what is normally considered “introductory.”

In writing the revised version, I was much encouraged by Professor Kunio Yoshihara,⁵ of Kyoto University, who reviewed the first version in 1984:

For Filipino students, the value of the book is obvious. Most examples come from the Philippines, the Philippine economy is discussed in depth, and development issues are given a high priority... Those who are interested in economic development, Asian development in particular, will find various chapters, especially those in [the economic development part] useful as a Philippine case study.

Unquestionably, the book is a remarkable intellectual achievement. It covers numerous topics in economics, ranging from standard micro and macro economics, through development issues, to controversial contemporary problems... No economics textbooks written by Asian scholars seem to be as comprehensive as this and at the same time, readable. This was made possible by the author's broad intellectual interest, but at the same time, his experience [in]

⁵ Kunio Yoshihara, Book Review, *Singapore Economic Review*, vol. 29, No.1.

the Philippine government ... in practical development planning must [have been] an important contributing factor....

In the introductory preface to the Indonesian version, Professor Sumitro Djojohadikusumo, former long time dean of the Faculty of Economics of the University of Indonesia, wrote:⁶

[T]he enthusiasm and background of the author, who is from a developing country similar to Indonesia, provides this book with a special flavor. It is my hope that it will become an alternative to textbooks currently available, including the translations of works from the world's leading economists, whose writings are relevant to a very different context from that of Indonesia. [*Ilmu Ekonomi*] makes a significant contribution in meeting the needs of Indonesia's tertiary educators, especially economics faculties.

Professor Heinz Arndt wrote in his own introduction to *Ilmu Ekonomi* that upon receipt of my *Economics*,

...my first reaction was delight at the publication of this major piece of work. Subsequently, I was attracted to the idea of publishing an Indonesian-language edition... There are very few economists who have the courage to undertake the enormous task of preparing an Economics textbook as comprehensive as this one, and Sicat's is the first in Asia to complete this, with a focus on the problems of developing economies and written for students from developing countries.

The elementary economics foundation

The revised edition of *Economics* teaches elementary economic theory using the Philippine economy as the frame of reference. In addition, the experiences of other countries, including their comparative statistical information, are included with respect to the topic on hand. At times, the Philippines is treated in comparison with what has been done in other countries. At other occasions a graphical device of projecting their position in relation to the Philippines is undertaken, to bring out a stylistic presentation of relative positions in terms of GDP per capita with respect to a particular topic, for instance, consumption level, tax effort, or monetary development.

The original subdivision of the book into four parts is now compressed into three parts. But the contents and approach have changed and expanded in a number of directions that I thought were essential.

The first part continues to be the introductory elements of economics – the microeconomics part. This segment of the book has been highly enhanced in content and in examples. The major changes include a large amount of analytical illustrations on the workings of the market. In doing this, it was essential to weld the principle of comparative advantage with the principles that lead to the theory of demand and of supply. The result is the integration of the open economy issues with the price theory. The applications of market theory to international trade problems and to taxation are illustrated amply.

Applied problems cover topics in welfare economics, externalities, regulation and government interventions in trade and in other activities. There is greater coverage of government interventions in trade, industry, and other markets. Applications of supply and demand to

⁶ I am indebted to Professor Hal Hill of the Australian National University for the translation from Bahasa Indonesian of this quotation and the subsequent one from Heinz Arndt.

problems of development, labor markets, price stabilization and regulation, and other problems are introduced in various parts of the book.

Supply and demand are carried out in three chapters of differing emphasis. First of course is the chapter on elementary exposition of the competitive market, the implications and estimation of elasticities, and the meaning of period analysis. A succeeding chapter builds on these concepts to provide elementary exposition of the applications of supply and demand analysis covering a wide spectrum of issues and illustrations - the goods and factor markets, population and wages, housing shortage, and even an introduction to the determinants of the foreign exchange rate. The economic outcomes of price and quantity resulting from disruption of equilibrium are learned here. A chapter is devoted to welfare analysis of market interventions. This enables the discussion of a range of examples from involving taxation, trade interventions (tariffs and quotas), and their specific effects on price and output and on the economic burden.

