

ECONOMIC PLANNING

By

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I am going to confess that I came here with a prepared paper which deals on the subject of statistics and our economic development. After having been here a while and having heard the conversation all around, I lost courage to talk about statistics because I felt that if I read this paper, I will be telling you the things that you all know. I might make some mistakes in commenting on some of the problems that we have in connection with statistics and then be subject to correction by some of the distinguished statisticians here present. So then I decided that I would probably devote just one paragraph to the subject of statistics and most of my talk to the subjects with which I am more familiar and you will be less competent to criticize.

On the subject of statistics, I wish to say that the National Economic Council is probably one of the most important consumers of statistics. We need statistics as a basis for planning what has to be done by the Council, and we need statistics that are reliable, that are accurate, that do not suffer from conflicting duplications and which are not beset with numerous gaps. So we, not unlike you, are vitally interested in the development of a machinery in this country that will enable us to get the accurate statistics that we need and upon which we can rely and base our projections for the future.

Now that I have complied with my apparent duty precisely to satisfy the nineteen guests from the Statistical Training Centre who doubtless have come here to hear something about statistics, I would like to proceed to the subject which, I think, is important not only to all of us gathered here but also to each and every man, woman and child in this country. I would like to refer to the subject of our economic development.

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Economic development, as we understand it, is of course a very wide subject. There is no person in the Philippines who is not involved in economic development. There is no one here anywhere in this country who is disinterested in the successful evolution of economic development plans and programs. But we in the National Economic Council are especially interested in this subject because by law the Council has been charged with the task of preparing economic development programs for the nation. Recently by an agreement between PHILCUSA and FOA, we are expected to produce a program of economic development on a country-wide basis with which all other programs, including the United States aid program, will be synchronized.

But, of course, before we can talk about the economic development program and what this program should consist of, naturally the first element that we have to consider is the problem of the national economy that the National Economic Council program should seek to solve. Without being guilty of over-simplification, I would like to say that the basic economic problems of the Philippines essentially consist of three or four main problems. The first is our rising tide of unemployment which is naturally causing us considerable concern. The second problem is the very low level of production and income which is not sufficient to give the people the means with which to enjoy a decent and worthwhile existence, and which does not give them enough margin to make possible an increasing amount of capital accumulation. The third problem is the unbalanced structure of the national economy which is, as we all know, largely dependent upon a few export crops principally to the United States and on the importation of a large amount of the articles and commodities for consumption from the outside. Corollary to this, of course, is the underdeveloped condition of our rural areas and the very low level of living of our rural population. The other problem, of course, which is also connected with this, is the very inefficient transportation and distribution which are very harmful to the development of a domestic demand and supply economy which we would like to foster. On top of that is the generally recognized alien control of the channels of distribution which has the effect of increas-

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ing the margin between producers' prices and consumers' prices and which results in the uneven distribution of the fruits of production.

These are the problems that we have to solve and in the solution of which the economic development program has to be developed. Of course, I think everybody here understands that given a set of problems, given a set of conditions that have to be remedied, it is not difficult to determine what are the measures that have to be taken in order to provide the necessary remedies. That is essentially a technical man's duty for which he is prepared. It is more or less a scientific problem and, therefore, it is not so very difficult to evolve plans and programs that could be carried out to solve the different problems I have pointed out.

Beyond the scope of the technical man's capabilities is the very large element of human nature that we have to contend with. In this connection, I would like to dwell for a short time on the real basic problem, besides all those problems that we have to contend with, which essentially pertains to the psychology of our people in these times. You all know, of course, that we have gone through the very difficult days of the Japanese occupation. During that time, the important consideration was survival. Each and every man had to work so that he could survive. The psychology of the people was not improved under those trying times. The struggle for existence under the difficult conditions then had bred states of mind which recognized necessity, personal advantage, and group advantage as the most important considerations. Barely eight years have passed since the Japanese occupation, and we can still see around us traces of the psychology which was bred during those difficult years.

