

CURRENT ECONOMIC PROBLEMS

by

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The first world war which began in August 1914, lasted four years, far from our midst. It brought prosperity to our shores. In those days, unemployment was not a problem in the Philippines. We had few industries indeed, but our population was less than 10 million people. Today, we more than doubled our population, representing an increase of two million more families. But our production has not been increased since then, fast enough as our increase in population. Herein lies the main source of all our problems of today.

The first specific problem that we have to face is that of great unemployment in our cities and mass underemployment in the rural areas. A great army of unemployed fathers of family, today, face the grim problem of bare existence for them and their cherished ones. The mass of our peasants in rural areas toil with little return. It is admitted by all that our opportunities for work are lagging far behind our ever-increasing population. And yet we still have some who would insist that the past record is good and the methods adopted were adequate. We must judge the methods by the results. And I say, if the methods so far tried have not met the demands for the creation of more opportunities for work and a more abundant life for our people, it is obvious that the methods were not adequate, and, therefore, the program of development must be multiplied in scope and the speed of implementation must be accelerated.

It is high time that we implement boldly the program of "land for the landless." Our population is increasing roughly at the rate of nearly half a million people annually. On the basis of five people to a family — this figure represents an increase of one hundred thousand families a year. Since 75%

* Secretary of Agriculture and Natural Resources. Address delivered at the end of the Second Annual Conference of the Philippine Statistical Association held January 16, 1954.

of our population have to be engaged in agriculture at present, this means that annually we must provide room in our agricultural fields for 75,000 new families. This year's program of subdivision of public lands, which is more than double that of last year's would subdivide not more than 30,000 new lots of the public domain. It will thus be seen, that even if in two years our subdivision of public lands would catch up with our increased population, a very difficult undertaking, there would still remain the problem of giving public lands to the back load of new families that were not accommodated in the land settlement program for the past twenty years.

There is a growing realization among our legislators that the job of land settlement by the government would not be done properly, if it is limited to subdividing public lands. In addition, the settlers must be provided with roads, transportation expenses, carabaos and agricultural implements, and the initial expenses for the first crop. It is conservative to estimate these expenses at ₱2,000 not including the expenses for road construction. So that land settlement for 75,000 families a year would require about ₱150 million pesos annually of public expenditures, not including the cost of road building. An adequate program of land settlement, in line with our present needs, would call for an annual appropriation far in excess of the ₱10,260,599 which Congress has been requested to appropriate this year in the budget.

We, therefore, submit that Land Settlement alone without a land tenure reform in the populated areas, can not solve adequately the land problem. Moreover, our present Land Settlement Policy is wholly inadequate and unrealistic to meet the needs of an *aparcerero* who needs cash reserves which he does not have, to make his new farm a success. By and large, it is cheaper to keep him and his family where he is, under the Land Tenure Reform Policy which we propose. Settlement of new areas is most vital, including a new settlement policy, but it should not be regarded as substitute for land tenure reform.

I suggest, therefore, that the Government purchase or expropriate all agricultural estates or such portions thereof that are occupied by more than five tenants or *aparceros* holding

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an average of less than five hectares each. On this basis, 90% of the tenants in the Philippines would be benefited, 705,106 in all occupying a total area of 1,280,313 hectares, with a total value of P754 million pesos, at an average of P589 per hectare.

The financial problems of the reform can be solved by paying the owners the fair value of the land, in Production Certificates. The Production Certificates will be paid in 20 years i.e., amortizations will be at the rate of 5% a year. The certificates will bear an interest of 4%. This long term collection is necessary to avoid inflation. The plan, however, provides ways and means of discounting the certificates at any time, subject to rules and regulations to be issued by the Monetary Board if the proceeds are to be invested for productive purposes in new industries, in Development Banks, or in Rural Banks. There should be little fear of inflation under this plan.

I consider the land tenure reform basic in our program of economic development and social reform. By it, we achieve the solution of many pressing problems. Least known and realized is that, by it, we shall release an enormous amount of capital of hundreds of millions, at present tied up in real estate, that could be invested in rural banks, development banks and many industries. We are entering an industrial era in our country, and it is of utmost importance that our nationals should control a very great share of these new enterprises. I do not see how this would be accomplished unless our landed class shift from their present investment in land to investment in other productive enterprises. Secondly, we make possible the creation of hundreds of thousands of small, contented and, in time, efficient landowners. We shall create a huge number of middle class in our rural areas which will become the backbone of our way of life and of democracy in the Philippines. Without such a class, progress and efficient farming in rural areas would be illusory. These middle class farmers will become more active and efficient members of producers cooperatives, and the problems of rural credit and marketing will be of easier solution. They will be producing more, producing more efficiently, and selling their products at a great advantage. They will in turn provide an ever-increasing market for our

industries, and our level of production will, therefore, increase both in the cities and in the rural areas.

