

A memoir of the young UP School of Economics

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The author recounts the intersection of his own career with the early years of development of the UP School of Economics. When that career in the School was interrupted by government service, his unique position in the national government enabled him to further participate in the development and growth of the School from the perspective of a major consumer of the supply of economists that the institution provides.

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This piece represents the memories of my association with the young School of Economics of the University of the Philippines. I was a student and faculty member of economics before it became the UP School of Economics. This association accounts for more than half of my long life which, as I write, is moving toward four score and three more years. Dr. Amado A. Castro was instrumental in changing the course of my life. Dr. Jose Encarnacion, Jr. was dean when I became an active bystander and supporter during my years in the government. And as my own life's balance had waned into old age, I became part of the School again. The successful organic growth of the young UP School of Economics was full of early triumphs of solid, dedicated efforts as well as good luck and devotion of its early leaders over large problems that always showed up at its inception and at every turn of the road. My life and career intertwined with the School's early years in many ways.

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1. Dr. Amado A. Castro

I first met Amado Castro as my professor in the first college subject I ever took in economics in the fourth semester of my UP education. The class to me was an eye-opener. I learned much that was elementary, got a very good grade, and was subsequently encouraged enough to study more of the subject. We had to learn about the simple economic laws, understand through examples the theory of competition, the idea of costs—total, marginal and average—and of revenue, of supply and demand. It was elementary textbook material.

At the time I enrolled in Economics 11, I had already decided to give up my pre-medical course program in favor of another future destination. I had by then veered toward the BS Foreign Service (BSFS) degree offering which was handled by the political science department at the UP. The pre-medical course had more science-based subjects: physics, chemistry, mathematics, and biology. I had three semesters of immersion in them. The foreign service degree had a combination of politics, international issues, history, and economics. My reasons for the shift were mainly personal and economic, not academic, for I was doing well academically.

My next substantial encounter with Amado Castro was in an undergraduate subject, international trade. He taught from P.T. Ellsworth, the textbook at the time. I learned much about comparative advantage, the balance of payments, and theories of international trade. I also took the international trade practice course, a business administration subject which was a requirement for a foreign service degree. The international economics course was more to my liking. It asked the questions that inspired me—why trade occurred and who benefited from it. The business administration subject was rote learning of trade business practices such as “free on board (FOB)”, “cost, insurance, and freight (CIF)”, consular documentations, trade processes, all of which were memory work and did not require much thinking.

2. Speedy graduate work at UP

It was not easy to get a full-time job immediately after my graduation with the BSFS degree. Rather than search continuously for a job, I decided to take an alternative route: “work part-time, study more, and let opportunity knock”. There were part-time research openings at the UP Institute of Public Administration (IPA). Located in the old UP Manila campus in Padre Faura St., the IPA was brimming with development assistance resources. It would in the future become the National College of Public Administration and Government (NCPAG). My UP studies had always been in Diliman.

In those days, the UP graduate school was a unit of the university designed as the conduit for granting high-level degrees. The actual subjects were taught by the specialized departments that were attached to other schools. Thus, the MA degree study was taught and administered by the department of economics.

My decision to continue with graduate schooling led me again to Dr. Amado Castro who was my registration adviser. (He was also the chairman of the department of economics, then a unit of the College of Business Administration, whose dean was Jose Velmonte.) At the IPA, I was luckily assigned to assist Jose D. Soberano, an instructor who had recently returned home from for his graduate work at the University of Michigan to write his PhD research. Soberano was to write a dissertation on the administrative issues of economic development planning. He asked me to review all the known Philippine plan documents.

I had the good sense early on to think about connecting my day-time work to my MA academic requirements. If I could get my supervisor to let me use my research studies to work for me as part of my MA objectives, I could reduce my study time. Luckily, Joe Soberano was generous, and he understood the advantages of my suggestion. Perhaps, it assured him that his research needs would also be adequately compensated by helping his assistant advance his own interests. (Adam Smith would have predicted clearly that self-interest promotes general welfare.) But the idea would not be complete without my economics adviser allowing the plan. Thus, I asked Amado Castro if I could write my MA thesis on the subject of the economic plans and, if so, if he could also serve as my thesis adviser. He immediately agreed to both propositions. I was therefore launched on a quick path to work on my graduate study! I hit two birds in one throw.

As the second semester of the academic year wore on, the writing of my thesis research progressed well. By the middle of the second semester of my graduate study, my thesis research was almost done. By the end of that semester all my course requirements, which I was sure I would pass, would be over.

Amado Castro decided that my MA thesis was ready for critical evaluation. In turn, the graduate school assigned it to Dr. Cesar Adib Majul as critic for evaluation and approval. Dr. Majul, formerly a colleague of José Encarnación in the philosophy department, was now a recently arrived PhD graduate of Cornell University in the UP department of political science. In academe the heaviest period of work was often near the end of the term. This was even more so in the case of academic stars. Dr. Majul was destined to be one if he had not yet attained that status. He was swamped by academic and other concerns. He had grades of students to finish, committee work to attend to, and administrative matters as well. Such demands rose to a crescendo with regularity during the graduation rush. It was impossible for Dr. Majul to read my work within the time constraint, but it was not his fault.

This turn of events shut me off from an MA degree graduation in April 1958. As my disappointment built up, I asked Amado Castro if I could graduate with my AB degree in economics instead. I showed him my transcripts of records, and he reviewed all the undergraduate economics courses that I had taken, including many other subjects that I had taken in the pre-med curriculum which were

jettisoned from being counted in terms of my BSFS degree. The reason I could amass such an amount of formal study was my habit of taking an extra subject per semester above the normal load; during the summer sessions I also enrolled in economics, history or political science subjects. Easily, Amado Castro found out that I could graduate, with an average that was even good for *cum laude*. I got my degree in AB Economics in 1958 one year after my BSFS degree in 1957, though I did not join the commencement rites. All of the schoolyear 1957-1958, I was enrolled only in graduate course work.

My MA degree appraisal process was quite quick despite the delay. The trail of correspondence testifies to the unbearable and hectic suspense that I had to endure. On March 6, 1958, Amado Castro, then associate professor of economics, wrote the letter requesting the assignment of a critic for my thesis entitled, "The use of economic planning in the Philippines", which he described as follows: "Mr. Sicat has written a thorough analysis of a complex problem and its peculiar Philippine setting. He starts from a review of some general considerations regarding economic planning and then delves into such aspects as institutional settings, attitudes, accomplishments, and limitations of economic planning in the Philippines. All these involved much research and in the end Mr. Sicat has come up with a study which is more than the usual review of his problem. I believe that in bringing together all the materials that he has dealt with, Mr. Sicat has contributed to our knowledge of a critical part of our economic development."

The next day, the dean of the graduate school, Dr. Juan Salcedo, Jr., asked Dr. Cesar A. Majul, assistant professor of political science and philosophy, of the department of political science, to provide criticism of the thesis for the MA degree requirements. Dr. Majul was prompt enough to write on March 19, 1958 a report on his assignment to the graduate school. (The date for approval of candidates for graduation in April having been breached, I could only graduate with the MA degree in May 1958.) This was Dr. Majul's assessment: "Mr. Sicat's thesis is a careful and detailed account of the various economic plans that have been proposed to implement a Philippine governmental policy of planned economic development. He discusses the factors leading to the declaration of such a principle as a governmental policy and demonstrates how and why the plans attempting to implement such a policy have generally failed. This means that he has been forced to deal with the role played by pressure groups in our country, the character of institutional patterns in our society, various aspects of Philippine governmental structure, and ideological aspirations on the part of our leaders. I have sat with Mr. G. Sicat in two meetings with a total of five hours, criticizing some points of his thesis, asking him to elaborate on others, and finally asking him to make revisions on parts involving aspects of political theory."

