THE NEAR-TERM PROSPECTS FOR BUSINESS AND
THE PLIGHT OF THE FILIPINO CONSUMER*

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Although I am a part of the administration, particularly of its economi-
colic policy-making body, I cannot claim that the opinions I shall express
have the backing of the President of the Philippines. I would therefore
prefer to give my own personal views on certain aspects of our economic
life, on the policies that have so far been adopted to deal with the problems
involved, and on the manner in which the government has gone about
implementing some of the more important of these policies.

I cannot discuss national economic policies or prospects for the econ-
omy in the coming months without touching on certain controversies that
have arisen lately. So, whatever may be the views or thinking of the other
policy-makers of this administration or of some of the men charged with
the duty of implementing these policies, I shall, at the proper junctures,
project my own personal thinking on some of the burning issues that con-
front the country today.

A brief description of the problems that we have to tackle will help
us to appreciate the magnitude of the job that this administration inherit-
ed upon assuming office just over one year ago. Everyone is, I am sure,
aware of the fact that our population has been growing at the rate of about
3.2 per cent annually—which means that every year about a million more
persons to feed, clothe and shelter are added to our population. A million
more mouths to feed or a million more bodies to clothe and provide shelter
for every year represents quite a tremendous task in itself. It means that
we have to harness more of our idle manpower and develop more of our
untapped natural resources if we are to catch up with our production lags
and fill the gaps between our slow productive effort on the one hand and
rapidly rising consumer demand on the other.

It is to be remembered that we have a perennial unemployment prob-
lem with the percentage of unemployed remaining almost static at over
8 per cent of the total labor force, which is too high for any country,
whether developing, undeveloped or highly developed. Altogether, the

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total of unemployed and underemployed could easily reach more than two million, which is quite a problem for a country that is capital-short and unable to generate adequate financing to step up the productive effort and create new jobs to absorb the growing ranks of unemployed and underemployed. Every year about 400,000 more persons are added to the ranks of idle or employable manpower. How do we propose to harness all this idle manpower and to provide new jobs for the growing ranks of unemployed that result from our rapid and continuous population growth and pose a potential threat to peace and order in this country?

At the rate our economy has been growing, we have little prospect of ever catching up with any of our basic problems of underproduction, unemployment, marginal income and substandard living. The economy has been growing at the rate of less than 5 per cent annually in the last decade. Gloomy as it may be to contemplate, our gross national product last year, in real terms or at constant (1955) prices, rose by only slightly over 4 per cent — an unsatisfactory performance aggravated by the setbacks suffered by major agricultural crops as a result of the series of typhoons, storms and floods and the long drought lasting through 1965, and by the failure of substantial investment capital to flow into the economy. We have not up to now reached the minimum target of a 6 per cent growth rate. In fact, it would be most desirable if we could attain a growth rate of 10 per cent or more a year so we could catch up and keep pace with the rising expectations of our people as well as solve the urgent economic problems of today.

In terms of the present purchasing value of the eroded peso, our gross national product at prevailing market prices last year was valued at around P21 billion. Since our rate of savings that can be made available for investment has remained virtually unchanged at 11 per cent, this means that the most that we can generate from domestic sources to finance development projects or invest in new productive projects will be a little more than P2 billion. This is hardly enough to create jobs for every one of the 400,000 persons added to the ranks of employable manpower every year. It requires on the average about P11,000 to create a new job; hence, it will take some P4.4 billion in new investment to be channelled into the economy every year.

The four-year program of the administration as updated sometime before my appointment to the National Economic Council calls for a total investment of P20.3 billion to be generated from foreign as well as local sources. This means an average of P5 billion investment annually. If we could raise only around P2 billion from domestic savings, where do we propose to get the balance of P3 billion?
We could of course borrow from future generations of Filipinos. We have raised the government’s domestic debt ceiling to ₱2 billion, which means that we can borrow an additional one billion pesos. But we are not supposed to borrow this entire amount in one year. The Development Bank’s “Progress Bonds” selling program calls for only ₱100 million during the first year. It is felt by quite a number of supposedly knowledgeable people that any excessive borrowing at this time would be inflationary.

We are relying therefore on private foreign investments and foreign loans to supplement domestic investments and borrowings. We have to remember, however, that capital is short and is even getting shorter supply-wise throughout the world, even in the United States which is today still the biggest capital exporting country in the world. We have to do better than we have done so far to attract more capital or secure more foreign loans to be able to bring in from outside sources close to one billion pesos in new financing for our development effort.