Our economic problems are not simple, but they are not difficult if we have the will, if we have the unity, if we have the selflessness with which to solve these problems. But we cannot solve these problems easily if we are going to be engaged in a continuous struggle for power, for advantage, for prestige. We cannot solve these problems if for every proposal that we have to submit, we are going to be beset by conflicting

interests which can only see their own good and not the good of the greatest number. To me, as I look at the problems that we have before us, the most important drive that we need today is a drive for unity, a drive for more selflessness in the consideration of our national problems, a drive for less political struggle for political advantage, less of the struggle of vested interests to perpetuate themselves and to maintain the *status quo* so they can continue with the privileges that they enjoyed in the past. We need a drive to minimize the struggle among our people for their own personal advantage to maintain the things that have been here during the past many years and which are the plague of this country. In order to achieve progress, we have to destroy some of the things that were not good in the past; and we cannot do that with the psychology, as I said, that has been bred during the Japanese occupation and carried on and manifested up to now.

I would want to talk about programming against the backdrop of this psychology which I have just discussed. The President has enunciated in his first State of the Nation Message that he would like to have an integrated, coordinated program of economic development that will guide the country during the coming years. When he made that pronouncement, there was almost universal acclaim as to the wisdom of that intention of the President. Everybody agrees that we must have a program, we must have coordination, we must have unification of our purpose. In accordance with this desire and instruction of the President, the technical staff of the National Economic Council prepared a five-year economic development program, the draft of which has been circulated—and I think most of you have had a chance to go over it. What is the status of this program? The status of the program is that it has been distributed. We have asked comments from people that are interested in it; but we have had no reaction from these people. There are criticisms here and there that the program is not satisfactory for various reasons, but no communication to us that such and such a part is not as good as it should be and should therefore be corrected. Where is the interest in a countrywide program? It is good, yes. But

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where is the interest, where is the genuine desire to contribute to the evolution of a really desirable program?

On the other hand, we hear that such part is not good because it infringes on private interests. In this connection, it might be well to say that the development of a countrywide program is quite new here. We started only in 1937 when the Joint Preparatory Commission made a study of the Philippine economy and submitted its report. Some kind of an industrial program was prepared by the so-called Beyster Commission. The Philippine power program was prepared with the assistance of Westinghouse. The U.S.-P.I. Joint Finance Commission also had a report that included the elements of an industrial program. In 1948 Governor Cuaderno prepared an economic development program for five years which was submitted to the International Bank and subsequently approved by the Philippine Government. In 1950 that program was revised because the Bell Mission was coming. I mentioned these different programs because we have to recognize as a cold fact that heretofore the preparation of economic development programs in this country was practically motivated and induced by outside influence, by outside desires, by outside requirements. The U.S.-P.I. Joint Finance Commission was, of course, a joint commission. The Joint Preparatory Commission was a joint commission. The Cuaderno program of 1948 was submitted upon the request and specific requirements of the International Bank. The 1950 revision was made because the Bell Mission was coming and we had to present something to them that looked like an up-to-date revision of the economic development program. We can see, therefore, that economic programming is something new.

With these programs that we have had in the past, we have made periodic checks since then and have found that many of the agencies, the offices that are in charge of implementing certain phases of this program, did not know that such program existed and, much less, what it provided. So then we can realize and accept the very sad fact that the matter of economic programming is still to be assimilated into our system. And it follows that the more people understand what it means, the more will they realize the value of it to the development of the na-

tional economy, the more will they realize its importance in keeping our economic development moving forward on even keel, and the more successful comparatively we will be, not only in the evolution of the program, but what is more important here in the implementation of the program after it has been evolved.

We have to sell to each and every man the idea that he is a part of a large economic unit which is the country. If a family or an individual needs a budget for his own expenses, if the government itself has to budget its expenses so that it will not reach bankruptcy, more so the country which has to budget its expenses, its resources, and all it needs so it can be sure that the most important needs are not relegated to the background and that the things, the objectives that are set for the country are definitely achieved.

I mentioned a while ago the need for coordination. The President said that the program must be coordinated. Again coordination is a very beautiful idea. We talk of coordination; everybody says it is beautiful so let us coordinate. But then when we proceed to the implementation of coordination, everybody seems to take the attitude: let us coordinate but all of you coordinate with me. In other words, one agrees to coordinate provided that what he wants is the one that all should follow. Apparently the attitude is: you should fit your ideas and your thinking to mine. Now if each and everyone will adopt this attitude, we will have less of the selflessness that is fundamentally necessary for a genuine coordination. Then we are going to have what we often see — disunion, conflict, and lack of results in the implementation of our plans.