Reading through my foreword in the final thesis, I thanked Amado Castro for his "critical and challenging (and yet tolerant) views and comments"; Jose D. Soberano, for whom I worked for 11 months as research assistant at IPA, who

suggested the topic as my assignment and who allowed me to write it up as my MA thesis; Mr. Cesar S. Ramirez, a resigned assistant director of the Office of National Planning of the NEC, who gave “many interesting sidelights” about Philippine economic planning; Joachim Ahrens Dorf, my graduate macro professor who would shortly move to the International Monetary Fund; and O. D. Corpuz for suggestions on social aspects of planning in the country.

3. New at the economics faculty

As soon as I graduated, Amado Castro offered me a post at the Institute of Economic Development and Research (IEDR) with a rank of assistant instructor. This made me also a member of the department of economics. At about the time of my joining the faculty, the Rockefeller Foundation had just made a significant grant to develop the Institute of Economic Development and Research. There was a significant faculty development component in this grant and another component to build an economics library to help stimulate research in the field. Toward that end, further money was given to build the IEDR library building. I was therefore part of a promising new institution at the UP.

Although I joined the faculty and started from the lowest level of possible positions, I was jolted to learn that my cohorts of the period were immediately promoted to full instructor after one year of service. Jaime C. Laya and Manuel S. Alba were both outstanding Business graduates of class 1957: *magna cum laude* and *cum laude*. They were hired as assistant instructors but became instructors in their second year of work. Of course, in my case, I spent the year earning a master’s degree, not an easy task. I felt that any hiring officer would have recognized the importance such an achievement and could relatively match it against one year of teaching experience. I felt rather bad that the MA did not merit respect. (Many years later, in the 1970s, Jimmy Laya and Manny Alba would join me in government. I asked one after the other to be my deputy director general at the National Economic and Development Authority or NEDA.)

Perhaps I should not have felt any unease because I had just joined a good unit of the University since the future, although uncertain, appeared rather bright for me. It was not the salary. The starting recruitment post, with a monthly salary of ₱215 pesos per month, was not much different from the salary of ₱245 per month for “instructors”. It was the lack of recognition that additional graduate study almost did not matter! I therefore felt somewhat slighted. Without being unpleasant, I mentioned this predicament to Amado Castro. That he dismissed the point in a cavalier manner disappointed me very much. I swallowed my pride and remained grateful that I had a job. More important, I looked forward to the future and to whatever opportunities it had to offer. I remember that Manny Alba years later recounted this incident among intimates at NEDA (when Manny was my deputy) to the merriment of many listeners including myself.

Anyway, that was Amado Castro. He was more personalistic in his assessments of people and, often, he probably regarded job offers as essentially favors. However, there is another important point here: people who get appointed to their jobs also feel proud about their accomplishments. Recognition of those achievements is an essential part of respect. Perhaps, he was only being thrifty in the household interpretation of the word. I was grateful enough to swallow my pride, but what if I had resigned because I had felt insulted enough? I nearly decided to throw caution to the wind. The certain possibility of further future graduate study, however, assuaged the hurt. A Rockefeller Foundation study grant was sufficient guarantee of future advancement. A few months later just after my first semester of teaching in the department, Amado Castro asked me to apply for admission to study for the PhD course in an American university.

Where to go for further study was my most important problem. I limited my search for admission to three universities. I was attracted most to MIT, principally because of the fame of Paul Samuelson.¹ My two other choices were for insurance: Columbia because of George Stiglitz and Harvard because of Amado Castro's suggestion. I had sufficient confidence that I would get admitted in these three schools, given that I was assured of financial support for my studies. I was mistaken! Harvard rejected me. (It chose Bernardo Villegas, who was La Salle's star graduate of the time, *summa cum laude*. My dime-a-dozen UP *cum laude* did not match the competition.) Columbia never even wrote me back so perhaps I never sent my application form.

4. The take-off debate

During my first term of graduate study at MIT, Amado paid a visit to Cambridge, Mass. This was his second hometown, where he spent almost five years of study at Harvard University for his doctoral degree. Loretta² and I lived in a rented apartment in a house on Massachusetts Avenue located between Harvard and MIT. It was a dinner get-together, courtesy of Loretta's cooking. With Amado Castro as the principal invitee, there were three other Filipino guests: Gabriel Y. Itchon (an economist in the Central Bank research department) and Armando Maglaque (economic planning staff at the National Economic Council) who were both auditing courses at MIT that term; and Bernie Villegas (graduate student at Harvard).

¹ In 1959 when I entered MIT, I was not fully aware that it was one of the most preferred schools for study in economics. It was a tough school. There was no recourse to an MA degree in case of failure in the PhD program. Aside from Samuelson, the department's star power in my time of study included Robert Solow, Franco Modigliani, Evsey Domar, Charles Kindleberger, W. W. Rostow, and Paul Rosenstein-Rodan.

² Loretta Makasiar and I were public high school classmates and part of the UP class of 1957. We worked as part-time research assistants at IPA at the same time. We got married in October, 1958 before I applied for graduate studies at MIT. In 1970, Loretta would also receive the PhD from MIT's political science program.

As would be expected in a dinner among economists, pretty soon the discussion turned to the Philippine economy. It became heated because Gabby Itchon challenged Amado Castro's contention that the Philippine economy was on a take-off. Amado had reviewed the optimistic landscape of the import substitution policies of the 1950s and became convinced that the Philippine economy—helped along by the growth of many import substitution industries—was now moving into self-sustained growth.

About three years before that dinner, Walt W. Rostow's take-off into self-sustained growth was the rage in the development literature, with his book, *The stages of economic growth*. It was also Rostow's answer to the growth challenge posed by communist central planning—the allure of Soviet style economic planning which in the late 1950s and early 1960s was the principal challenge to capitalist growth as exemplified in the US. At that time, the Soviet economy was surging at a higher pace than that of the US. The take-off was Rostow's analysis of what was happening at the early stages of growth. He had a ready answer for the lower US economic growth. At high levels of income—the age of high consumption—the growth of income is lower since the economy is mature and consumption spending is satiating. In the development literature then, the idea of the take-off, or the stage of self-sustaining economic growth, was the principal concept being discussed along with the concepts of balanced and unbalanced growth as well as that of the “big push”.

I was then taking Rostow's economic history course. He was MIT's economic historian. I was myself somewhat mesmerized by his sweeping lectures, which were infectious to listen to. However, during the debate in my house, the young ones in the group (Bernie Villegas and myself) kept their mouths shut and let the more experienced economists battle out the thorny issue. Itchon had probably been exposed to the critical study of Rostow's thesis while spending the year at Yale University. He was at MIT to wind up this Yale study, but he did not audition Rostow's class that I was enrolled in. Itchon pinched Amado Castro's contentions by calling attention to the statistical aspects of the transition from preconditions to take-off. He was not convinced about the ability for savings to move the economy up to the level of the take-off conditions. I recall that Amado was very unhappy about the debate. He had publicly stated that the Philippines was at the take-off stage.³

³ Itchon's thinking was published in the maiden issue of the new Philippine Economic Journal, the journal of the newly founded Philippine Economic Society. Amado Castro's thoughts at the time could best be explained in his review of Frank H. Golay's 1961 book, *The Philippines: public policy and national economic development*, also published in the same journal issue (see Gabriel Y. Itchon, “Philippines: necessary conditions for the ‘take-off’”, *Philippine Economic Journal*, first semester 1962, pp. 28-37; and A. A. Castro, “Economic policy revisited”, pp. 66-91). Gabby Itchon became the director of the Central Bank's external debt monitoring committee and, still later, the president of the new Philippine National Oil Company. Maglaque went to Geneva to become a member of the UNCTAD economic staff.