We can see therefore that there is a big investment gap that has to be filled if we are to realize a major part of our economic development objectives. We could fill this gap if we could, for instance, increase our rate of savings immediately and invest the equivalent of, say, 20 per cent of our GNP in new productive projects annually. This would generate around ₱4.2 billion in domestic investments, but this is not likely under existing circumstances. This is a process that will take time. There is very little to save at the moment, in the first place, in a country where the average personal income is marginal and the government can hardly raise enough tax revenue to pay for the mounting cost of public services.

The other alternative is to substantially increase public borrowing for economic development. Even if we fully availed ourselves of the increase in the debt ceiling in one year or in as short a time as possible, an investment gap would still remain. At any rate, the price that we have to pay would be rather high. There would be inflation to an extent that would further reduce quite appreciably the power of the peso to buy goods and services.

There are, however, at least two other more feasible alternatives to meeting the financing problem of our current development effort, namely —

1. A more judicious utilization of the limited available resources. This naturally means a modification in our development program so as to channel the government’s resources, first and primarily, to priority projects that will have the greatest impact on the entire economy and the living conditions of the bulk of the population. It means revising a previous government investment program that committed quite a sizeable portion of public funds to industrial projects that called for huge outlays in favor
of diverting these funds into infrastructures that will help promote a speedier solution of the country's urgent basic problems such as production (especially of food staples), serious unemployment, and marginal and submarginal living standards in urban slums and in the rural areas. This approach to a more sound and speedy development effort in the face of the present limitations on domestic investment resources is now being implemented by the administration and is reflected in the emphasis on the following priority projects:

a) Increased production of rice and corn in an effort to achieve self-sufficiency in these cereals as early as possible through a more realistic price support policy.

b) Intensification of the infrastructures of public works program through the building of more feeder roads as well as highways, irrigation systems, flood control devices, harbor facilities and airports.

c) A substantial step-up in the rural electrification program in order to bring the benefits of electricity, and the industries it will encourage, to the barrios and the rural areas and communities.

d) Rationalization of the land reform program consistent with available resources as part also of the program to improve living conditions in the rural areas.

e) Retrenchment in government fiscal spending in an effort to conserve resources for essential social overhead projects.

f) Intensification of tax collection so as to generate more funds for the support not only of essential public services but of vital public works and development projects.

2. The other practical approach to the problem of financing a more accelerated development effort is, of course, to provide more incentives for private investors, foreign as well as domestic: first, by inducing more outside venture capital to come in and, secondly, by drawing out shy or timid indigenous capital from hiding. The administration has already taken some steps in this direction, such as:

a) Relaxation of credit restrictions to make monetary policy more responsive to the requirements of a faster growing and a more effective development program.

b) A determined drive against smuggling to resuscitate or revitalize distressed industries as well as raise additional revenue.

c) Reorganization in sensitive government bureaus and agencies like the Bureau of Customs and the Bureau of Internal Revenue, and in the police system, through the enactment of a police reform law and the creation of a National Police Commission with a view to improving peace and order conditions; and
d) Issuance of a set of investment guidelines through an executive order spelling out the conditions under which foreign investors can come in, and providing the necessary safeguards and guarantees, as well as the incentives, in the absence of an investments law.

More has to be done in this direction, however. The climate has not as yet become sufficiently favorable to stimulate a greater inflow of new investment in productive enterprises. This is evidenced by the lack of adequate effort in the desirable areas of economic development where production continues to lag behind, employment opportunities remain very scarce, and income is still marginal.

If one is a businessman with limited capital and no specific well-studied project which will assure him of a fair return, where does he usually invest his money? We do not have to guess. It is common knowledge that a good deal of local capital, which is usually shy or timid, prefers to go into real estate and building construction or in other less productive enterprises where the risk is minimal. Why? Not only are there not enough incentives in the productive sectors of investment, but the risks are greater and the difficulties are compounded by official red tape, political harassment and labor strikes.

We have to be realistic about these difficulties that beset private enterprise. The role of the government will be mainly to make the climate for business more favorable and attractive to new investment since we recognize that the predominant portion of the development effort will have to be undertaken by private enterprise. Our task therefore will be to eliminate or reduce as much as possible the official red tape and the political interference or harassment that has done much to discourage private enterprise from increasing its contribution to the acceleration of the productive effort.

