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TODAY, there are 32 million Filipinos. Seventy-five percent of these, or 24 million Filipinos, are poor. That is, their family income does not exceed ₱200 a month. They are inadequately fed, getting by with less than 200 calories a day when the minimum requirement to keep the average body and soul together is 2200 to 2700 calories. They are poorly housed and clothed. They have remained ignorant, dull of wit and imagination, reduced to a life of uninformed drudgery, a shrunken personality, and to a gnawing consciousness of their uselessness to society. This is the economic challenge in the Philippines today: to deliver three-fourths of Philippine humanity from threadbare existence to a life of vigor, imagination, fulfillment and substance.

But what so far is the Filipino's score on the issue of poverty? What has he done to translate his desire to break out of the poverty syndrome into actual deliveries of goods and services? One measure economists use to define poverty is the ratio between deliveries of goods and services on the one hand and the number of claimants to these deliveries on the other. A conventional index of the goods and services delivered each year by a nation is the Gross National Product, or simply the GNP. Given a certain rate of change about the country's population, a nation is relatively poor or not depending on whether the GNP in real terms is adequate to meet the requirements of a productive life over time and space.

The most recent GNP tabulations for the Philippines released by the World Bank in Washington D.C. in September 1966 estimate per capita income at ₱595 (at ₱4.25 to $1 exchange rate). How adequate is a GNP per capita of ₱595 to buy the goods and services required for a respectable human existence? There is no single set of statistics which provides the complete answer. But approximations can and have been made. In 1955, one study estimated what a Manila working man would have to earn to provide the absolute minimum of goods and services to maintain himself, a wife, and two children aged 17 and 2 years old respectively. This absolute minimum did not include household furnishings, birth expenses, burial expenses, clothes, medical expenses, contributions to church, charity and friends, and saving. The absolute minimum called for a budget of ₱8.54 a day, ₱256.30 a month, or ₱3075.60 a year. In short, roughly ₱769 on the average were required in 1955 for the most modest per capita consumption in Manila, at 1955 prices. The GNP per capita for 1955 was ₱368. This was 53 percent less than the requirement for even the absolutely minimum human life in Manila. And at 1955 standards for consumption, today's GNP per capita of ₱595 is 22.7 percent deficient to buy the goods and services required for the absolutely minimum human existence.

Between 1955 and 1966 are some eleven years. In this span of time, the Consumers' Price Index for low income families in Manila, families with an annual income not exceeding ₱2400, rose by at least 33 percent, or 3 percent a year. Comparisons such as these, however, assume implicitly that the eleven years in between have not widened the range of consumables open to the low income family. The assumption may or may not be a realistic one to make. But there is ample evidence that over the period in question mass communications media have become more blatant if not entirely effective in their pursuit of contriving consumer wants. The low income family may be economically impotent to keep diversifying its consumption patterns, but it is hardly impervious to the possibilities of enriching the fabric of its existence. The logic or perhaps the curse of its circumstances reduces such a family to living as it can, knowing only too well that living as it can is not the way human beings should live.

Indeed the GNP per capita in the Philippines today is too small to buy even the minimum requirements of human life. But how does it compare with the GNP per capita of other Asians and the rest of the world? Comparisons over time and space of GNP per capita are clearly subject to some limitations. For one thing, the consumer basket which a Japanese or an American requires for the moderately comfortable human life differs from that of the Filipino either on the absolute level or in the composition of requirements. For another, the most conventional index, the GNP, is not as well developed a statistical measure for most of the underdeveloped countries as for the developed ones and in this regard may fail to register the totality of goods and services turned out each year by a primarily subsistence agricultural economy most of whose output never get to the market where some monetary valuation may be tagged to it. And in terms of time, new goods and services become part of the consumer basket, the qualitative improvements about them not adequately reflected in the GNP statistic. But even after allowing for these qualifications to the adequacy of the GNP measure for inter-spatial and inter-temporal comparisons, it is clearly true that the greater one's income is the more capable he is of acquiring both the requirements and the amenities of human life. Now, how does the Philippine GNP per capita of ₱595 compare with the rest of Asia? As of September 1966, per capita income in Japan was ₱2805 (at ₱4.25 to $1 exchange rate), in Mongolia ₱2040, in Singapore ₱1995, in Hong Kong ₱1320, in North Korea ₱892.50, and in Nationalist China (Taiwan) ₱807.50. As for the world at large, the available figures are those of 1964. The income per capita in the United States then was ₱10,530 (at the exchange rate of ₱3.90 to $1), in Sweden and Switzerland ₱7020, in Canada ₱6630, in Australia and New Zealand ₱6240, in Israel ₱3900, and in Austria, the Soviet Union and Venezuela ₱3510. While the latter are 1964 data, they are nonetheless comparable, given the same rate of increase of real output in the countries under comparison. In short, the Philippines, poor as it is in terms of meeting even its own internal requirements for minimum consumption, stands even so poor among her fellow Asians, and so terribly poor beside the North Americans and the Europeans.