5. I join four PhD stalwarts at the economics department

In April, 1963, I rejoined the faculty.⁴ On my return to Diliman, there were four other PhDs in residence at the department of economics (then still a unit of the College of Business Administration). During my absence, Amado Castro was joined by three others. Jose Encarnacion, Jr. returned in 1960 from his Princeton studies. Formerly an instructor in philosophy, he shifted to economics on a UP Fellowship study grant. In the next year, 1961, Agustin Kintanar, Jr. would also arrive from his Yale University PhD studies. I was the newest returnee. Another PhD was also in the faculty: Richard W. Hooley, a graduate of Columbia. Dick Hooley, who had wanted to do research on financial flow of funds in the Philippine economy, decided to live in the Philippines because his Filipino wife, Saturnina (Nelly), returned to her job as an economist at the Central Bank. It was only some four years later when Dr. Edita Tan, a product of the University of California, Berkeley, would add a new PhD to the economics faculty.

A kind of invisible wall existed between the department (headed by Encarnacion) and the IEDR, the research end, that Amado Castro directed. The staff of the department undertook their research as part of the IEDR. Much early interest on financial flow of funds and public finance issues was stimulated by the active efforts of Richard Hooley and Agustin Kintanar, Jr. Hooley's flow of funds study was highly facilitated by his contacts with the Central Bank, which tracked the financial flows within the economy. Dodong Kintanar was more actively involved in consulting on public finance issues with the Program Implementation Agency. His interest in tax and public expenditure issues were much in evidence in the works of younger researchers who studied under him and who were engaged by the IEDR. Visiting economists also contributed to the research. David Cole⁵ was one of these, and he worked on the financing of the manufacturing industries of the import substitution period.

Tito A. Mijares, a PhD graduate of Harvard University who was on the faculty of the UP Statistical Institute and who also taught the statistics course for the graduate studies at the economics department, led a study of the input-output model for the Philippine economy under the auspices of the IEDR. One of the first things I did for the IEDR after my arrival was to organize a public lecture series in Makati that involved the economic scholars of the UP and public policy planners in the country. In this project, I got to know the country's top public economic officials up close. The project also led in 1964 to an IEDR publication, *The Philippine economy in the 1960s*, which I edited.

⁴ The usual graduation time was June (the end of the spring term), but I finished all requirements before the end of the fall term, in February, 1963, in which there were only two graduates: Peter Diamond (who would win the Nobel Prize in economics) and myself.

⁵ David Cole would later go to South Korea and work as economic adviser in the country's economic planning agency. Later, he would become one of the major staffers of the Harvard Economic Advisory Group.

6. The economics textbook project

At the department of economics, José Encarnación, Jr. decided to engage members of the faculty to write a textbook for the introductory economics course. The project arose as an immediate reaction to the publication of a textbook for college introductory economics that the older generation of economists had put out. The book was rather bad.

As chairman, Pepe Encarnacion mobilized the senior scholars at the UP economics department, including the visiting professors and the agricultural economics faculty at Los Baños. He held a meeting to exchange views and later to suggest an outline of content and approach. Each one of the resident senior faculty of the School (Castro, Kintanar, Encarnación, Hooley, and Sicat) was given his specific chapter assignments. Added to them were UP scholars from other units who were often engaged in economic work: Tito Mijares (statistics, income accounts); Onofre D. Corpuz (Philippine economic history); and Emilio Quintana (Los Baños agricultural economics, agricultural development). The roster of contributors included three Rockefeller visiting professors: Gerald Sirkin; K. William Kapp; Vernon Ruttan; and one Fulbright visiting professor, Theodore Ruprecht.

The wide range of authors assured there would be a broad coverage of topics pertaining to the Philippine economy. Topics were thus planned as a succession of chapters spanning the Philippine economy along the following topics: elementary theory; national income accounts; economic history; special topics such as industrial growth, agricultural development, money and banking, public finance, and international trade; and such specific topics as population issues, land reform and development, social costs, and economic planning.

In theory and conception, the project was easy work for every participant. They would write mainly on the basis of their expertise. In practice however, the project involved a cumbersome coordination problem. This was not only in terms of writing style but, most importantly, content. What to include and what to exclude was a basic problem. Some writers covered the field too widely; others too narrowly. Also, there was the timing of submission. There were papers that took too long to wait for. When the first drafts became available, much coordination work was still involved. I got pulled into the project beyond my assigned topic, which was on industrial growth. Pepe Encarnación asked me to pull together the submissions as they came along. Some chapters could not be improved upon as they were complete and sufficiently succinct. Others required editing and content reconciliation with other chapters. Eventually, I was drawn more into supporting work, aside from contributing editing and reconciliation. As a result, some chapters required rewrites and expansion. Surprisingly, when everyone was satisfied with the resulting outcome, Pepe Encarnación, observing the resulting output, wrote a memo for all the participants and proposed that the book be called, G.P. Sicat and others [1965], *Economics and development*, to be

published as a “pre-publication issue” by the University of the Philippines Press. I was surprised by this suggestion. Despite my objection to the honor of being the lead author, José Encarnación insisted on this sequence as the proper way to go.

Much later, in mid-1981 after I left the NEDA, I would revisit the textbook project. I decided to write a more integrated work, in part as an exercise to renew my mental capital after involvement in government economic problems. As chairman of the Philippine National Bank, I presided mainly over the meetings of the bank’s board. There was a bank president and CEO. I had much time to myself. The textbook project was an opportunity to recast the learning of basic economics through the filter of government experience in the country’s economic development issues. I could deal with the subject matter of a textbook without the coordination problem involving multiple authors.

The result was *Economics* [Sicat 1983].⁶ The book was published in 1983, by National Bookstore, which had a national retail outlet to make it easily accessible. This work became a standard text in the UP and elsewhere for some time. I like to think that it was a boon to many teachers who had wanted more Philippine relevance of theoretical issues being discussed. It was used, of course, at the elementary level. I found out later that it was used by many teachers of economics in the country not as textbook but as resource material for their work. To my surprise, even in graduate school, one MBA student once confessed to me that it was used as a reference. After a long absence from the country when I worked in the World Bank and shortly after my return to the UP, in 2003, I revisited the same project again. I undertook anew a total revision of the project. Dean Felipe Medalla of the School helped, on my request, to prepare for this revision by

⁶ There were at least two major after-effects of this publication. First was in connection with economics teaching in Indonesia. After Professor Heinz Arndt of the Australian National University read the book one year later, he suggested to me that an Indonesian edition be prepared whereby the materials and applications in the discussion would be Indonesianized. His university’s Indonesia Project would fill in the supporting material and have the book translated into Bahasa Indonesia. I agreed to this suggestion. With the help of many colleagues from the university and translators in the Indonesian project, Heinz Arndt got the project under way. The result was Sicat and Arndt [1987], *Ilmu ekonomi untuk konteks Indonesia*. A total of thirteen ANU economists authored contributed materials to the textbook, including Hal Hill and Anne Booth. A second consequence of my textbook project had to do with the financing of the G.P. Sicat Awards at UP School of Economics for the best undergraduate thesis paper at graduation time. In 1973, this award was instituted by the School and gave the first award during the graduation rites. I gave a yearly small cash award to the winner as an inducement to promote good economic writing among the members of the graduating class. Beginning in 1983, the royalties from the sale of the *Economics* revision were given to finance the award. In 1973 when the award was started, only one winner was chosen, but the faculty, encouraged by the amount of good papers from which to choose in the senior thesis writing class, decided to add second and third best papers in the formal awards. Since collaborative papers were also allowed to participate for the award honors, during the graduation year, it was not uncommon to find more than three honorees per year. From 1973 to 2016, the number of award winners have exceeded more than 100 exceptional undergraduate papers. In 1981, the best paper belonged to Nestor A. Espenilla, whose undergraduate paper was “Traffic congestion taxes for Metro Manila”. Espenilla in 2017 was appointed to the post of governor of the Philippine central bank. For more, see my “Crossroads” column in the Philippine Star, February 15, 2015, “UP School of Economics at 50 -- GPS awards.

getting a group of secretaries at the School to type the book in Word files. These digital files became the basis of my revisions.