I wish to stress the point that the program of land tenure is self-liquidating. To accomplish it, we only need to put to good use the leadership, the power, and credit of our Government. With the successful implementation of this program, the peace and order problem, with all its deteriorating effects, will be a thing of the past and democracy will be preserved in our country.

Paralleling this problem in the rural areas is the problem of squatters in the cities, of people who must be given a small place where they can live a decent life.

Our great city of Manila is a disgrace to the Nation. We have poverty and squallor and disease in our very center of Government. We need more avenues, more overpasses, to ease the traffic.

But the program of building and of public works should not be limited to the city of Manila. We must cement all our main national highways and all our main airports. We must have more national and rural roads. We must build thousands of school buildings, more hospitals, more recreation centers. Many of our children living very near the City of Manila do not go to primary school for lack of school buildings. Rivers have to be brought under control, with dams near the source to conserve water, to put an end to flooding, utilized for irrigation during the dry season, and generate cheap electric power; water supplies must be conserved, and pipes laid to distribute water to many of our cities and towns. Thousands of artesian wells have to dot our country sites; irrigation pumps have to be made available to many farmers; swamps have to be drained or converted to fish ponds, and tilapia culture extended; health centers have to be built if tuberculosis is to be eradicated, where convalescents will be given food and therapeutical work. And houses, permanent houses, have to be built for our people. Public buildings in our capital and cities and towns need to be constructed to give better service to the people. Building — building, well planned, efficiently and honestly implemented, should be the watchword of the present administration. It will spell work for many people. It will mean

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moving sand, gravel and cement to build permanent roads, and lumber for buildings and homes. These, all of these, we have. We have the men lying idle, frustrated, brooding against his fellowmen and against his government. We have the land all around us unoccupied, undedicated, waiting to serve us to a more secure and abundant life. We have the natural resources, all the materials we need to develop a great building industry. What is needed is organization, leadership, human mobilization that will make greater use of the resources that Providence has so bountifully given us.

To achieve this, we have to solve the problems of financing. It is a problem that must be faced squarely, with candor and without fear. All capital expenses that are happiness and wealth creating should be given priority. Roads, bridges, wharves, and many public improvements, like markets and schools, will increase the value of the land. Part of the cost of many improvements must be financed with special assessments and even with excess condemnation proceedings. A law should be enacted to this effect, giving the Secretary of Public Works such a power with regards to public works of the National Government. In addition to special assessments, in cases where the improvement will benefit a large area, like the plan of building more major thoroughfares for Manila and Greater Manila, part of the cost can be financed by a temporary increase in the rate of real estate taxes. The gasoline that could be saved by constructing these much-needed avenues, would be huge in the course of years, sufficient to finance a great portion of the cost of improvement. With a plan of raising revenues well-laid out, we can without fear borrow the necessary amounts to carry out these much-needed improvements. Our real estate people must be prepared to pay more in taxes, but those increased taxes will be more than covered by the increased income and the increased value of their properties.

Yes, all these programs of activity will require money. But money is just an instrument of exchange. It is the instrument of Government to mobilize people and resources to create wealth. If, in the process of building and capital expanding, we find that there is too much money in circulation making it

difficult to keep prices under control, we should take that money back into the public treasury in the form of tax collections.

Now, the building program is just one phase of the economic development. That program must be supported by a revitalized, more efficient and more scientific agriculture. With the land tenure reform as a basis, we shall accomplish a revolution in our agriculture. Again, to achieve this, we need a close contact and the closest advice from our farmers themselves. Our Department of Agriculture and Natural Resources will learn the needs and problems of the people from the people themselves and the people will learn from our officials, extension men and scientists in the Department. To bring about this constant exchange of information, National, Provincial and Municipal Agricultural councils will be created. They will be the liaison and the advisers between the farmers and the Government. These councils will be given plenty of say and afforded great opportunity for service, even though they will work without pay. And because they will have an important share in nation building, I trust that they will be a permanent structure of our human mobilization policy.