However, the economic challenge in the Philippines extends beyond the problem of inadequate bundles of goods and services to support human life at a respectable level. One could bear with poverty to some degree so long as there is some prospect of eventually breaking out of it, so long as deliveries of goods and services enlarge over time. This is the problem of economic growth. If one defines economic growth in terms of rising per capita income over time, he has no doubt that there has been some growth since 1946. The problem of growth in the relevant sense therefore reduces to one of whether this growth in per capita output since 1946 has been rapid enough to deliver us from the poverty squeeze within a tolerable time period. What is the national score on this issue?

The period between 1946 and 1949 was for the Philippines one of rehabilitation and reconstruction. Philippine GNP over this period increased by 33.8 percent per year on the whole. It was of course the time when we were merely replacing lost equipment, and not necessarily adding to a given stock of plant, machines and buildings.

By 1950, however, the postwar boom was beginning to peter out. Our productive capacity could not meet domestic requirements of consumption and capital formation. At the same time, money incomes continued to be high, the backwash effects of the postwar boom. In an effort to stem inflation as well as ration out limited foreign exchange to the most productive and pressing allocations, the government instituted a regime of controls on the use of foreign exchange. The basic form of control was in terms of an overvalued peso *vis-a-vis* the dollar. In effect, this form of rationing foreign exchange unwittingly penalized producers of exports, the very sources of the foreign exchange which makes possible purchases from abroad of capital goods to increase our productive capacity. Thus, the rapid rate of growth in physical output which marked the early postwar period was reduced to the much slower growth rate of 7.1 percent per year between 1950 and 1953.

The growth rate declined still further to 5.4 percent each year between 1954 and 1958.

Since 1959 and throughout the 1960s, real GNP in the Philippines has been growing, on the average, by 4.5 percent each year. This history of economic growth in postwar Philippines then is one whose contours define an all too familiar phenomenon among many Filipinos who begin an enterprise very well, manage to grow very rapidly for some time and soon peter out of energy, staggering to a slower rate of growth, if not entirely grounding to an exasperating stop. In effect, there are no assurances that one can eventually break out of the poverty squeeze in any permanent fashion. For far too many Filipinos, poverty has become the hard core of an existence whose distinctive marks are apathy, cynicism, and underachievement in virtually every aspect of human behavior.

As physical output has risen slowly in recent years, the number of claimants to this output has increased very rapidly. Philippine population has been increasing by at least 3 percent each year, in effect adding annually 1 million heads to the population pool. The gap between our capacity to produce output and our capacity to consume it continues to widen. The gap translates into the production of a great mass of undernourished, half awake, half informed persons whose physical stamina is seriously limited and who can hardly be expected to develop the type of industrial discipline which identifies the vigorous, enthusiastic, and productive labor force. In effect, the Philippines continues to be a nation of low productivity farm hands whose horizons go no farther than the confines of their farms.

Thus, in the last twenty years the income pie which the Republic of the Philippines succeeded in producing has been inadequate in terms of requirements for human life. At the same time, while there has been some enlargement of the income pie, it has not been in proportion to the rising consumption requirements, let alone to the increasing popular demand for a higher level of material well-being. There is more to the problem, however, than an inadequate income pie. How has this small income pie been divided among the various claimants to it? What is the national score on the issue of income distribution since 1946?