In the finished revision, I decided to split the contents into three separate volumes: elementary economics (micro); macroeconomics; and general application to Philippine economic issues. This action was a response to the comment of Armand Fabella, who was (in addition to being one of the country's major economic technocrats) also an economics educator and who had guided the growth of the Jose Rizal University over time. He believed that the original 1983 book was too broad in coverage and thick. As I ponder over that decision (and as I write now), it was a mistake to break the book into parts. Economics textbooks, if they are to compete with their foreign counterparts, must have completeness of coverage, both in local relevance and in material content, which was the essence of the revised economics textbook. The economics of publishing, however, worked against the thick book because of the high overhead cost of early printing for the publisher.

7. The graduate program and the Rockefeller Foundation

When I rejoined the economics faculty in 1963, hectic developments and anticipation were at work. The economics department was expanding in the scope of its offerings of economic study and in its response to growing government needs. The first of these major developments was to install a full-time graduate program in economics to provide a steady supply of economists in a growing national economy. The return of faculty from their foreign studies meant that there could be an enlarged capacity to teach as well as to undertake research on development issues. The early leaders of the department (both Amado Castro and José Encarnación) emphasized the need for a local graduate program in economics. The expansion of the graduate program offering was a natural progression in the development of the department of economics. Pepe Encarnación remarked that this program of "import substitution in the training of economists" was more efficient because economists trained at home were more conversant with the country's problems. Producing economic professionals at home was much faster and less costly than sending them for graduate work abroad. Offering the PhD would represent the culmination of maturity in the growth of economics in UP because its faculty at the very least should be steeped in understanding the country's problems more substantially. To avoid the possibility of in-breeding, graduates of the PhD program could be sent to one-year postdoctoral scholarships in other universities. It would be less costly than spending resources to finance full-time PhD studies abroad.

Such ideas found great support with the Rockefeller Foundation, especially with Dr. Kenneth Thompson, its president, and Dr. Ralph K. Davidson, who for years was the principal officer dealing with Philippine projects. The Rockefeller Foundation gave generously in three directions: finance of local scholarships;

faculty development fellowships for study abroad; and local visiting professors to help in the graduate teaching program. Before, the foundations and economic aid programs from foreign countries were willing to support only the foreign exchange costs of programs of institutional development. When the Rockefeller Foundation helped also to defray the costs of local fellowships for programs based in the department, it marked a breakthrough in the institutional development at the economics department.

The longest continuing stream of foreign visiting professors by any institution was supported by the Rockefeller Foundation. I have already noted that there were three Rockefeller visiting professors who participated in the textbook project.⁷ That was only for the period 1963 to 1964. Foreign visiting professors provided great relief as well as support to the economics faculty in many ways. They added teaching know-how and familiarity that was lacking in the case of younger faculty that was still in need of experience. In a setting where departmental colleagues often needed to respond to community needs, visiting professors helped to fill the gap. Also, they often provided commentary on discussions that related to the understanding of economic and other development issues, whether of local significance or of general application. In this way, they supplied mentoring to resident colleagues. Probably more important, they developed inspired and rapport with the bright students of the department, helping to select good minds to recommend for further study.

The strengthening of the domestic graduate program of the department (later the School, after 1965) produced a good flow of bright students into the economics program and material for the faculty. The first generation of students of the full-time graduate program provided the main source of supply for faculty development in the next round. Among the faculty, the following certainly

⁷ There was a constant and substantial stream of visiting professors and of researchers to the School from the 1960s to the 1980s. Those who were on the roster of support from the Rockefeller Foundation came on a yearly basis and from several sources. There were the direct hires from a joint decision of the department and the foundation. These were the more numerous yearly visiting professors. Other Rockefeller supported programs also led to visiting professors, such as Gerald Sirkin, K. William Kapp, Dean A. Worcester, and Harry Oshima. The IRRRI economist, Vernon Ruttan, developed close relations with the School; he participated as visiting professor of agricultural economics (and so did his successor, Randolph Barker) who both gave their courses for the UP Diliman students in the Los Baños campus. The Agricultural Development Council sponsored the visit of Robert B. Evenson, who was influential in mentoring Raul Fabella at Yale. These visiting professors were reinforced by the arrival of the Ford-financed visiting professors who were connected with the training program in development economics but who became part of the larger community of visitors. Among these visitors, John H. Power and Harry Oshima probably had the biggest impact on the School, for they would visit multiple times beyond their original period of visits. They were also integrally involved in the research of Filipino colleagues. Others also contributed highly to the research and teaching program, including Jeffrey G. Williamson and Leon Mears. The visit of the National Planning Association team studying the Philippines around 1965 also led to the residence of economic researchers led by Douglas S. Pauw. They produced some studies of the Philippine economy during this period among which was the study of George L. Hicks on the coconut industry of the Philippines was especially noteworthy.

benefited from enrollment in the graduate program offered by the School: Romeo Bautista; Gonzalo Jurado; Mahar Mangahas; Florian Alburo; Linda Valenzona; Rosa Linda Tidalgo; Ruperto Alonzo; Raul Fabella; Gwendolyn Tecson; Felipe Medalla; Vicente Paqueo; Dante Canlas; Benjamin Diokno; Emmanuel de Dios; Orville Solon; and Emmanuel Esguerra. (Solita Collas Monsod was a product of the UP undergraduate program but went to University of Pennsylvania for graduate studies.) I can name a list as long if not longer for those who had gone on to serve the government planning and economic sector agencies. Despite this success in harnessing talent into the faculty, the PhD training program of faculty abroad suffered a high degree of casualty in terms of faculty retention. During the academic year 1968-1969, the economics department listed ten faculty members on training abroad under one or other form of scholarship in different universities supported by the foundations.⁸ Of the ten on training, eventually, only five returned to serve their contracts.

Indeed, the academic programs of the department had become the main source of supply of the generation of NEDA and government recruits who were harnessed into government service during the 1970s and the source of principal economic researchers who would staff the Philippine Institute for Development Studies after it was set up in the late 1970s. Moreover, graduates of the program helped to populate the technical economic work of multilateral agencies, notably USAID, the World Bank, the Asian Development Bank, the UN agencies, and also bilateral economic assistance agencies such as USAID that needed to employ local economists. The developing strong reputation of the economics program also enabled it to attract other PhD Filipino students who were studying and working abroad. An inducement often was the ability of the economics program to help defray or reimburse some final schooling expenses. Notable among these later PhD recruits were Edita Tan, Ernesto Pernia, Cayetano Paderanga, Eli Remolona, Manuel Montes, Arsenio Balisacan, Ramon Clarete, and Socorro Bautista Gochoco. Despite this, a number of those who were attracted to join the faculty eventually found jobs elsewhere, in the private sector, in some multilateral agencies, and in other universities abroad.