The same types of problems extend to the labor market and wages. Early in price theory, a student needs to understand the consequences of interventions labor markets and examine the long term implications. Inevitably, the problems of market imperfections and monopoly take center stage. Here, the applications of the problems of market imperfections on the country's experience with industrialization and the regulation of monopoly are given due attention. The economic analysis of protection and its impact on domestic economic resource pricing is taken up in a chapter dealing with market imperfections and industry. There is also an introductory chapter on monopoly regulation.

Economic accounts and statistics

The chapters on statistical measurements of output and of trade and payments are now distributed in the two parts. Most of these are now in the macroeconomics volume, representing the early chapters of that volume. It is updated to the current adjustments in measurements that are being undertaken. Measurement of output and problems associated with the comparisons of income and output statistics are dealt with. The discussion of output is in line with the recent changes in the national income methodology, requiring the use of gross national income rather than GNP.

Discussions of recent changes in income accounts methodology are included in a more advanced chapter, adverting also to such important topics as purchasing power parity adjustments and comparisons of real and nominal accounts. Reference to other indicators aside from social and other economic accounts is made, including the human development index being popularized by the UN system. The problem of inter-country comparison of output is discussed in the context of the purchasing power parity principle.

Finally, a whole chapter is devoted to the analysis of the balance of payments as an economic account following the two chapters on national income accounts. These three chapters on economic accounts form the bridge to the macroeconomics section.

Macroeconomics in a Philippine context

The macroeconomics section is extensively revised and expanded and presented in a second volume. There is a lot of advanced material here and the contents of the chapters should be able to meet the requirements for any course in macroeconomics.

New material is added to blend open economy macroeconomics with money and exchange rates. The usual model of a closed economy national income determination is dropped, except to illustrate it in passing. A country whose export income is almost at 40 percent of GDP

and whose workers provide a sizable chunk of personal income from work abroad cannot have its elementary economics taught as if trade did not exist.

The open economy is treated integrally from the very beginning of the book (in the third chapter), with the discussion of comparative advantage as a basic concept. The macroeconomics of the open economy is in the second half of the book. It begins from the discussion of the income accounts background and progresses during the elementary exposition of income and output equilibrium. The approach of gradual entry of foreign trade into the picture and that of government is abandoned. Immediately, national income equilibrium has to take into account the need to obtain internal macroeconomic balance in line with the other constraints tied up with the fiscal budget and the foreign trade balance.

This leads to the analysis of what constitutes sound macroeconomic fundamentals. The discussion here extends to analysis of macroeconomic stabilization and explains the reasons for some of the difficulties encountered by many developing economies experience persistent macroeconomic problems.

Monetary phenomena and prices are developed more intensively through the use of *IS-LM* analytical framework. As this is learned, the study of open economy macroeconomics begins to get connected to money, interest rates, exchange rates and capital flows. Money in a macroeconomic setting is discussed together with an extensive review of the financial system. Emphasis on the importance of saving and financial mobilization is a key element of several chapters that deals with money. Some of this material pushes the book beyond the normal coverage of an introductory course. It leaves open their incorporation in the more elaborate discussions of macroeconomics when the introductory course is taught as a two-semester course. Or this provides new or additional material for the instructor to enrich the second course in elementary economics leading to macroeconomic concepts.

Finally, the exchange rate also becomes an integral part of the macroeconomic discussion in the end. How the exchange rate responds to factors that affect the macroeconomic balance of the economy is introduced as early as the applications of supply and demand in the early chapters. After building the macroeconomic principles, the underlying complexity of the Philippine economy becomes apparent. The analysis of the open economy interfaces with the real exchange rate, the interest rate and the role of capital flows.

The discussion of macroeconomics covers a far broader set of economic interrelations than would normally be treated in the introductory texts in economics of several decades ago. Many important issues connected with the entanglements that are experienced in an open economy with respect to trade and to capital flows are taken up in the book. The expansion of coverage has come with the required cost of having to teach or learn to teach greater depth of issues on the economy. At least in the context of the normal coverage of materials in economics as taught in many introductory courses in Economics in the country, the material is far deeper in content. In fact, it is possible that some of the material is deeper in content even in case of usual macroeconomics courses at the intermediate level when the book used is entirely divorced from knowledge of the Philippine economy. If the instructor teaches from materials that do not contain any relevance to his experience in the country, how can one expect that the student absorb the significance of the subject, much more relate it to the Philippine economy that she participates in?