The problem of income distribution in the Philippines has been the subject of four different statistical analyses, one in 1948, another in 1957, a third in 1961, and the most recent in 1965. The 1948 study was part of William I. Abraham's work on the national income accounts of the Philippines. In 1948, the richest 10 percent of Philippine income recipients appropriated 32 percent of the national income while the poorest 72 percent of Philippine income recipients could put a total claim on only 12.5 percent of the national income.

In 1957, the problem of income distribution was the subject of study conducted by the Philippine Statistical Survey of Households Division of the Bureau of the Census and Statistics. By 1957, the top 10 percent of Philippine households appropriated 40 percent of the national income and the poorest 55 percent of Philippine households had a claim of only 21 percent of the national income. Thus inequality in the distribution of Philippine GNP increased between 1948 and 1957.

The 1961 study was also done by the Bureau of the Census and Statistics. By this time, the contours of income distribution showed that the richest 8 percent of Philippine households had some 37 percent of the national income, and the poorest 66 percent could claim only 39 percent of the national income. Between 1957 and 1961, income distribution in the Philippines failed to show any appreciable change, still leaving most of the Filipinos with an extremely small share of the national output.

The most recent investigation of the problem, also conducted by the Bureau of the Census and Statistics Survey of Households, still remains to be published in its entirety. From the portions that have been published so far, there is no indication that the direction of income distribution in the Philippines as defined in previous studies has changed materially. That is, the poor became even poorer by 1965 as the rich continued to appropriate a greater part of the largesse of economic growth. This is another way of saying that economic growth insofar as it materialized has not become meaningful to the vast mass of Filipinos during the first twenty years of the Philippine Republic. There can be only a lot of empty talk in exhorting Filipinos to enlarge the income pie by greater exertions on their part when most of the gains of growth are continuously appropriated by a relatively small segment of the population.

It is time to explain the facts. The facts are: 1) the deliveries of goods and services which the Philippine economy has so far managed to turn out are inadequate to sustain human existence even at modest levels; 2) production of these goods and services is lagging behind requirements over time for minimum consumption; and 3) most of the Filipinos get so little of the goods and services which embody economic growth. They all point to one conclusion: there are gaps in economic production. Clearly, one realizes a gap somewhere as soon as he compares what should be produced and what actually gets produced, what can be produced and what is actually produced. What should be produced is a matter of requirements for a productive human life within the context of a given time and space. What can be produced is a question of available economic resources under a given technological condition. What is actually produced is very much a function of what one has in terms of resources, and how these are organized for purposes of production. The resources that one has may be limited in quantity, or in quality, or in both at the same time. But assuming a given amount and type of resources, their productivity depends on how they are organized for production. One can realize dramatic gains in productivity or in the output-input merely by re-structuring economic resources from the way they have been set up. In short, the way to growth or economic development is structural change.

If there are gaps in economic production in the Philippines today, they can be explained partly by its economic structure. What is the structure of economic production in the country? As a matter of fact, what was it fifty years ago, a hundred years ago, or three hundred years ago? In 1963, some 35 percent of national income in the Philippines represented agricultural output, 18 percent manufacturing, 27 percent services, and 11 percent trade. The Philippines therefore continues to be a primarily agricultural economy, as it was fifty years ago. There is nothing inherently faulty about an economy whose resources are largely applied to agriculture, so long as productivity in primary production is relatively higher than in either secondary or tertiary lines of production. But if Philippine GNP is small and growing too slow to meet rising requirements of consumption and production, its small size and sluggish growth must be explained in greater part by its being skewed to agricultural production. The question to ask then is what sort of agricultural production continues to engage a major part of the national resources? What is the composition of agricultural output? Alternatively, one could ask what types of resources are applied in agricultural production?

Much of Philippine agriculture is labor intensive. High or low levels of productivity in this sector of the national economy must be explained largely in terms of the quality of labor inputs applied to a unit of agricultural output. They can of course be explained also by the quantity of labor per unit of land area. However, to the extent that both labor and land have been increased without any diminution in the productivity ratio, plus the fact that this ratio though constant is low, the quantum of mere physical manhours fails to be a useful explanation. Again, this is not to rule out the contribution of either capital goods as such or other natural resources to productivity in agriculture. Given their quantity at a point in time and the proportion to which they are applied to a unit of output, variations in the level of output can be explained in terms of the labor input, its quality. As a matter of fact, in the Philippine context the supply of capital goods and natural resources available to agriculture can be augmented by the type of farm labor. In the concrete, if farm labor is also scientific labor at the same time, knowledgeable in the use of better seeds, adequate water, appropriate doses of fertilizers, crop rotation and so forth, both the cost of production and yields can change so dramatically as to raise agricultural productivity.