We should do much more. We should make the climate for private investment more attractive by providing more incentives, like tax relief, exemptions or rebates, than the government is now extending to some sectors of business and industry. We should have more frequent conferences and meetings with representatives from various sectors of the economy and we should get their views and advice on how best to go about this task. We should hold continuing dialogues with these representatives and seek their suggestions as to what other incentives we can give to new investments, so that we may be able to step up the tempo of economic development and make it possible for the bulk of the population to enjoy a more decent standard of living at the earliest possible time.

In trying to establish a more favorable climate for private enterprise, we should also realize that we have to amend, update, and make national economic policies more realistic and responsive to the requirements of a
growing economy in a forward-looking country like ours. I believe that this is going to be an even more important role of government in the overall effort to promote a faster rate of growth since it is recognized that the predominant role in providing the means and sinews to make this possible will have to be played by the private sector. This effort will call for the scrapping or amendment of obsolete laws as well as the enactment of new legislation that will stimulate greater participation in economic development by private enterprise.

Just as important in this connection is the implementation of existing laws that have an important bearing on the project to induce more foreign investment in substantial amounts. In this connection, I find the attitudes of certain segments of the economy and the body politic, and their interpretation and ideas about the implementation of certain laws and constitutional provisions, as discordant notes in the overall effort of the administration to make the investment climate much more attractive, and as deterrents to the acceleration of the pace of economic development so that the great masses of our people may early enjoy the blessings of a better life.

No self-respecting Filipino will deny the right of his countrymen to aspire for reasonable and healthy control of the sensitive sectors of the economy in his own country. But gaining control of an area of business is one thing and driving out foreign interests completely in order to establish a monopoly, practical or total, is another. I do not believe the interpretation of the law to completely exclude citizens of the United States of America even from the wholesale business is doing the country much good, because it is not only driving away capital that is already here but is also scaring away capital planning to come in. Many of the American firms affected by the court ruling and by the excessive zeal of certain officials on the city level to implement this decision even before it has become final and executory are engaged in manufacturing or processing operations. I am of the opinion that if we are to stick to the interpretation of the law as rigidly as a branch of a lower court has recently done, we would discourage new investors in manufacturing and other productive sectors because, thereby, we would be limiting their sphere of operations. This is the reason why I am for recommending an amendment of the Retail Trade Nationalization Law to exclude wholesale or bulk sales from the purview of the law. Not only would we be closer to the correct definition of retailing but we would be conforming to the real intent of Congress when it approved the law. That intent, as I discern it, was to place retailing—the so-called "sari-sari" store business—in the hands of Filipinos because of the too entrenched position that the Chinese had in the past enjoyed in this particular area of domestic commerce.

My impression of the recent unprecedented court ruling and the unseemly haste of the Mayor of Manila to implement this ruling is that we are
serving notice on the whole world that we do not want foreign capital in this country, to put it bluntly. I would also go as far as to state that such an attitude toward American capital and its possible impact on the overall effort to attract more outside venture capital is virtually a sabotage of President Marcos' administration and its efforts to speed up economic growth. I think it defeats the very purpose of the President's recent trip abroad to invite more foreign investors to come in and participate in our overall program to increase productivity and production.

I would grant that those who would interpret and implement the law to make it as restrictive as possible, even more restrictive actually than the authors of the law intended it to be, honestly believe that they are expressing their nationalism and serving the best interests of the Filipino that way. But which Filipino? The retailer or wholesaler who represents just a minority segment of the Filipino people? Or the consumers who include every one of the 35.5 million people in this country? Or the Filipino living in the barrio who never has had the chance to enjoy a decent life because of our failure until now to raise him above marginal living?

There seems to be a trend toward isolating ourselves from the rest of the world. This idea, as an instrument of national economic policy, has long been discarded by enlightened nations abroad. Even the policy of reserving an area exclusively for the nationals of one country has already become obsolete. The trend today is toward regional and international cooperation as an effective means of promoting a country’s economic development and achieving its national objectives. This is the reason why we have international cooperative organizations to promote greater economic cooperation among nations and stimulate greater trade and movement of capital and know-how among them. No nation has ever achieved real prosperity or even just a fairly satisfactory standard of living which has isolated itself from the rest of the world or has barred foreigners from participating in its trade or industry.

Countries that have adopted the open door policy have achieved the highest rate of growth and the highest levels of living. We have only to look at the examples of Japan, the United Kingdom, Mexico, and, more recently, Spain. Even the United States of America which has greater capabilities of attaining self-sufficiency than any other country, would not be enjoying so high a standard of living as it is enjoying today if it had isolated itself and had not freely traded with the rest of the free world and welcomed foreign capital and know-how from other countries.