The economics faculty began to develop stronger relations with other foreign economic development institutions dealing with economic education and research. Widening exposure of the academic and public affairs programs have led to these foreign institutions taking notice. A result of this was to induce a further inflow of economic talent from these institutions. Visiting foreign scholars and researchers could field their scholars at the UP. The contact with regional institutions was

⁸ *Annual Report 1968-1969*, UP School of Economics. Of the five who returned, eventually, one of them, Roberto Mariano, decided to accept a professorship later at the University of Pennsylvania. Of the five who did not return, two overstayed in their studies, one decided to return to his original field of study, biology (Apolinario Nazarea), and another, decided to join the IMF (Delano Villanueva).

growing, especially with institutions from Japan, Australia and some European nations, in addition to those in the United States. As examples, contacts with the Institute of Developing Economies in Tokyo and with influential academic leaders strengthened, such as with Shin-ichi Ichimura of Kyoto University and Saburo Okita of the International University in Japan and Heinz Arndt of the Australian National University. One result of these relationships was the inflow of young research scholars from these institutions to undertake their research studies in the School. When the School of Economics became the venue for the economic stabilization of Indonesia in 1965, the faculty met with the leading economic technocrats of Indonesia like Widjojo Nitisastro and Ali Wardana.

8. The Economics Library

The Economics Library has a history linked to the first grant of the Rockefeller Foundation to the faculty development program. The library has become one of the major libraries of the UP. Its collection began when the Rockefeller Foundation gave a grant in support of developing the IEDR in 1957. Over time, the library collection became one of the largest special collections in the UP system. It owed its growth also to the dedicated leadership of Belen Angeles, nee Bundalian, who was the economics librarian for most of her career. As a young librarian, she was sent, through a Rockefeller study grant, to learn graduate library science in Smith College at about the time that I went at MIT. Given the impressive growth of the library that she built, she was elevated to University Librarian. She was succeeded in the task by her able long-time co-worker and assistant, Rosemarie Rosalie. The library's collections have been housed in a proper building that was as sturdy as the academic offices of the faculty.

The library was a major asset to the School. The faculty and its students would have been less successful in their work without an effective library to support them. During my productive years at the School, the library was indispensable. If it lacked the material, the well-trained staff searched beyond the University and the ADB holdings and ultimately retrieved it. It never failed me. During its initial years, the library was housed in the IEDR library building that was part of Benton Hall. When the School moved to its permanent home, a second building was constructed to shelter the library and its collection. Though the faculty and students of the School were its primary clientele, the library was made available to a wider user population: the University and the nation.

9. The training program in development economics for government officials and the Ford Foundation

The second major development was the Program in Development Economics. The Ford Foundation played an important role in this program to train government officials already in their jobs in basic development skills, including

an understanding of economics. This program was for one academic year, at the end of which a certificate in development economics was given to the participants. Aside from improving basic economic skills of the participants, the experience of learning together strengthened group morale, thereby instilling better coordination among government officials in their post-training experience.

The Ford Foundation had successfully run a similar program of assistance to Malaysia's prime minister's economic planning office. In early 1964, the Ford Foundation agreed to support the training program in development economics through a tie-up between the IEDR and the University of Wisconsin's economics department. At the time, Amado Castro was the director of IEDR. At about this time, too, Cesar Virata was appointed the new dean of the College. The department of economics was a unit of the College of Business Administration, but the IEDR was an independent unit of the University. The faculty of the department were technically also part of the staff of the IEDR. This tangled administration would soon be corrected when the School of Economics was established.

The UP-Wisconsin Program in Development Economics would help to scale up the public affairs involvement of UP economists. The Ford Foundation would also begin its substantial involvement with economics. The Wisconsin group in the UP was headed first by Everett Hawkins and later by Leon A. Mears. A stream of development economists would come to render assistance to the training program for government officials. Aside from Mears, the following professors would make contributions to the School's public affairs work and add to the research effort: Robert J. Lampman, Jeffrey G. Williamson, and John H. Power. While these visiting professors rendered their direct contributions to the training of government officials, they extended their research interests to Philippine development issues.

10. The UP School of Economics is born

The year 1965 was also a historic one for economics at the UP. The School of Economics was finally created by virtue of a cooperative agreement among the principals in the economics branch of the College of Business Administration. Dean Cesar Virata proposed the separate establishment of the School to President Carlos P. Romulo, who endorsed it for approval of the board of regents.⁹ When the School was created, it was allowed to offer and administer its own degree programs. Thus, the old conception of the graduate school as the administrator of

⁹ I discussed this more fully in my biography of Cesar Virata (Sicat [2014: 100-114]). An important point to make here was that Encarnación was initially not in favor of separation from the College of Business Administration. Amado Castro and Agustin Kintanar welcomed the creation of the School. Dean Virata essentially sided with the other two, overriding the neutral stand of Encarnación on the issue, for reasons related to the growth of the business school. At the time of the creation, my views on the subject hardly mattered.

degree programs was effectively decentralized to the degree-granting units of the university. During my years in the faculty, I often got involved in the bureaucratic issues of decentralizing the graduate school. Eventually, such a move became a fact. The convoluted process that I endured during my time in earning an MA from the UP thus ended with that process giving way to more direct administration of degree granting by the main units offering the program.

The next few years would involve a period of continuous growth of the department's offerings. The graduate program expanded well with a very bright group of students who studied on full-time scholarships. The Program in Development Economics began training the first batches of government economic planners. The feedback from both programs was very good. Not only was there academic learning, the program also included field trips to important economic development project areas. Research in the School was beginning to take off, some of it especially buttressed by the presence of many foreign visiting researchers. Apart from the visiting faculty, the Rockefeller faculty as well as the Ford-supported faculty in the Wisconsin program were contributing greatly to teaching and also to research. But what would happen when the foreign donors began to reduce their assistance? We could not forever depend on them.

11. My own progression

In the meantime, during the years from my return to the economics faculty until the end of the decade of the 1960s, things went and rapidly well for me. I was very productive. I was inspired. Although I was the youngest among the faculty of recently returned postwar PhDs, my colleague-administrators (Amado Castro, Pepe Encarnación, and Dodong Kintanar) who were as well my peers supported me with the resources that I needed to accomplish my tasks. In return, I was churning out a stream of research work in which I was literally burning the midnight oil, from collaborative work with others to research that I did on my own. I was writing mainly on mundane but very important economic development issues for the country. It paid to work in the midst of a large and active community. I received a good amount of mentoring from senior colleagues and visiting professors. Even then, as the tenderfoot among the newly returned postwar PhDs, I was given some amount of administrative assignment related to student recruitment, university committees, graduate admissions, and organizing and managing seminars by invited and visiting speakers on development and economic issues.

Amidst these efforts, I could not complain. I returned to the University with the rank of assistant professor in 1963. Probably due to the scarcity of faculty as well as the amount of work that I must have produced on my own, by 1967 I was promoted to associate professor. Before I was 34 years old in 1969, I was made full professor. This was probably commensurate to what I was accomplishing. My more senior colleagues (Amado Castro was dean and Pepe Encarnación, the

chairman of the department) must have talked about the many reasons why they thought I was ready for rapid promotion. Was it because the salary of the UP faculty was so low that the only way to keep a wanted colleague was to promote him to higher pay? Was it due to my publications and a large stream of discussion papers on Philippine economic development? Was it because I was not much of a complainer but was visible with my own efforts at collaborative work with others, both senior and younger colleagues? Was it because I was an effective teacher? (I did not think I was an outstanding teacher but I believed I was a competent one.) Was it because I was gaining public recognition and so, sooner or later, I might be offered a better job by an eager outside employer?

