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Shaping Philippine Economy: Economic Nationalism and Capitalism for all in a Directed Economy

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and Subanon residents of an island in the Moro Gulf, just off the south coast of Mindanao.

The fourth article, by Father McGeough (pp. 65-103), is a series of loosely connected anecdotes drawn from the author's experiences during some six years of parish work in Zambales Province. Somewhat more than the sober-sided account of Father de Argarate, this Columban missionary's narrative makes interesting, informative, and entertaining reading.

Bishop Velasco's treatment of the Cursillo movement in the Philippines is no waving of the "De colores" banner. He balances the good and the dubious, seeing as the biggest problem the tendency of many Cursillistas toward sheer externalism and social clubbing, a kind of hollow, noisy spirituality that is heavy on Cursillo songs and light on Christian action. We know what he means. Nonetheless, he presents some proof of the movement's genuine accomplishments. For those who question the validity of his evidence (it is mostly anecdotal), I suggest a reading of William Bruton's "New Movement in the Catholic Church: A Study of the Cursillo" ("IPC Papers," No. 7; Quezon City: Ateneo de Manila University Press, 1969). Father Bruton employs the techniques of experimental social science to test the social worth of the Cursillo movement. It comes off better than the sceptics thought it would.

To return to the volume under review, let me briefly summarize my view of it: the second half comes close to excusing the first. All in all, it is not a terribly exciting or significant production.

FRANK LYNCH

SHAPING PHILIPPINE ECONOMY

ECONOMIC NATIONALISM AND CAPITALISM FOR ALL IN A DIRECTED ECONOMY. By Dr. Salvador Araneta. Malabon, Rizal: Araneta University Press, 1965. 275 pp.

This book by Dr. Araneta is a collection of articles written by him and published in *The Manila Times* and the *Financial Journal* from roughly 1963 to 1965. The articles are arranged around three major ideas: Nationalism, Capitalism for All, and a Planned Economy. The last two chapters treat of constitutional problems and of problems of implementation of the proposals he puts forth in the preceding articles. Interspersed throughout the collection are lengthy quotations largely from economists and political scientists.

Nationalism for Dr. Araneta, following Barbara Ward, provides the energy and effort necessary to wake up a nation from its centuries-long slumber. "It is difficult to think of any force other than genuine nationalism to give the people the faith and energy and courage to undertake the tremendous task of rapid economic development."

In the practical order, Dr. Araneta sees nationalism as a weapon against American economic dominance. American vested interests have blocked economic progress here because they advocate policies inimical to Philippine national economic development but advantageous to themselves. One such policy advocates free trade for the Philippines.

A policy of free trade with the developed nations of the world will indeed be disastrous for the Philippines since our major exports are primarily raw materials to which very little value has been added and therefore commands a lower price on the world market than manufactured goods, i.e., appliances, cameras, which the developed nations export and which command a higher price on the world market. In simple terms this means that, if the Philippines depends entirely on exchanging what it presently is able to produce with the produce of more developed nations (and this is the only direction we can take since we want cameras and appliances, not more cavans of rice), its standard of living will be severely limited since we have to pay out more in terms of higher prices of imports than we can earn with what we export.

Failing in having certain policies advantageous to them implemented, Dr. Araneta says American firms resort to "dumping" and setting up competing establishments in industries already entered into by Filipinos.

It is admitted that American businessmen are "hard-headed" men and will advocate and do anything which will increase profits, whether it be advocating free trade for the Philippines or protection for US home industries. The same can be said not only of the Americans, but also of the Japanese, Germans, etc.

It should, however, be kept in mind that if American and Japanese and even Chinese business interests have been able to dominate us, it is because we have not been courageous enough to stand up to pressure from outside. We have not been able to do so because the men who run the government, and the oligarchy they represent, have been more concerned with protecting their interests than promoting the welfare of the whole nation.

The next major topic Dr. Araneta treats is "capitalism for all", which argues for a diffusion of property ownership within the framework of a free enterprise economy while still effecting economic

growth. It is a theory presented by Louis Kelso and Mortimer Adler in *The New Capitalists* published in 1961.

According to Kelso, as quoted by Dr. Araneta, since labor productivity has been declining constantly and the productivity of capital has been increasing, households must participate in production through ownership of capital and less people should be dependent on the earnings of their labor. Unemployment should *not* be fought off like the plague. How is this achieved? By providing employees and laborers of enterprises liberal credit through which they can acquire shares of stock in the enterprise. Thus "tens of thousands of new small capitalists" will have been created.

Kelso's proposal of "equity-sharing" seems to me to be a sound one. For one, it is based on the fact that the labor of the ordinary worker is as much a producer of wealth as the services rendered by the owners of capital and by the entrepreneurs or managers. Why, therefore, should they not also own the enterprise and participate in the profits earned? In the second place, the fear that such equity-sharing or profit-sharing if you like, will result in less profits and will therefore discourage investment, has been shown to be unfounded by the experience of France, Germany and the United States. As a result of equity-sharing, it has been found that workers become more efficient and loaf around less because they have a stake in the enterprise.