If we have not advanced as fast as the other countries of the world that are now achieving a high rate of growth, it is obviously because of the outmoded views of some of our officials and countrymen who are supposed to lead the people along the path that will best achieve their
expectations at the earliest possible time. Not a few of us are apparently behind the times in our thinking and in our attitudes as to how to achieve fast economic growth.

In today's world, the trend in politics, is toward nationalism; in economics, it is toward internationalism. For us to think and act otherwise would be to place ourselves outside the mainstream of sound and accepted thinking. Sobriety demands that we avoid such unmajestic postures, beneath the much-abused shield of "majesty of the law," as the insistence of some public officials on the immediate and forcible closure of American companies and offices, mostly based in the City of Manila, even before the recent CFI decision has become final and executory.

Let us not forget that each one of the 33 1/2 million Filipinos stands to suffer from the high prices that will be generated by this precipitate and injudicious act, because of the lack of know-how, inadequate capital (which will force many of the retailers to get financing from loan sharks) of most of the traders to be benefited, and the common and natural impulse of newcomers to take advantage of a monopoly awarded to a vested group. As the Spaniards are very fond of saying, No hay peor cuña que de la misma madera. As regards the plan of the mayor of the biggest city in the country of creating a fund of 5 to 20 million, what is 5, 10 or even 20 million pesos, if he could obtain it, compared to the magnitude of the needs of the national retail trade? It is but a droplet in the huge pool of financial and other resources that would be needed for immediate Filipinization of the nation's retail trade. Such an attitude on the part of some of our public officials could easily result in the disintegration of public faith in government and wreak havoc on our democratic institutions and on our very way of life.

Whatever we do — whether in the realm of foreign affairs or in the area of national economic development — we will never go wrong if we apply the principle of "the greatest good for the greatest number." The author of a recent bestseller, The Affluent Society, once said that, in fashioning an economic program that will best serve the needs of a nation, textbook theories have oftentimes been found to be obsolete, and that the modern economist has found it more useful and more rewarding to listen to the current collective opinions and desires of the people.

The Supreme Court of the United States has become famous for its precedent-making pronouncements based for the most part on the needs and desires of the people rather than on the letter or technicalities of laws in the statute books. Our own Supreme Court has also acquired a reputation for a number of progressive decisions that have given more emphasis to the human interpretation of the real intent of the law than on strict adherence to its letter or technicalities. This has especially been true where
the interests of the less privileged, the poor and the working elements, are concerned. I hope we would also employ the same practical approach in the interpretation of a law that is vital to the common endeavor to promote a faster rate of growth and the elevation of the living standards of at least four-fifths of our population.

The task of speeding up economic development in order to catch up with our growing problems of underproduction, unemployment and real income is getting more difficult and complicated every year. It demands the highest order of leadership. It requires the cooperation of all elements of the population. Any policy or manner of implementing such a policy that deviates from the overriding objective of promoting the best interests of the greatest number is not only unjust, unrealistic and unwise, but is fraught with social and political danger.

As I have mentioned, the Philippines is growing very slowly economically at between 4 and 5 per cent annually, whereas population is increasing by around a million a year. Food shortages persist. Unemployment figures are not getting any smaller. Income remains marginal, the per capita real income in 1966 of P367 per annum being one of the lowest in the world.

But the real tragedy in our efforts all these years to build a strong and vigorous nation is that, while we have managed to raise further the living standards of people in the high income brackets, we have failed to lift the levels of living of about four-fifths of the population who mostly live in the slums, the barrios and the hinterlands.

The result is that today the gap between the rich and the poor has widened. The rich have become richer, whereas the poor who represent the preponderant bulk of the Filipinos have become poorer. This is a real threat to the survival of our society, and we better do something about it—the sooner the better.

We are not asking those who shun or are afraid of foreign competition to sacrifice much. We are only asking them to be more efficient and to be content with less than they have been accustomed to in the past. We are also asking the politicians and the demagogues who invoke patriotism and national sovereignty in order to protect some vested interests to play less politics, to consider more seriously the problems of the country, and to think more about the plight and the future of the underprivileged masses who represent more than 80 per cent of the consumers in this country. If they did that, I doubt whether there would be any question about the need for establishing a better climate for capital, foreign as well as domestic, as the only viable way that I can think of to speed up the process of endowing the vast masses of our less fortunate Filipino brothers with a decent life now and a good and more comfortable life in the future.