The materials on monetary economics and on international trade and finance can be useful in giving the instructor more ground on which to lay the foundation of the subjects in the intermediate courses. In this particular case, it is recommended that the book be used as supplemental material to these topics. In fact, it could be used as the main text for a broad-based macroeconomics course. But definitely, the book becomes an alternative source material for the

intermediate subject. In short, a student learning from the book would find it a useful tool as she moves on to higher economics courses, if she would go beyond the elementary level.

The book has increased some coverage of theoretical discussion while bearing in mind that this is an elementary textbook. The idea is partly to provide completeness as well as to give options to the instructor since it is not expected that all the elementary courses would cover all the materials. And various ways of combining the teaching modules from the chapter contents are made later (see Appendix 2, below). The analysis is also enriched with empirical material principally taken from the Philippines, but not confined to it. These materials are introduced as a means of extending the topics that could be covered by the teacher, depending on the nature of the material that she wants to introduce. The level of empirical illustrations is always related to Philippine examples. Yet, whenever possible, I strove to associate the same illustrations to other countries, especially our ASEAN neighbors and other immediate East Asian countries. These are the immediate neighbors. These are the countries from which we will draw lessons of progress in the years to come, and our teachers and students need to gain familiarity with them as early as possible.

The theoretical part of the book ends with a brief introduction to economic growth. Here, two models of growth are introduced: a macroeconomic growth model based on the open-economy version of the Harrod-Domar model and the modern rendition of classical economic growth as expounded by Solow. These two models are utilized to provide examples to various aspects of economic growth, saving requirements and productivity. Solow's work that led to the emphasis on productivity and technological change are introduced in the empirical part of this work. Allusions to new work on theories of economic growth are made at this point. A third model of economic growth refers to empirical change in structure of the economy along the Clark-Chenery lines. The model of economic growth based on unlimited supplies of labor and on migration had been integrated in the discussion of labor market issues and incomes in the earlier chapters.

It is possible to argue that the macroeconomics section has gone beyond the elementary introduction. Part of the utility of writing a relevant textbook is the challenge of examining the trend in the competition and in teaching. This is because there is always a class of teachers in our country of the elementary economics subject who rely on foreign textbooks to examine trends in teaching and to adopt those trends to adorn their lecture. What I have discovered is that there has been a growth of coverage and sophistication of issues taken up in these foreign textbooks. Such trends could lead to misapplications on what is relevant to the Philippine context.

What I have done is to select the topics that I consider important for the Filipino to learn about his country. This is based on my experience as an economist, as a teacher, and as a practitioner in the world of economic development that are relevant to the macroeconomics of our country. I introduced innovative materials and issues that I hope advances the subject and provides the economics teachers with different strategies in arranging the content of the subject. Perhaps, I could even just pull out the macroeconomics section and offer it as a self-contained text for macroeconomics in the country, or even in a middle income developing country like ours.

The Philippine economy and the relevant economics

Although the first two parts deal with the Philippine economy and takes most illustrations of principles in that context, more advanced topics on the Philippine economy are taken up in the third volume. Here one encounters a variety of important issues affecting Philippine economics.

The elaboration of the microeconomic issues to problems of industrialization, government interventions in factor markets, and the trade in goods is undertaken by using examples in the country. The discussions of government interventions in the factor and product

markets are many. The focus on the competitive market occupies a major segment of this portion. But after the externalities are discussed and cost curves are taken as a reality faced by economic agents, the discussion of imperfections of competition and of monopoly take central stage. Examples of monopolies are taken from the experience from monopolies that are artificially created by government actions and monopolies that result from decreasing unit cost curves.

I had initially entertained the idea of dropping many chapters that dealt with special topics. I had done this for some topics - population, migration, international development issues, and commodities - which were all treated as separate chapters in the original edition. For instance, population enters into discussions of growth, employment, incomes, and essentially, as a denominator for all the things that an economy achieves. In this way, the understanding that it helps to divide up resources among every one becomes rather clear.