With the advice of these Agricultural Councils, we will evolve an agricultural policy and an agricultural program of production. Except in very few commodities, our agricultural policy is to be self-sufficient in all our food requirements. To improve our yields, we must encourage our farmers to undertake good soil conservation practices, especially putting back into the soil organic matter. Composting, cover cropping, crop rotation, countouring, should be encouraged through our credit policy. Farmers who are robbing their soil of vitality should not be afforded any credit at all. Credit, sufficient in quantity, should be at the command of all efficient farmers who have a desire to improve. This calls for more rural banks, and more ample capital to ACCFA. In the past the stabilization of the price of rice has been scuttled by dishonest officials, and the lack of operating capital at the right moment. As much as possible, the Government should refrain from trading in rice. I believe that this is the proper function of producers' coopera-

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tives properly organized and financed, and ready to serve with good storage facilities.

The first task of a progressive Government in the sphere of agriculture is to arouse the enthusiasm of the people for new knowledge and new ways of life. This is the first requirement in mass education. This is a prerequisite for substantial progress in agriculture.

We all know that in many areas our farmers are harassed by destructive plant pests and diseases. The rat infestation, the rice stem borer, the cadang-cadang disease in our coconut regions, and the mosaic disease of abaca are exacting enormous damage to crops and making miserable the lot of many of our farmers. To protect our abaca industry, I should like to see a law enacted, providing for the zonification of abaca areas, where corn and other mosaic-transmitting forages may not be planted. Greater vigilance has to be exerted by our Department of Agriculture and Natural Resources of eradicating elements of crop infestation at its source. Our researches on cadang-cadang, mosaic and other destructive diseases have to be intensified. There is a dearth of agricultural scientists in the Philippines. We must select from our service and from graduates in science and agriculture the brightest of them, at the rate of thirty a year, for a period of five years, to undertake two years' training abroad, one in post-graduate course in a university and one in a research laboratory or experimental farm.

Our people are, today, land hungry, and justly so. And in the scramble for agricultural land, our forest reserves are being invaded and destroyed by squatters and *kaiñgeros*. We used to have the benefit of rainy showers in Davao and many parts of Mindanao. This is now being changed, undoubtedly, due to spolioation of our forests. Instead of daily showers, we now have more long periods of dry season in many parts of Mindanao. In Agusan, when I recently visited the place, the people complained of an unprecedented three months of drought. This is a very serious problem that must be solved. We have to build more roads to open up new agricultural lands in areas not covered to forest, and drain a great portion of our huge marshes in Mindanao to convert them into agricultural lands. While we

are thus releasing new agricultural lands without diminishing our forest reserves, our program of reforestation must be revised and made more efficient. In the enforcement of our laws against the spoiler of our forest, squatters and kaiñgeros, we must be more strict. Since this is a pure police work, it should be the clear responsibility of the P.C., with the help of the air force.

Also mainly a police work, is the enforcement of our laws against dynamite fishing, a problem which I can assure you will meet the constant vigilance of our Department.

The peace and order problem, we are all glad to note, has improved specially since the elections were over. The police campaign against the Huks, the unrepentant Huks, continues unabated. But I trust the day is coming soon, when we shall win Huksism with roads, work opportunities, water, sanitation, small land ownership and development of rural areas.

But we know now, that agriculture alone can not provide employment for our ever-increasing population. And the more efficient we become in farming, the less manpower it will absorb. We must, therefore, expand our industries, and other services. Our economic structure will not be built in granite, if we do not begin by exploiting our basic resources and produce commodities basic to our development. Iron, manganese, chrome, copper, coal, wood, must be produced, processed, and manufactured into finished products in the Philippines. More cheap water power must be generated. What industries cannot be undertaken by private initiative must be undertaken by the Government. But there will be a plethora of new small industries for private initiative if we plan our industrial revolution well with the accumulated knowledge and experience of these past centuries and give it proper incentives and protection.

While studies are needed in many subjects, to reach the state of actual implementation of our economic development, the need of the hour is immediate action and comprehensive coordination of effort. Coordinated planning and efficient implementation must be entrusted to a revitalized National Econo-

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mic Council, with power to dispose of funds as the plans of action for economic development are formulated and approved by the President. A five-year program must be adopted to insure a sustained, a comprehensive and a well-balanced plan. Our President should be authorized to borrow funds for capital and/or self-liquidating projects.

The development work to be financed with these funds, as much as possible, should be undertaken by private initiative, the Government to assist when necessary with liberal credit facilities. We should stimulate the creation of private development banks, and a portion of these funds should be used as preferred shares of development banks. Japan's rapid development has been made possible with the assistance of development banks, and it is not a healthy condition that mortgage banking in the Philippines be provided by practically one bank, the Rehabilitation Finance Corporation.

All these will not mean a deviation from our policy of maintaining a stable and strong currency. Our selective credit policy will continue being selective for production without, however, being meager. Economic development will be continuously stimulated by providing credit. The aim of monetary policy is to have the right quantity of money in circulation, and at the right places. Not too much and not too little. Not for luxurious living but for production investment.