Our Chairman here has made mention of the power development program. We are happy in a way that we were able during the past few years to proceed with the first part of a planned, long-range program of development of our water resources. I wish to say here that the path taken during these past few years has been a very thorny one. It was very difficult to get people to accept the idea of developing our power resources. There were interests that were adverse to our water-power development. It is fortunate that through consistent and persistent effort and with the help of disinterested friends not

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only here but abroad, we were able to push through the idea, subsequently accepted by our people, that we have to develop our power resources for our own good and as a prelude to our industrial development. The same thorny path lies before every new undertaking that we have started and are going to start in this country, and we have to start many new undertakings if we have to achieve a balanced national economy. We have to open new fields of economic activity if we are to develop here enterprises that will produce goods and commodities to supply our own needs, utilizing the indigenous materials available here.

Let us take, for example, the coal industry. Before the war, we have been developing coal on a fairly modest scale. Now our coal development has gone down to the very low figure of about 130,000 tons annually, most of which is used for making cement. We know very well that we do not have mineral oils here in the Philippines; at least we have not yet found it. We have to import every liter of gasoline, kerosene, diesel oil and bunker oil that we have to use and yet we do not develop, we have not yet succeeded in developing extensively, our coal reserves of which we have plenty in order to replace some of the uses of fuel now presently supplied with imported bunker oil or diesel oil. So one of the things that we have to do, if we have to promote a diversified economy in this country, is the development of our fuel resources of which coal is a very important item. Many will tell us, however, that we have no use for coal because coal is expensive and we can import diesel oil cheap. They will not consider the fact that we have to pay dollars for the mineral oils, wherever the development of coal means employment for our people and the development of our own local resources.

We then have, as we had in the Maria Cristina Development Project, the chicken-and-egg situation. The coal cannot be used because there is no coal and what there is available is very expensive. The coal cannot be mined at low production cost because there is no user. If one talks to the Manila Railroad Company, a government corporation that used to burn coal before the war and is now burning bunker oil, they will say that they want to stick to oil because of many reasons. If one talks to the Manila Electric Company, which before the war was a

heavy user of coal, they say that they do not use coal because it is expensive. In the meantime, this country continues disbursing its dollars for the purchase of oil which coal have properly replaced.

Now where does coordination come in? Coordination comes in the development of projects that will make possible the simultaneous generation of the demand and the expansion of production. But unless the different parties which are involved in this vicious circle are willing to be coordinated, there is no way in this beautiful, democratic country of ours that will make it possible for the National Economic Council to do anything on the matter.

Now let us go into the matter of the fertilizer project. In Maria Cristina we have a beautiful hydroelectric plant. I am sure all of you have heard about it. Some people told us that we cannot develop this project and many people told us that it is impossible to do so. They told us that we cannot put industry there because there is no power; that we cannot develop power because there is no consumer of such power. Well, ultimately the fertilizer plant had to be built simultaneously with the hydroelectric plant so the hydroelectric plant could sell its power to the fertilizer plant and the fertilizer plant, in turn, can absorb the power that is generated. National Power now produces a very salable product which is the ammonium sulphate fertilizer which this country used to import before. But then, what is the situation in the case of fertilizer? Before the construction of Maria Cristina was authorized, fertilizer was sold here for about ₱260 per metric ton and our people imported and gladly paid for this fertilizer at that price. Upon the authorization of the Maria Cristina Fertilizer Project, the price of fertilizer began to go down. Before the plant was in operation, the price had gone down to about ₱160 per metric ton. People were very glad that the price had dropped and naturally the cost to the agricultural producers was correspondingly reduced.

Maria Cristina came into operation with an output only about one-half of the total requirements then of the country. We could not erect the full capacity because the people were very doubtful about it and they cautioned us to start small. When

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we started operation and began to sell fertilizer, we tried to put the price at a level slightly above that of imported fertilizer without the exchange tax. Our agricultural users of fertilizer, began to agitate that National Power should reduce the fertilizer price somewhat. They argued that now fertilizer is produced here there is no reason why its price should not be brought down to the absolute minimum that the country can afford. Inasmuch as the National Power Corporation is a government corporation and, therefore, subject to all of these influences, it brought the price of fertilizer down. Now it is slightly lower than the price of imported fertilizer without the exchange tax.