Some topics in the early edition are extended in treatment in this revision. There is more intensive coverage of labor markets, of poverty and income distribution. There is more extensive discussion of Philippine fiscal policy - of taxation, expenditure, and the fiscal deficits - in the several chapters on public finance. The land reform chapter is updated to recent issues and developments. A new chapter on micro-finance (both formal and informal) for small businesses and for poor people is added. In addition to land reform, agriculture is treated in two chapters. One chapter is on agriculture as a sector and a second one deals with the economics of rice. The chapter on poverty analyzes the nature of poverty and what strategies are needed to help reduce it. The chapter on foreign direct investment includes discussions on what foreign investors want and why in the past, the Philippines had not attracted as much foreign direct investments as other neighbors have done.

Conclusion

When I commenced to study economics in the U.P., there was a dearth of materials about the Philippine economy. There were not as many professional economists as there are today. In those days, economists were mistaken for any successful businessman, public official or commentator who spoke on economic issues. The professions had not established their journals and there were, indeed, few materials about the country's economic experience. Even when I was taking up intermediate economics, there was hardly any book that touched on the issues facing the economy. There were of course books in which the indication of analysis was an enumeration of statements that describe various outputs. In fact, I reviewed the field of teaching materials in 1983⁷, and I found that the field was relatively full of opportunity for a brave person to venture to offer a textbook.

In undertaking the revised edition, I was motivated by the need to convey the economic principles that a novice in economics would need to learn to induce the desire to want to discover more. As a young student, the study of economics offered a challenge of professional fulfillment and relevance of the subject in understanding and curing the nation's ills. There was little reading material available for the study of economics also at the intermediate level. And the teachers were teaching mainly from textbooks published by foreign authors. As a student and later as teacher, I was greatly hampered by the lack of materials that was worth learning about the country's economy. When I embarked on the journey of helping to fill up that gap in teaching materials and in knowledge, the measure of success was in the acceptance of the work.

In its present version, it is my hope that I cover the topics that are relevant for the understanding of the economic problems of the country. Economics is sometimes referred to as a

⁷ G. P. Sicat, *A Review of Elementary Teaching Materials in Economics*, Philippine Institute for Development Studies, Makati, Philippines, 1983.

dismal subject. Perhaps it is because a serious encounter with it makes it into a subject that is not as easily learned like some other subjects. Possibly, the book would fill a void in the teaching materials on the subject, especially about the link between economics and the Philippine economy. If my assessment that such a void were large before, this book would help to reduce it. In that context, it would help educate future Filipino leaders (and perhaps current ones as well) for the economics that they would incorporate in their knowledge when they think of national development.

In the present effort, my biggest wish would be to advance the envelope of teaching and learning from the economic principles that are worth knowing and understanding about the country's economy. While it is an introductory text, it can also serve as a guide, a resource, and a continuous presence in unraveling aspects of the economy in modern times.

Appendix 1. Table of Chapters of *ECONOMICS*, Revised Edition

Volume 1. ELEMENTARY ECONOMICS

- Chapter 1. Economics and Economic Development**
- Chapter 2. Basic Economic Problems**
- Chapter 3. Three Fundamental Laws of Economics**
- Chapter 4. Elements of Supply and Demand**
- Chapter 5. Applications of Supply and Demand Across Economic Topics**
- Chapter 6. Applications of Supply and Demand: Market Outcomes and Economic Welfare**
- Chapter 7. When the Market Fails: Social Costs and Externalities**
- Chapter 8. Costs, Supply and the Firm**
- Chapter 9. Monopoly and Imperfect Competition**
- Chapter 10. Incomes of the Factors of Production**
- Chapter 11. Business Organization**

Volume 2. MACROECONOMICS

- Chapter 12. Measurement of National Income and Output**
- Chapter 13. Other Aspects of National Income and Output**
- Chapter 14. International Balance of Payments**
- Chapter 15. Expenditure, Saving and Income**
- Chapter 16. National Income Equilibrium**
- Chapter 17. Macroeconomic Fundamentals**
- Chapter 18. Prices, Money and Banking**
- Chapter 19. The Regulation of Money**
- Chapter 20. Saving and the Financial System**
- Chapter 21. Money and Output Determination**
- Chapter 22. Exchange Rate, Money and Output: Macroeconomic Stabilization**
- Chapter 23. Public Expenditure and the Budget: The Role of Government**
- Chapter 24. Taxation and Fiscal Policy**
- Chapter 25. Business Cycles, Fiscal Policy and the Public Debt**
- Chapter 26. Capital Flows, Exchange Rate, and Money**
- Chapter 27. Economic Growth and Development**