A good measure of increase in our monetary circulation is needed and is healthy for our economy. But only up to a point. Thus, only up to this point the borrowing should be made from banking institutions. Before that point is reached, we should have channeled present private hoardings to savings and would have fostered postal savings accounts and induce our people to buy Central Bank bonds. To make this possible, we must provide greater incentive to savings, and one such incentive could be the creation of a lottery fund for prizes to depositors in postal savings banks and bondholders.

And we should encourage thrift among our laborers not only with the scheme just suggested but also with the construction of decent houses for the poor to be paid by them in

installments. And by stimulating the construction industry, with a program of family housings, school buildings and roads, we shall be able to give employment to hundreds of thousands of our unemployed, which will start the spiral of prosperity. Jobs will mean greater markets for our goods, which will stimulate production, which will create more jobs, which again will mean greater markets for our goods, which will still stimulate more production and so on. Less than full employment and uncontrolled inflation are unnecessary evils.

At present, the income of the Government can hardly meet operating expenses. But with the program of development which we should implement and foster, mainly through private initiative, with the social measure reforms that will increase our middle class and the purchasing power of our people, the income of the Government will be ever on the increase. But all of these will necessitate, especially at the start of the program, the stimulating effect of more development projects public and private, the latter made possible by a more liberal credit policy.

As much as possible, we should envision a free economy fostered and stimulated by private initiative. But in the immediate future, we still need to continue budgeting our dollars earned in the export trade to finance only essential imports for production. A simple import control law can be re-enacted banning the importation of articles that are produced in sufficient quantities in the Philippines, and providing for a time schedule in the banning of other articles to synchronise our program of production with our program of importation. The licensing of imports can continue under the Central Bank and the banking institutions of the country. To protect our morals and our dollars, the importation of indecent and un-social movies should also be banned. I believe that gradually exchange controls can be lifted. We must start devising ways and means to make our peso freely convertible. This is one of the principal objectives for which the Central Bank has been created. I would like to see a partial free market for our peso established to cater to the needs of those who are in a position to buy dollars at a higher rate. We need to limit

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providing dollars at the present favorable official rate only for essential imports needed for essential living and production.

Planning in underdeveloped countries as ours imposes much bigger tasks on the Government than in advanced countries. We should, as much as possible, plan by inducement rather than by direction, using the visible controls of state action only when necessary to improve on the invisible social controls exercised by the market. We shall have to bring about an agricultural renaissance, build up industrial centers, control imports and foreign exchange most strictly, and provide a great number of public services. There will be errors in planning and execution. This cannot be avoided. But they will be made in good faith. But with the people on our side, knowing the sincerity of our motives, and of our anxiety to help them, they will forebear if at times faulty implementation should take place in our great enthusiasm to do the job of regenerating our country. As one eminent English economist very aptly pointed out, "Popular enthusiasm is both the lubricating oil of planning, and the petrol of economic development — a dynamic force that almost make all things possible," and that "even the most backward country will progress rapidly if its government know how to tap this dynamic force."

The great victory of democracy in our last elections has brought a new spirit of hope and a sense of relief. This is so because our people, our common people, have placed great faith in and high aspirations on the President and his new leadership that the day of reform, the day of progress, the day of abundance has at long last dawned in our beloved country. He has promised them opportunities for work, land ownership, health and a more abundant life. It is our duty and great privilege now to redeem that pledge, with considered and determined action.

The people have given the new administration a clear mandate which calls for great leadership and great dedication to the end that momentous reforms and basic construction may be carried out. But there are still, I am afraid, many doubting Thomases among us, and many cynics in our midst, who are

not prepared to accept the sacrifices that change must exact if progress is to be achieved. Sacrifices they are, if the demands and impositions that are required are considered without a large comprehension and without farsighted view, but being for the greater benefit of all our people, they must ultimately spell security, progress and a more abundant life for all.

The need of the moment is for vision and patriotism. It is the lesson of history that people without vision and patriotism must perish. And I pray that the feeling of happiness and security that we now enjoy after the momentous crisis of the last national elections must not stultify us to mediocrity and poverty of spirit.

Great historical events are taking place all throughout the world, and some very near our shores. Momentous decisions are being made all the time by the rulers of people. History is indeed moving fast in this atomic age. On our part, we must reform, we must build, we must enrich our character, our spirit, our attitudes, our views, our vision, our dedication and move without delay for us to make this beloved country a truly Christian and democratic country, the bulwark and the bastion of freedom and humanity in this part of the world.

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