But scientific farm labor is a matter of training. What do we know about Philippine farm labor? If skilled, what sort of skills does it have? If one assumes for the moment that skills and training are a function of the level of education achieved, one could say that Philippine farm labor continues to be relatively uninformed and undifferentiated labor. In 1961, a study conducted by the Bureau of the Census and Statistics on the levels of education achieved by employed labor showed that of the 5.6 million farm workers 21.4 percent had never gone to school, about 69 percent had gone through some elementary school, 8.6 percent through some high school, and 1 percent had done or gone through some college work. Thus, just in terms of numbers, let alone the quality of education given, Philippine farm labor is not scientific labor by any stretch of one's imagination.

Training is one thing. The will to economize, that is, a sustained effort to reduce costs and raise yields, is a different question altogether. It is all too true that economic development is not simply a matter of knowledge, even technical knowledge, although it embodies a fair amount of productive know-how. In fact, structural changes which constitute the very core of economic development require a wide range of departures from a traditional system of values and behavior before one can expect productive utilization of modern farm techniques. If the indigenous farm population recognizes no value in changing its techniques of production, no amount of extension service will elicit the gains in agricultural productivity so important to effective transfer of underemployed farm labor to the industrial sector and in the process permit a greater degree of differentiation in the economic structure. What is the Philippine score on this issue? Francis Madigan, the Jesuit sociologist who has done much work on the susceptibility of the southern Filipino farmer to changes in agricultural techniques, has in one study found that the Filipino farmer is by and large hesitant to utilize the methods of scientific farming. In a second more recent evaluation, Madigan observed that only through accelerated urbanization can one expect dramatic departures from the unproductive mores and responses of rural farm households.

Because the Filipino farmer is for the most part uninformed and incapable of seizing more productive techniques of agriculture, his productivity is low. Therefore, his income is low, and his stamina for sustained productive effort is considerably limited. In short, he is rendered impotent to deliver himself out of the poverty squeeze which has virtually sapped his sense of imagination and fulfillment.

The problem of Philippine agriculture does not end with the uninformed and unmotivated farmer, although he remains to be its major nemesis. There is also something disturbing about the type of commodities which the farm sector turns out for export. These are primary products such as coconut, abaca, logs, sugar and so forth. They have been the sort of goods which the Philippines has been exporting since colonial times. However, they are not to be decried because they are associated with the colonial administration. But they are to be replaced because they are not very productive of foreign exchange revenue. For one thing, their prices are subject to considerable changes over which the exporter hardly has any means of effective control. Secondly, any increase in productivity cannot be translated into greater sales revenue, a fact that would in itself reduce any incentive on the part of the producers to improve production techniques. Thirdly, historically the foreign demand for these exports has not increased in direct proportion either to increases in many incomes of the advanced countries or to decreases in their unit prices. Finally, under conditions of dynamic processes, technological substitutes have been discovered to replace the versatility of many of these primary products in the production of manufactures, for example, the use of oils derived from petroleum in the place of coconut oil.

Yet, foreign exchange requirements continue to be high. Every increase in the Philippine GNP requires a corresponding increase in investment requirements. In the context of a country such as the Philippine Republic, an increase in investment requirements is equivalent to an increase in imports of either machines, equipment, and working materials, and in many cases, also of human services in the form of technical consultants particularly in areas of production which hitherto have never been tried by the indigenous population.

Investment requirements are high because the demand for more and better social and economic infrastructure is rising rapidly, because there is a determined effort to collapse the old structure of production away from primary products to manufactures and eventually to services. At the same time, the Filipinos are adding each year about a million people to their population. This implies that productive capacity must increase by at least 3.2 percent each year if the present consumption standards are not going to deteriorate from where they are. Where they are is as we have seen, the absolute minimum to keep body and soul together. Everyone agrees that there is more to life than pure existence.

