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Philippine Statistical Association, Inc.
M a n i l a

OPENING REMARKS

1971 PSA ANNUAL CONFERENCE

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President

In the name of the Philippine Statistical Association, Inc., I welcome you to our conference for 1971.

The theme of our conference for this year is "Fiscal Reforms in the Seventies".

Nothing could be a more appropriate for our distilled discussion than fiscal reforms, for the decade 1960's saw the stupendous and accelerated rise in government expenditures, taxes, and public borrowings and the effects of these fiscal policy measures on the overall level of economic activity of the nation, especially as these policies bear on economic development and the more equitable sharing of the fruits of national growth.

The rise in government expenditures for the decade has been dictated by the rise in the country's population, the expansion of the scope or area of government activities, and the rising cost of government services, among others. Rising population brings with it increasing demand for more food, more clothing, more shelter, more hospitals, health and puericulture centers, and school houses, among others. Also, the rising expectations of the people for a better life necessitate a rise

in government expenditures. For while before the government was considered as a neutral agent in the economic life of the nation, today the government is looked upon as provider of employment opportunities for the people, the stabilizer of the price level, the regulator of other economic functions which formerly belonged to the private sector. All these call for additional government expenditures.

The introduction of the floating rate last year which determines the parity between the pesos *vis-a-vis* the dollar has also contributed to the rising expenditures in both the government and private sectors. The recent monetary and fiscal developments are also expected to generate some degree of influence on our internal fiscal posture.

But while government expenditures did rise, revenues did not move up commensurately. Taxes remain the major sources of government receipts, accounting for about 85 per cent of total government income, but the country's tax system remain saddled with so many problems. To begin with, the tax system remains basically regressive. In spite of the enactment by Congress of major tax laws in 1968 and 1969, still, roughly 75 per cent or three-fourths of all taxes come from sales and production or indirect taxes while only an insignificant portion of such taxes come from income and property. The regressive nature of the tax system violates one of the cardinal principles of taxation — that is taxes must be based on ability to pay. Under this set-up, the taxpayers could easily shift the burden of taxation to the consumers via increased prices. Thus real purchasing power is transferred from the poor to the rich. This aggravates existing maldistribution of wealth and income.

Another weakness of the tax system is the constant erosion of the tax base through tax exemption privileges. Roughly, over ₱100 million in taxes are lost by the government from these tax-exempt enterprises annually. This is compounded by the present exemption of the church hierarchy and the members of the Supreme Court from the payment of taxes — on the theory that there must be a separation of the church and

the State and that in no way must the justices of the Supreme Court be influenced in whatsoever manner by the government through its coercive taxing powers.

These are doubtless valid arguments but they must be reviewed very objectively now in the light of the perennial shortage of government revenue.

Other problems confronting the tax system are the very low taxes collected by the government as a ratio of total income and of the GNP, the rampant tax evasion going on, etc.

These issues call for reforms.

Government expenditures and public borrowings must also undergo major reforms. Among these reforms are reduction of government deficits, emphasis on performance budgeting and developmental public borrowings, etc. The public debt is growing at an accelerating rate, and unless we slow down in our borrowings, prices in this country would continue to spiral. The total public debt is already large, and the rising ratio of external public debt to total public debt should cause in us some degree of alarm because of the adverse repercussions of such external debt on the reserves and the exchange rate.

We in the Philippine Statistical Association would want to ask our colleagues in the field of statistics and other related disciplines to join us in the task of getting more deeply involved in the study of our economy. As the study of economics becomes more quantitative and sophisticated, we statisticians could conduct our own studies and researches on the revenue-expenditure gap of the government, tax burden, model building, national income analysis, the analysis of production, employment, prices, public borrowings, etc. On these areas we do not claim that we are equipped with enough economic knowledge to duplicate, much less surpass, the economists in their own field. Far from it. Our only desire is to be of some help to them and to the country to lend them our expertise in quantitative analyses of different economic phenomena and prob-

lems, for we believe that this is a task where there should be no bystanders.

Before I close, allow me to express the profound gratitude of the Association to the distinguished speakers who inspite of their crowded schedule found time to prepare a paper for this conference; to the members of the panel who agreed to be with us the whole day; and to Professor C. Lowell Harris who had to take a side trip on his way home to Nuremberg from Taiwan just to be our guest speaker for this noon. We express our profound thanks for this signal honor, and hope that his brief stay here would be most fruitful and enjoyable.