However, the reason given by Kelso (as quoted by Dr. Araneta) why households should participate in production through ownership of capital rather than through their labor, has been found not to hold water for the United States. According to Dr. Araneta, Kelso states that the productiveness of labor has been declining. Dr. Solomon Fabricant, of the National Bureau of Economic Research in New York, states in his *Primer on Productivity* that the productivity, or output per man-hour of American labor, increased at an average of 2.4 per cent per annum from 1889 to 1968. He explains that this rate of growth is a remarkable one. It is due to increased efficiency, to more investment in tangible capital, education, training, and other improvements in the quality of the labor supply.¹ Moreover, it seems to me that ownership of capital is widely diffused in the U.S. although its *management* is in the hands of a relatively few.

The Philippines is a different story. Labor productivity here is low because many workers are unskilled, they do not have the education nor the training, and equipment is relatively scarce and expensive. It is natural therefore that labor captures only a small portion of the income stream. The renters, the owners of capital and the

¹ Dr. Solomon Fabricant. *A Primer on Productivity* (New York: Random House, 1969); pp. 13-14.

managers, who are relatively few, capture the lion's share. Making employees owners of enterprises is then desirable. This would have to be complemented, however, by state-supported labor training programs which will increase the productivity of labor.

Still, Kelso's proposal to make households less dependent on their labor and to make them owners of capital has little meaning in the light of the high rate of unemployment in this country and in other developing nations, not to speak of underemployment. (The Bureau of Census has estimated that 663,000 Filipinos or 6.2 per cent of the labor force, were unemployed as of October 1965.) *New* jobs have to be created; only later, when one has the income, can one become an owner of capital.

With these modifications, Dr. Araneta's espousal of the sharing of the equity of enterprises with labor is sound. "If investments are to remain concentrated in the hands of a few, such a policy will further concentrate capital, and will increase the gap between the well-to-do and the underprivileged. This problem would be minimized if the ownership of enterprises is not concentrated in the hands of a few big capitalists, but shared by tens of thousands of new small capitalists, including laborers and employees of enterprises, who have been given the opportunity to acquire shares of stock in the enterprise through a liberal credit policy extended to them, for that purpose."

In this statement, Dr. Araneta gives a very important reason for equity-sharing which is implicit in Kelso's analysis, namely, the imperative of a more equitable distribution of wealth. Despite fears that such a policy will be detrimental to economic growth, it must be seriously considered. In proposing Kelso's theory, Dr. Araneta shows that he is concerned not solely with economic growth as such but economic growth as a means to a better life for all. Economic growth can never be an end in itself but only a means. Its fruits must be available to all members of society. Otherwise, if growth only benefits a few, it is empty of meaning.

In developing countries, such matters as a strong government policy vis-a-vis foreign investment, equity-sharing and the more equitable distribution of the fruits of economic growth obviously require state direction. The governments of the so-called "democracies" of the West take a strong hand in the economic affairs of the nation. This is in contrast with the pre-World War II spirit of *laissez faire* that prevailed in these countries. For Dr. Araneta, the ideal directed economy would be one where "capitalism for all" is implemented.

The collection of articles by Dr. Araneta, are lacking in one respect: depth analysis of economic problems, both national and international, such as for instance, the question of free trade versus protection. Such analysis, phrased in layman's language, is precisely what

is needed if we are going to succeed in making certain economic and social problems intelligible to most educated Filipinos, which, because of its clarity and depth, will move them to act on the matter. In other words, an economic education of our people is what is needed. The author also unnecessarily repeats himself. Furthermore, excerpts are not properly annotated.

As one who has had a hand in the shaping of the economy, however, and as a concerned Filipino, his views are worthy of our attention.

JOSE MA. FRANCIA

PHILIPPINE MANUSCRIPTS ABROAD

CATALOGUE OF PHILIPPINE MANUSCRIPTS IN THE LILLY LIBRARY. By C.R. Boxer. Asian Studies Research Institute, Occasional Papers No. 2 Indiana University, 1968. 63 pp.

The collection of Philippine manuscripts recently acquired by the University of Indiana has an interesting history. The manuscripts were originally looted from the Augustinian Monastery of San Pablo, Manila, by British soldiers in 1762. The complete collection was shipped back to England and passed into the possession of Alexander Dalrymple. Later it had several successive owners. In 1966 what was left of the collection was auctioned at Sotheby's, London. Several lots of manuscripts were purchased by the late Bernardo Mendel for his collection which now forms part of the Lilly Liberty.

A large number of the documents catalogued by Prof. Boxer deal with the Catholic Missions of China. The Manila Galleon trade is also represented and there are a number of documents dealing with evangelization in the Philippines. By far the most important documents are those which treat of the Augustinian land holdings in Luzon. Documents of this type could only be found in archives of the Religious Orders and so are more difficult to locate. From the description of Boxer it appears that they are of exceptional importance and might help to fill a lacuna in Philippine agricultural and social history.

Prof. Boxer has made a careful catalogue of the manuscripts and only one discrepancy caught my eye. In 519, folios 467-484, it is obvious from the title of the Lot that the documents concern the use of Chinese Mestizos as altar boys, *monagillos*, and not the conferment of Minor Orders on them.

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