The problem obviously goes beyond the agricultural sector. A good part of it involves the structure of manufacturing which has emerged in the Philippine Republic these past twenty years, under such forms of government protection as peso overvaluation, tax exemptions, tariffs, and in some cases outright subsidies or a generous capacity of the government to cover up losses of insolvent entities. Earlier, we alluded to the GNP of a country, the gross national product. Now a country's GNP is as large as the sum of the various values added in goods and services as they are produced from some basic materials. In the context of manufacturing, the value-added in a commodity increases in direct proportion to the stages of fabrication. That is, the further down the production process can be extended, the greater the value-added to a commodity, and therefore the larger the GNP. In the Philippines, however, most of the manufactures which have grown out of the system of government protection are in the nature of packaging or assembling semi-processed components. In most cases, this procedure results in a value-added that is no more than 20 percent of the unit price of the commodity. This is no way to build a good manufacturing sector into an economic system nor to develop basic industrial skills which are obviously the hard core of an industrial labor force in all growing economies. On top of this, however, most of the semi-processed materials have to be imported. In the last twenty years or so, the country has not succeeded in pushing the stage of fabrication down to the point when industrial raw materials are produced in sufficient quantities at home. A structure of manufactures such as we now have implies that its growth must depend on 1) the capacity of the local export sector to generate sufficient foreign exchange to buy both the fixed and working capital requirements of local manufactures, and 2) the capacity of foreign suppliers to deliver these capital requirements on time and at a price which would stabilize profit rates at a fair level of return.

Whether our export sector can generate the required foreign exchange is really a matter of the elasticity of agricultural supply in the Philippines, in two vital senses. First, if the agricultural sector which produces primarily the food crops necessary to maintain the current population fails for one reason or another to deliver the required quantities, that portion of the agricultural sector which primarily produces our exports must also fail to deliver the required foreign exchange to buy the capital imports used as inputs to the manufacturing sector. This is so because a lag in food production generates inflationary pressures within the economy under any given population level and unless one is prepared to allow the inflation to run its full course and leave in its wake a lot of economic casualties, then the country must import consumption goods and postpone imports of capital requirements for manufacture so long as it has only a given bundle of foreign exchange to spend.

Secondly, by the nature of its produce the agricultural sector goes through rather prolonged gestation period before deliveries of goods can be made. In some cases, as when typhoons or similar natural calamities make their rounds of the farm sector, no deliveries would materialize for half a year or more. Even assuming the best of weather conditions, one must allow for some nagging inelasticity about the supply functions in the agricultural sector. To the extent that this very sector supplies the raw materials for manufacturing, the latter itself would in the absence of compensating imports suffer significant lags in its production schedules unless emergency schemes such as stockpiling are fairly well developed in the domestic economy.

If domestic supplies are inadequate to deliver at regular periods the material or working capital requirements of the infant manufacturing sector, this simply reduces the manufacturing sector to a state of dependence on the world market for industrial materials where it is completely bereft of any means of effective control either on the periodicity of obtaining the goods or on the unit prices at which such deliveries can be made. For it is all too obvious that the world market is a residual market, where all the surpluses are dumped and prices fluctuate considerably according to prevalence of relative shortages.

In short, a manufacturing sector such as the one generated by government protection in the Philippines during the last twenty years is as exposed to outside instability as the country's export sector which specializes in primary products.

But the inadequacies of the Philippine economy extend beyond the fact that its agricultural sector is characterized by low productivity regimes, beyond the fact that its manufacturing sector is based precariously on packaging processes. They also include the structure of service industries themselves. What sort of services does the Philippine economy produce? This is really a question of the sort of skills that we have.

The sort of skills we have is a function of the type of population that grows in the country. What is the structure of this population? In 1939, Filipinos between the ages of 1 and 19 years constituted 53.5 percent of the total population. In 1948, this group made up 54.9 percent of the population. By 1960, this group formed 56.1 percent of the national population. Because 43.6 percent of Filipino couples today bunch around the age range of 20 and 34 years old, when physiologically virility and fertility rates have been found to be high, one could safely expect that the present distribution of Philippine population which is greatly skewed towards a very young group will be maintained for some time to come.