These factors or questions might have played a role in my rapid promotion. My world opened to me in many directions even as I continued simply to be a good soldier in the small unit that was then the School of Economics. I was invited to house and senate committees to give my opinion on public economic issues (price control, exchange rate policy, industrial and agricultural policy, even the use of pesticides and their environmental impact) and sometimes participated in public talk shows on television and on radio. I would be invited to join the first economic mission fielded by the new Asian Development Bank in 1968 when it undertook a country economic mission to Thailand and lent it the first loan ever granted by that agency. I also noted that some prominent public policy players—businessmen, senators and congressmen, even cabinet members who were more politically inclined—were seeking my views on public issues.

12. Government career intervenes

I had not been full professor for more than one year when in 1970, my academic life at up was interrupted. One day I received a letter from Dr. Gustav Ranis offering me an attractive research position at the Yale Economic Growth Center on an attractive research position. I did not have any contacts at Yale, so this letter was a complete surprise. It opened a new, wide window for me, and after some thought I accepted. I would go on leave from UP, and no one in my department could say “don’t go”. Every colleague would have jumped at such an opportunity. Yale University’s center was young then, but it had a first-rate reputation. Gus Ranis the director was propelled to fame with his seminal work with John C. H. Fei elaborating on the contribution of W. Arthur Lewis’s model of the “labor surplus economy”. Among its young recruits were a stream of graduates from MIT’s department of economics. Yale was also home to many important leaders of the economics profession. James Tobin and Tjalling Koopmans were the giants of that department and both would win the Nobel Prize in economics.

One morning a few weeks later, Cesar Virata, who had just been recently made secretary of finance, visited the School to convey a message to me: President Ferdinand Marcos wanted me to join his cabinet and become chairman of the National Economic Council.

The drama of that day for me was real. Loretta, my wife who was also a member of the political science faculty at the UP, was to make reservations for the family's air tickets (two parents, four young children) to New Haven, Connecticut where Yale University was located. As I rushed home, Lor was leaving by the doorway to the car in the shed.

Despite my sudden fear that perhaps I was too young to head the national planning agency, I felt humbled and honored to be given a chance to contribute directly toward nation-building. Thus, I withdrew from my Yale commitment.

This turn of events in my life had some consequences not only for me but also for the School of Economics. One way of looking at it was what happened after I had left the scene many years later. If I had bungled my work in government, the consequences for my colleagues and the School would have been less propitious. I tend to believe that having served at the helm of the National Economic Council and later as the founding director-general of the NEDA was a useful time for the nation then. Paving the way for others was never automatic and certainly was never my intention. The intrinsic worth and luck of each successor was surely the most important aspect about people being offered serious jobs. But the fact is that many successors did come from the School. The plain statistic too is that graduates of the School have filled up many critical posts of economists in important government agencies. It became a natural question to look to the School whenever there was some vacancy in the NEDA.

For how can one explain why, whoever became the country's president, someone from the School had come to head NEDA? Solita Collas Monsod, Cayetano Paderanga, Felipe Medalla, Dante Canlas, Arsenio Balisacan, Emmanuel Esguerra, and Ernesto Pernia, all distinguished faculty members of the School, became heads of the neda after me. (Cielito Habito, though he belonged to up Los Baños, was often mistaken for a UP School of Economics alumnus or professor.) And then also there were of course the deputies of the NEDA which included the following serving in their turns: Romeo Bautista; Ruperto Alonzo; and Florian Albuero. These were faculty colleagues. And one should not forget that Benjamin Diokno is today budget secretary and was also an undersecretary at one time. These person-years of dedicated service at the helm of cabinet posts in economics is a record that perhaps no unit of the university has accomplished.

These posts that went to UP economists from the faculty happened in the succession of presidencies following Marcos and continuing on to presidents C. Aquino, Ramos, Estrada, Macapagal-Arroyo, B. Aquino, and Duterte. Compare this phenomenon to my precursors at the helm of the National Economic Council when I became its chairman. My predecessors included the following: Filemon Rodriguez (engineer); Alfredo Montelibano (businessman); Jose Locsin (politician businessman); Marcelo Balatbat (businessman); Alfonso Calalang (businessman, later Central Bank governor); Hilarion Henares (businessman);

and Sixto Roxas (businessman-economist). My immediate predecessor was in acting holdover capacity, Placido Mapa, Jr. (economist).

More important for the School were the immediate events that followed my joining the government. I believed that the stage was now set for the next phase of the history of the School of Economics. That was when a little later the Philippine Center for Economic Development (PCED) was created and paved the way for supporting and strengthening the School in its various missions.

There were further surprise developments for me in the year I joined the cabinet. Shortly after I became chairman of NEC, President Marcos appointed me to membership in the UP's Board of Regents, replacing Regent Leonides Virata.¹⁰ I would serve as a regent at the UP beyond the time of my service at the NEDA until 1984. This was during the presidencies of Salvador P. Lopez, Onofre D. Corpuz, the interim presidency of Emmanuel Soriano, and until shortly after Edgardo Angara became president. At the UP's governing body, it became possible for me to understand the constraints and the problems that the School of Economics faced as a UP unit. There was another surprise: again, President Marcos made me a member of the US-Philippine Educational Foundation, in place of the former UP president Vicente Sinco. In some ways, the UP board of regents and this educational foundation, though separate institutions, had similar missions in the promotion of education in the country.

13. The Philippine Center for Economic Development

Economic policies and planning could be made better if sound economic studies were easily available. This of course depended on the existence of institutions that encouraged such studies. Now coming from a new perspective as a government official with power to help shake up things toward a better direction, I thought of ways to contribute to the strengthening of the UP School of Economics. For the moment, the expansion of the School came from the support of outside resources, the American foundations, and of course the UP itself. Strengthening the School in my would also help it play a larger role in the nation's development.

I could be helpful in several directions. One was to help the School build and acquire its physical assets more quickly. This could simply mean pushing the School closer to its normal clientele in government by making obvious what it was doing for the government and for the nation. As a young unit in the university, the School had limited physical assets in spite of the heavy demand for its academic and public affairs services. Its academic programs had become stronger both at the graduate level and in the form of the new training program in development

¹⁰ I suspected that these appointments were the result of recommendations by newly installed executive secretary Alejandro Melchor, who probably saw in my UP educational credentials high relevance to the requirements of these respective jobs.

economics that supported the government. Therefore, one unique way to play that role was to help the School secure more financial support from the government as well as from private sources. A second way was to help improve faculty salaries, for standard UP salaries were causing economists on the faculty to be restive. Creating institutional solutions to this problem was essential. A third way to do this was to establish a larger capacity to support the research helpful to the nation's development. On this point, I was hoping that there were ways to set up a think tank dedicated to the nation's development problems and how to solve them.

The professional schools of the university had been continuously afflicted by the major problem of losing talent to the government and to the private sector in view of the high demand for their talent. Some of these schools had devised ways to stave off the outside flow of talent for their faculty. Retention of good faculty and the hiring of capable faculty required also building defenses so that incentives and salaries within the institution could be raised. UP's colleges for engineers, lawyers, medical doctors, and business professionals were finding ways to increase the salaries of their faculty through opportunities for professional practice even while remaining on the faculty. The practice in economics was not as sharply defined as that of these professions. Yet economists were likely to secure much higher salaries in the open market than those employed in the university. There was a necessity to upgrade their income either through outside consultancy or research or through internal defenses that helped to keep them within their own unit.