Volume 3. PHILIPPINE ECONOMIC AND DEVELOPMENT ISSUES

- Chapter 28. Public Policy and Private Market Imperfections**
- Chapter 29. Competition, Monopoly and Philippine Industrialization**
- Chapter 30. Monopoly Regulation and Competition**
- Chapter 31. Labor and Wages**
- Chapter 32. Poverty and Income Distribution**
- Chapter 33. Foreign Direct Investment**
- Chapter 34. Agriculture and Development**
- Chapter 35. Economics of Rice and Food Sufficiency**
- Chapter 36. Land Reform**
- Chapter 37. Finance for Small Borrowers: Micro-credit and Informal Markets**
- Chapter 38. Moving Forward: Commercial and Industrial Progress**
- Chapter 39. The Good and Fair Society: Or the "Isms" of Economic Order**

Note:

Also, a few chapters of the book will be circulated as appendices to this Discussion Paper to demonstrate the comprehensiveness and content of the revised edition. These appendix chapters will be released separately.

Appendix 2. SUGGESTED MODULES FOR TEACHING FROM *ECONOMICS*

There are different approaches to the teaching of economics. There are schools and colleges that teach economics as a two-semester course. There are those that teach a one-semester introductory course. Then, the student going on to business or economics related courses teach one semester of microeconomics and another of macroeconomics. The book can be used for all or any of these approaches.

The following represents potential uses for the revised edition. Unfortunately, the book is divided into three volumes. But the potential uses in future courses for those students advancing to other Economics subject will find out that cross-references to other volumes will likely happen.

Introduction to Economics: Volume I, Elementary Economics contains all the material that might be useful in grounding the student in the elementary principles. This is focused on microeconomic issues.

Macroeconomics: Volume II, on Macroeconomics, deals with all the major topics on introductory macroeconomics, which is a subject often treated as an *intermediate* Economics course. The volume integrates national income analysis with money and issues of the open economy, foreign trade and payments, and fiscal policy.

Variations on the Introductory Economics Course: In some schools, the introductory economics course involves some microeconomics together with an introductory part dealing with national income and output. Volume I would be mandatory in this case, but some chapters in Volume II, notably introductory national income analysis and accounts (Chs. 12, 15, and 16) would have to be included. The trade-off here is to give up some chapters in Volume I.

Business Economics and Public Policy: Of specific relevance here are a few Chs. 5, 6, and 7 in Volume I; many of the chapters in Volume III on Philippine economic issues; and some specific chapters in volume II on macroeconomics that might be of specific interest. This subject often depends on what is emphasized in the course, whether it is tilted to microeconomic issues or to some macroeconomic issues or a balanced inquiry into both. There is much material in the three volumes for this course.

Economic Development: Many topics in Volume III are specifically relevant to this course. Volume III could serve as a major supplement to a text. It has to have some grounding in macroeconomics and on macroeconomic growth models that are introduced in Chapter 32.

Public Finance (Fiscal Economics): Supplement to course readings: Volume II, Chapters 23, 24, 25.

Monetary Economics: Supplement to course readings: Volume II, Chs. 18, 19, 20, 21, 22, and 26.

Labor Economics: Supplement to course readings: Volume III, Chs. 31, 32; Parts of Ch. 5 (Volume I)

Agricultural Economics: Supplement to course readings: Volume III, Chs. 34, 35, 36

Note for business and advanced students in graduate schools

Lastly, this is a note for those professors in business and graduate schools who emphasize knowledge of basic economics to familiarize the student on the workings of the Philippine economy. I found out that a number of admirers of the first edition who had taught graduate courses in economics used the book as background supplement for some courses. This was often undertaken as a means of getting mature students to focus on economics intently. The book was their means of providing a rapid review of the content of economics, to illustrate common elementary concepts, and to relate it to the many economic problems and issues facing the nation.