Now, so what if the population profile of the nation is biased largely toward a relatively young group? First of all, a country of children can be expected to be a rather playful country, because no more than play and tokens of work can be expected out of persons between 1 and 19 years old. Thus society cannot look to its members in this age range for significant gains in output and productivity. Secondly, society expects this age range of persons to learn of its traditions, to grow and wax in strength as they become steeped in its national heritage of culture. But to grow and wax in physical, intellectual and moral strength requires considerable outlays towards consumption of hospitals, schools, playgrounds, teaching skills, laboratories, theatres, parks, swimming pools, gymnasia, clothing, shelter, and above all, good food to graft into the nation's youth a high level of physical stamina and health. All this points to one conclusion: that a country which specializes in young people must allocate vast amounts of its resources to maintenance of relatively unproductive persons, and in doing so, it must cut down on its capacity for capital formation. In short, it must settle for a slower rate of economic growth to the extent that this is a function of increasing capital formation. This is not to deny the possibility that expenditures on the skilling of the nation's youth are also directed eventually to raise productive capacity. The enormous question which confronts the country is whether at this point in its economic history it can afford to underwrite such vast outlays which in the immediate short run are primarily consumption expenditures and must in the logic of growth either reduce the present size of the income pie or at best cancel its possibility for enlargement until some distant future date, assuming this chance can be had. In effect, everyone would be in the same rut as before and much has already been said that no one honestly wants to remain in this rut of an existence. If there is anything which keeps nagging every Filipino today, it is the desire for an opportunity to break out of that rut as soon as possible, with some assurance that the fabric of his life will be enriched as he makes a clean break of the poverty syndrome.

Finally, one of the glaring characteristics of persons in this age range, that is, between 1 and 19 years old, is their instability in virtually all senses. During this period, they go through great physiological and emotional transformation, the so-called growing pains or crises, when they could not reasonably be expected to be sure of their ideas, of their beliefs, of their psychological and moral reflexes, in short, when under the weight of the identity problem they could not be sure of themselves. Thus, a good part of the time and energies of the older people is taken upon helping the youth in effecting a successful transition to adulthood. In effect, a nation of one to nineteen year olds must be one of emotional and moral instability, one which must divert much of its resources towards looking after or policing its youth instead of increasing productive capacity and wresting a country out of the grips of poverty.

For if most of the energies of the more productive elements in the country, the middle-aged in the population, are used up in turning out basic goods and services to feed the young group, what energy and time are left towards extending the frontiers of knowledge, enhancing the quality of national life through creative pursuits which in virtually all cases require leisure? A youthful nation must inevitably settle for a minimum cultural achievement.

But how productive really are the middle-aged in the Philippines? Clearly their productivity depends on their skills as much as on the adequacy of capital goods to which these skills can be applied. Assuming a given stock of capital goods, the level and the range of goods and services which are produced are determined ultimately by the skills of the most productive elements of the national population, and the rate of utilization of these skills. For purposes of analysis, one may classify the national labor skills into three groups: 1) the idea group, 2) the managing group, and 3) the follow and do group. In the concrete, the idea group is made up of skills which are primarily engaged in the creation of an idea, a plan, a system, such as professional and technical skills. The managing group represents skills directed largely towards an implementation or execution of a system of ideas or plan, for example, administrative skills. The follow and do group are skills which embody in concrete goods and services the ideas or plans thought up by the idea group and organized to fruition by the managing group. In short, they deliver the goods and services, and include farmers, fishermen, butchers, craftsmen, miners, bartenders, salesmen, clerks, factory workers, lumbermen, policemen, garbage collectors, hairdressers, bus and cab drivers, and ditch diggers.

Of the total labor force employed in the Philippines as of May 1965, only 3.5 percent qualify into the idea group, another 3.5 percent into the managing group, and the rest, that is, 93 percent, belong to the follow and do group. In effect, the Republic of the Philippines, is a country of barbers, woodcutters, fishermen, and grain pickers. The fact that they make up most of the skills the nation has and the fact too that they have not succeeded in turning out a stream of goods and services large enough to appreciably raise their level of material substance and well-being simply indicate that even in barbering, woodcuting, fishing, and grain growing, they are not skilled enough.