As one of the early projects at the National Economic Council, I allocated research money so that the School could work on an econometric planning model for possible use in the government. Dean Encarnación took charge of the project. For a while, the quantitatively inclined members of the faculty were engaged. I had hoped to get more resources to the School through institutional empowerment. One of the most important efforts undertaken at the School were the research papers on trade and industrialization that John Power and Romeo Bautista pursued to further employ the faculty in a directly useful research effort.¹¹ In the work that ensued, many graduate students of the School participated in the study. The project helped some of them to become specialists in the line of their research. The project also helped in producing development economists who understood the major issues of foreign trade liberalization. The country could not get to move forward more quickly in these reforms because of the strong protectionist sentiments that opposed such policy adjustments.

¹¹ During the late 1960s, John Power and I joined forces in a study of trade and industrialization. He was studying the impact of nominal effective tariffs on trade and production incentives. I was engaged in a study of industrialization policies. Later studies with Romeo Bautista and many of the UP economists with whom John Power worked involved more detailed expositions of the resource allocation implications of specific industrial policies. Power and Sicat [1974].

To create institutions and strengthen them was sorely needed to raise reformist ideas to be accepted. My idea for a think tank in the UP School was to introduce a research program that would help the government build a pipeline of research on development issues in the country. It is a common phenomenon that research institutes were set up in universities and that those universities often sought resources from the government to back up the programs. In fact, the mechanism and institution at the School already existed: the IEDR. However, it needed restructuring and more direction as well as more resources to do a good job. I thought of a think tank guided by a grand research agenda that was in part suggested by the government. For instance, this could be along the lines of poverty alleviation, public economics, and international trade issues.

But Encarnación's academic instinct was awakened in a different way. He felt that the faculty would be better off in they undertook their own research agenda, creating for themselves the incentive to work on research that they individually wanted to do. The gist of this discussion was reported in my memoir on the creation of the Philippine Institute for Development Studies [Sicat 2017]. I did not pursue my plan, but had hoped that natural developments would lead toward this solution. When I decided to push for the founding of the Philippine Institute for Development Studies, it was my decision to move toward a new, perhaps better direction.

Within a year after the installation of martial law, I found a solution to the main problems afflicting the School with respect to strengthening its defenses, its programs, and faculty. This was the preparation of a decree that would set the major parameters of support to the School. On May 13, 1974, Presidential Decree 453 creating the PCED was signed. The moment of creation was noted widely among the newspapers of the time, in the *Times Journal*, *Balita*, *Business Day*, and *the Bulletin Today*. The last of these reported on the reasons for the creation of the institution more extensively.¹²

¹² *Bulletin Today*, May 20, 1974 carried a longer news item, from which the following are excerpted (slash (/) for paragraphs): "UP's Economics School boosted". / President Marcos acted yesterday to ensure the continued availability of local economic expertise through the creation of the Philippine Center for Economic Development (PCED). / The PCED had been created through Presidential Decree 453 to give moral and financial support to the School of Economics of the University of the Philippines. / The UP School of Economics has been turning out an excellent crop of economists and has won praise here and abroad for this. However, according to a report by Dr. Stephen Lewis, a Ford Foundation consultant, the school faces possible depletion of its excellent staff, programs and research experience through the failure to add at this stage to its resources. / For its initial organizational and operational requirements, the PCED has been earmarked ₱5 million from the national treasury, in addition to a yearly outlay of ₱2 million for six years. / But while the PCED shall provide a stable financial base for the School of Economics, the school shall remain under the effective academic and administrative supervision of the UP system and shall maintain a high degree of independence, relying on faculty initiative as the prime means of developing competent training and research. / Source of funding is an endowment fund to be derived from contributions, donations, bequests, grants, loans, government subsidies and income from the operations of the center. / The endowment fund shall be administered by the PCED's board of trustees, which shall see to it that the principal of the fund shall not be impaired and that only its earnings shall be available for expenditure. / According to Director

Perhaps, the transmittal letter to President Salvador Lopez by the new School of Economics dean said it well. Dean Jose Encarnación Jr.'s letter, dated July 30, 1974, contained the following emphatic paragraph:¹³

I would like to add here what is clearly *the single most important development in School affairs during the past year*: the creation of the Philippine Center for Economic Development by Presidential Decree No. 453. The PCED, actually a Foundation in nature, is charged to provide the School the moral and financial support needed for the maintenance and expansion of the School's programs. Adding the likelihood of an increased budgetary allocation and financial assistance for the proposed School building, the prospects of the School have widened for greater usefulness to the nation and the region as well.

This incidentally was the first year of the long tenure as dean of Dr. Encarnación, who succeeded to the post after Amado Castro's term as the first dean had ended.

14. PCED's back story

I went ahead with plans to look for a more institutional solution to the problem of the School. I brought along Dean Encarnación in to the evolution of my thinking on the occasions when I would pay him a visit every now and then on my way to work in Manila to catch up on developments as well as to exchange views about the School. I thought he would have been content with the old solution, which was to encourage faculty to undertake research and consultancies during their free time as professors. To do this right, a convincing case to explain the need for the changes had to be made. When I was new at the NEC, I visited South Korea and made a point also of knowing more about the Korean Development Institute. Before that institute was founded, a feasibility study that was funded by USAID was made to justify it.

To make a case for a new institutional arrangement, it would be important to find a credible consultant to review the problems and to suggest solutions. I had met Dr. Stephen R. Lewis at an international economic development conference in Bellagio, Como, Italy. A Stanford PhD in economics, he had a rich background in public economics. He got his development experience as economic adviser to the governments of Pakistan and Kenya. At the time I brought him to study our Philippine issues, he was serving as provost of Williams College. This small college in Massachusetts was home to an internationally reputed program in

General Sicat of the national board of trustees, the UP School of Economics until now has "proved its mettle in filling up the demands of government agencies for economic technicians", but has had to depend for some form of financial assistance from Rockefeller, Ford, and similar foundation./ Sicat expressed the hope that with the creation of the PCED, 'there will be less reliance on outside consultants on economic matters and more dependence on local technical expertise...'

¹³ See *Annual report of the UP School of Economics, FY 1973-1974*.

development economics that was training middle level and young economic civil servants in developing countries. (To this program, the Philippines would send a long stream of development technicians who would serve the country in outstanding capacity, including Ernest Leung, Romeo Bernardo, and Gary Teves, who would all become outstanding members of the Philippine finance bureaucracy.) I asked the Ford Foundation to finance the trip of Stephen Lewis.

Arriving in early 1974, Lewis and I reviewed the issues concerning the School in my office in Manila. Then he interviewed the faculty at the School of Economics in Diliman beginning with Dean Encarnación, including the visiting professors. He must have also reviewed various programs supported by the American foundations and spoken with key supporters in those institutions. He immersed himself in studying the academic and public affairs programs of the School, from which he could draw parallels in his experience elsewhere. He also engaged with government and other users of graduates of the School to understand the market for economists in the country.

With a short but effective report by Lewis on the problems at hand, I asked Roque Sorioso, head of NEDA's legal staff to prepare a short but comprehensively flexible draft presidential decree. After laying out the need for competent studies of economic issues, the decree called for the establishment of the PCED. This new institution could receive contributions, donations, grants, and loans as well as government appropriations to enable the new institution to achieve its objectives. The board of the PCED included the major officers of the NEDA Board members who were the principal users of economic research as well as employers of economists. With the PCED, the School acquired a separate arm that enabled it to create opportunities for greater fiscal autonomy, including the ability to undertake arrangements with national government entities without the circuitous route of UP central administration. Also, opportunities for getting the wage and salary framework exempt from the regulations were opened. All these provided more opportunities for the PCED to secure for the School direct access to improved financial resources to augment its capacity to raise the welfare of those assisted by the PCED.