But the fertilizer production is, as I say, only about one-half of the total requirements of the country now. So then we still have to import the other half of our requirements of fertilizer. The question that comes up is who is going to import the remaining half of the fertilizer? If the local selling price is to be maintained at the level at which we are selling the fertilizer now, whoever is going to import fertilizer will have to pay more than that price. The result is that everybody wants to buy National Power Corporation fertilizer. The regular dealers and importers who have to pay the exchange tax cannot import because their price will be higher than the present price locally. The agricultural producers will still hesitate to import as long as they can get from National Power because they can save money by doing so. We have here a dilemma: to whom should National Power sell its fertilizer, and who should import the balance? This situation reflects the same point that I mentioned a while ago — not enough of the selflessness that is necessary in the proper appreciation of the over-all impact of many of the measures that we are trying to adopt. The main factor that guides is apparently self-interest: to get the most that one can get out of whatever measure is under consideration.

There is just one more point I would like to mention. From my observation, I feel that we are getting confused in the matter of the utilization by the government of the corporate organization in our economic development. Naturally everybody is very emphatic that we want to promote here in the Philippines, to the fullest measure, private enterprise. We want to give private enterprise full encouragement. But there are certain activities that are not suitable to operation and exploitation by

private enterprise. There are activities in which for the present at least private enterprise is not prepared to embark and yet are essential for the proper development of the national economy. It is recognized that for some time yet to come, as has been experienced in other progressive countries, we will make use of the corporate organization, owned and controlled by the Government, as an instrument for the development of the national economy.

During the past few years, however, we started to lose confidence in the proper function of the Government corporation in our economic development. We set up a corporation for certain avowed purposes. Many years later, we judge that corporation using a different standard or criteria than those which led that corporation into being. What is the result? The result is that we get disappointed and we decide that it is not good to have that government corporation. Some of these corporations are organized for service. We know that they cannot make money; and yet some years later, when we appraise the result of its operation, we say it has failed completely because it does not make money. People then conclude that this corporation should be abolished. One year later, or a few months later probably, another corporation is organized to do exactly the same thing. On the other hand, there are corporations that can and do make profit. When a corporation does make profit and people look into it some years later, they say, that this corporation has made profit and has exploited the public and, therefore, it should be abolished. Now, what are the corporations supposed to do? There is only one answer and it is this: When a corporation is organized and the criteria have been laid as to the purposes and objectives which led to the organization of that corporation, these should be the only criteria that should be used in judging whether that corporation has succeeded or failed in the purpose for which it has been created. There should be no other criterion. To judge it by another criterion is to fool ourselves.

Another aspect of the government corporation that I beg your indulgence to look into is this: the corporate organization is a device by which the government can organize an autonomous body that will have the elasticity and flexibility of pri-

vate enterprise. In other words, it is a form of organization that the government uses in order that it can have the flexibility of private enterprises in the conduct of the business for which the corporation is organized. Its essential importance is that it is flexible; that it can act. Again what is the picture that we see around us recently? Under the guise of coordination of government corporations, we see a gradual absorption of the powers of government corporations by a government office. If the intention was to have a government office perform this function, there is no need of a government corporation; a bureau or an office would suffice. But when the corporate organization loses its autonomy, if all its acts including corporate acts have to be subject to approval by a government body, it loses its value as an effective tool in our economic development. Many years from now when we appraise the activities of the government corporations and when we see that they have failed in some of the things that they have to do, because of this encroachment in their powers, it would then be too late to blame their failure on this change of attitude with respect to our government corporations. I say therefore that there is need for consistency, for thoroughness, for a continuity in our line of thinking in connection with our plans, programs and proposals related to economic planning. We cannot make it subject to the whims and caprices of individuals or groups of individuals that for a moment wield power and then disappear. There should be safeguards and these safeguards lie in the people themselves.

It is for this reason that I think there should be wide discussion of the problems connected with our economic development, of the difficulties that are besetting our efforts, of the objectives that we want to accomplish and of the means that we have at hand.

Working together in common counsel and benefiting from the experience of different countries, we cannot fail to evolve an economic development program that is worthy of our highest aspirations and implement it with the best that is in us and thereby achieve that which we would all want to see—a stable, secure and happy Philippines.