That is the situation among the employed portion of the national labor force. But what is the score for the whole labor force in the Philippines? If one follows the sort of skill stratification which Harbison and Myers use in their analysis of manpower situation among underdeveloped countries, in which high-level manpower is equated to that segment of the population which has attained secondary or higher education, the skill situation among the Philippine labor force as a whole remains to be poor. For by October 1965, only 1.66 million, that is, one-sixth or 15.4 percent of a labor force in the country of 10.8 million persons could properly qualify as high-level manpower. On top of this, however, of the high-level manpower resource some 170 thousand persons or 10.2 percent are unemployed, crippled by a sense of uselessness to society and barren of returns on the expenditures which the nation has invested towards their skilling.

As a matter of fact, out of 10.8 million persons in the national labor force in October 1965, only 10.1 million were employed either on a full or a part time basis, leaving 700 thousand persons or 66.2 percent of the labor force without any job whatsoever. Over two-thirds of the employed labor force or 66.7 percent were engaged in agriculture and related jobs, 11 percent in manufacturing, another 11 percent in wholesale and retail trade, and the rest in services ranging from government, business and recreational to personal services. The greater part of the labor force in manufacturing were employed in small-scale establishments and cottage industries.

The problem of underutilized manpower, however, must also take into account the fact of underemployment, human resource capable of working 8 hours a day with normal level of efficiency but actually reduced to working less than that because the indigenous economy is impotent to make full use of such a resource. Again, by October 1965, 23.1 percent of the national labor were underemployed. Thus, in terms of the overall employment situation in the Republic of the Philippines as of October 1965, roughly about two-thirds or 29.3 percent of the total labor force were either completely unemployed or underemployed. There is still one more detail to mention at this point: that is, a majority or 53.5 percent of the unemployed were found in the urban areas while 46.5 percent were in the rural areas.

But the curse of unemployment or underemployment goes deeper than what statistics can tell us in the same way that objective poverty in terms of an absolutely small income fails to fathom the hard core of subjective poverty in terms of one's sense of deprivation relative to others' sense of wealth, affluence and excess. There grows in the unemployed or underemployed a sense of impotence, gnawing, intensifying in inverse proportion to one's unemployment, which shrinks the human spirit and locks it to a lifetime of negativism, indolence, mediocrity and waste. In many cases, the unemployed in a desperate last effort to make their mark on society burst forth in convulsions of violence and criminality, to nobody's good and virtually to everyone's annoyance and sense of letdown. In most cases, however, they simply wither like vegetables into a state of decay and ruin.

In reflecting on the economic challenge which confronts the Republic of the Philippines today, one cannot and should not miss the government. For over the last twenty years or so, Philippine government has been minimum government. Over this period, both the current and the capital expenditures of the Philippine government have averaged no more than some 11 percent of the Gross National Product, with capital expenditures representing no more than 2 percent at best. The level of government expenditures is only part of the problem. The other part concerns the distribution of these expenditures across the nation. From the available evidence on this, only one conclusion emerges: that most of the infrastructure and certainly the better ones have been distributed in terms of political leverages rather than on the basis of needs and potential contribution to growth of various regions in the country.

When one considers the tax structure, the government accounts are just as shabby. The government has been depending on indirect taxes such as tariffs, sales and excise taxes, for the greater part of its revenue. Only about one-fourth of government revenue grows out of direct taxes such as personal and corporate income or wealth taxes. In effect, the government has been supported by the vast poor who have been least able to provide support and who have least benefitted by extending the support. Put another way, the greatest beneficiaries of government services have been those who have made the smallest contribution to the tax-expenditure program of the Republic of the Philippines.

To sum up, the economic challenge in the Philippines is one of ameliorating the gap, serious and intolerable, between what the country with its resources of nature and manpower can produce and what has actually been produced over the last twenty years. It is also one of changing the lopsided distribution of national wealth and income which has reduced most of the Filipinos to threadbare existence and required them at the same time to pay for most of the cost of government services, services which have largely been appropriated by the rich. It is also one of collapsing a colonial structure of economic production incapable of producing the requirements to maintain even the present modest consumption standards, let alone the requirements to raise this standard over time. In short, it is one of turning the country from a nation of low productivity subsistence, unskilled, unemployed, and underemployed persons to a nation of productive, vigorous, and happy workers in joyful pursuit of the good life.