15. The School with PCED

The memories I bring forward on the early days of the School of Economics could fill a void in our collective memory. Some of the points I make here are not known or are known only to a few. There are no written records except for a trail of documents we find at each juncture. Writing these memories reminds me of what Günter Grass, the Nobel prize literature winner in literature, said about memory, that it is like peeling the rings of an onion. Memory improved as I kept probing.

PCED helped to change the course of the School's history. The rest of this memoir, therefore, outlines some of the ways it had accomplished this. It may

not have lead to the perfect, most desirable path, but it helped to tilt the direction when major problems would have led to the path being blurred or closed.

15. Physical facilities

The PCED enabled the School to solve its space problems quickly.¹⁴ Earlier efforts to secure budgetary appropriations for a building had ended in failure. But soon after the law on PCED was signed, everything moved with speed. The School secured budgetary appropriations for a building. It helped immensely that the Japanese government had recently inaugurated a new grant program for the construction of buildings to support human development projects in countries where they had strong bilateral ties. The grant for such projects amounted to the yen equivalent of about US\$1 million. I immediately suggested that the School of Economics building could be the opportune first project for this assistance in the Philippines.

The NEDA programmed the economic development assistance from Japan as well as from other foreign countries. President Marcos approved the grant aid package from Japan which included the grant for the School of Economics building. The result of this development effectively increased the budget for the economics building. With so much at stake, an integrated architectural planning became possible. Dean Encarnación was able to engage the services of one of the best contemporary architects, Carlos Arguelles, to design the School of Economics premises. The design represented one of Arguelles' crowning achievements in his body of work.

Because of the speedy allocation of funds, the School had to find a prime piece of land. One such area was found along the academic oval—what used to be the recreation center area of the old temporary campus. In getting to that part of the university real estate, it helped a lot that I was also a regent of the UP at the time. It was easy to talk with the School physical planners after convincing then-UP president Onofre D. Corpuz. The School premises would be near the College of Law grounds, at the curve along the oval overlooking the sunken garden. Probably and for the reason that the School of Economics had moved there, the UP College of Business Administration would abandon Benton Hall, also well-located, to the new site when the college would build its new edifice later on.

¹⁴ When the School was founded, its premises were shared with the College of Business Administration in Benton Hall, the building between Palma Hall and the Benitez Hall. The library building and offices belonged to the IEDR while the main building, Benton Hall, was owned by the business college. Amado Castro had strong sentimental attachments to this building because it was built during the construction of the library facilities donated by the Rockefeller Foundation, the result of the 1957 grant IEDR. The design of the library and Benton Hall was integrated and Amado had a hand in the choice of the architect who was Ariston Nakpil. But the building belonged to the business college. Moreover, there was little room for future growth of the School in that area.

In fact, there was a subsequent building phase. My enthusiasm for the government training program in development economics led to the construction of a hostel to enable government trainees to live on campus while on training. The planned use for this facility did not fully materialize however. The economic crisis of the 1980s led to the decline of the training program. Eventually the hostel was deeded to the University and it became, as it is today, the university hostel.

16. Programs

The main programs of a teaching college in a university are the academic programs. The School's outreach to help train government planners was an extraordinary effort and made the School much more important to the government in that sense. But to excel, the School's main task was to have good academic programs that produced its output of graduates to serve the nation's needs. The production of the supply of economists is, by and large, the main task of the School.

The PCED aimed to strengthen the faculty by improving remuneration within the School. The faculty is the anchor on which good output of graduates depends. One of the objectives of the PCED was to introduce a flexibility in the wage and salary system so that the School could partly escape from the strictures of salary standards within the university. Average standards devised for general government as well as for the university in general often were too low for the market that operates for economists. With PCED, some degree of improvement of the incentive pay for faculty was achieved at the beginning, but this was eroded by later moves to reimpose national salary standards for government officials in later legislation. Still, the environment for improving effective income for faculties with good outside consultancies and research projects achieved a much better system of remuneration within economics than in other faculties of the universities. This has continued over time.

What surprises me in retrospect is the fact the PCED was not able to provide the fellowship money that would fill up or supplement the dwindling resources that the foundations had previously provided for graduate students. Had it accomplished that, the current graduate studies program would have continued to be as robust as when it started during the 1960s. The graduation of MAs and PhDs would have continued without the hollowing out of graduation numbers that the School subsequently experienced. That hollowing out of graduates was at great cost to the up School of Economics. Many of its bright students got absorbed prematurely into work before they could finish their graduate studies in the School. Other graduate students after their second and third year of study eventually also chose the option of studying in universities abroad where they either secured scholarships or assistantships, making the School play the mere role of feeder of talent to these other universities. In that respect, the loss was not total for some of these students finished with advanced degrees. Also, some of

those who studied abroad returned to find jobs in the country. Looking forward, however, the need for active provision of direct fellowship incentives for graduate studies in economics could still be within the ambit of actions that the PCED had the mandate to provide.

The economic crisis of 1983 was triggered by a political assassination that unraveled a delicate external debt situation. The resulting international isolation of the country at that time simply made impossible the extension of a debt lifeline that could have stopped the rapid decline of the economy. But its lasting impact on the nation would be economic. A two-year economic depression of 10 percent successive rate of decline punished the nation deeply, making recovery difficult. It ushered in a period of national discombobulation that lasted beyond People Power in 1987 and the fall of Marcos. Much has been said and much more—as historians (economic as well as straight) and analysts take the command post and some of them will come from the School too—will be said in the future. In explaining why the country slid into becoming a follower rather than a leader among the nations in Southeast Asia, the great lesson that we will learn is that political organization and reform are essential as the basis of sound economic development.

For instance, in the large industry that has grown as a result of that economic crisis, the “blame game” has been focused more on the sins of Marcos. To assign a proper perspective on events and their consequences, one should assign sins as well to those who succeeded him. One thing we can learn from Indonesia is that as new leaders took over, they focused more on the future than on demonizing what the former leaders did. Nation building is the accretion of accomplishments and of sound legacies. Incidentally, that is also true in institution-building.

17. Finale

At the lunch in April 1998 to honor former Dean José Encarnación, Jr. who served from 1974 to 1994, most of the faculty was present. In the earlier morning, the year’s graduates had just celebrated their commencement rites. When Dean Felipe Medalla briefly spoke to express the School’s debt to the dean who had presided over the School’s growth, Pepe, who was to everyone known by this name, rose and true to the brevity and wit for which he was known, simply said that he didn’t do much except to let everyone work with him and then, he, to my surprise, referred to me as the godfather of the School.

That was Pepe Encarnación. His hyperbole always delivered well and sharply. But in this case, he had exceeded the credits. The School became what it is because of those who pulled it up together. Amado Castro was certainly part of it. The foundations—Rockefeller and Ford—were integral to that storied growth. A stream of faculty members, including some visiting faculty, gave it more prominence, respect, and relevance. But the School is also what it is because, when Pepe’s turn came, and it was for a long duration, he gave it inspiration

and good leadership. As for me, I owe a lot to him. It was he who insisted on nominating me for the TOYM awards in 1967 and a little later that year I was part of the year's TOYM.¹⁵ He recognized my worth within the School. He had insisted after my service in the government that I was always welcome back in the School. I remembered that invitation after I finished my international work and I came back.

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¹⁵ The ^{toym} of 1967 included Juan Flavio, Ernesto Maceda, and Jaime Laya who would all become outstanding public servants.