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Discovering Economic Imperatives for National Growth*

SIXTO K. ROXAS

THE deliberate acceleration of development in a country like the Philippines is necessarily a task which needs the vision and analytical detachment of the academic profession and the practical realism and capacity for action of the politician, the statesman and the businessman. It is one of the paradoxes of development that the practical people, left to themselves, develop overly theoretical programs incapable of practical implementation. Likewise, the academic community, in attempting to develop programs without the guidance of the truly practical people, often flounder in their attempts to negotiate the unfamiliar territory of practical politics and economics.

I am thus grateful for the opportunity given me to throw into the hopper of problems and experiences, which you are at present studying, my own modest thoughts.

I

By way of providing perspective, let me set forth three propositions which summarize my own position on three crucial issues which run through most discussions on economic development and the planning and implementation of develop-

* This paper was read at the Symposium on Development Planning and Performance Since 1946 conducted by the University of the East on the occasion of its 20th Foundation Anniversary, 18 January 1967.

ment programs. I put them forth because the positions taken by economists on these issues underlie their ideas on the charting of new strategy for development.

First, the need for planning development in the Philippines and the precise meaning of this term.

There is a certain amount of disillusionment in the Philippines at this time with planning and all the elaborate exercises that the term connotes. I detect this in some of the papers that I have seen which were prepared for this symposium. The general feeling seems to be: "We have had enough of planning, let us get down to implementation." I must say that this conclusion seems almost justified by any sort of evaluation of Philippine experience with economic development planning since 1946. In that period development planning has produced more plans than development.

Has the experience of the past 20 years really demonstrated that planning has been tried in the Philippines and that it has failed? That development has taken place in spite of, rather than because of, economic development plans? I do not think so. The conclusion I draw from the lesson of the last two decades is not that planning has been tried and found wanting but that planning has not been tried at all. I submit that successive groups, official and unofficial, have produced plans for the Philippine government and for the economy, but the economy and the Philippine government have not engaged in planning except in small limited individual sectors. In those sectors, by and large planning has produced results. Witness the hydro-electric projects, for example. If the results were not more total or more impressive, it was because planning was not truly possible at a more comprehensive scale. The conclusion I draw is that, where it has been tried, planning has been effective and where the results were not impressive, it was not from a failure of planning but from a failure to plan.

I suppose that at this point I must formulate a definition in order to establish my thesis. The proposition is that the preparation of plans is not the same as planning. Planning is a process through which those who exercise power over the

management and disposition of resources set forth in coordination with one another, consistent goals and measures to achieve goals which are meaningful in terms of how they are actually going to use resources. A plan that comes as a result of this process is meaningful as a real and substantive course of action. A plan that does not represent the collective decision of those responsible for action is a theoretical document and not the product of a real planning process. I submit that what we have been doing these past twenty years in the realm of national economic planning has been merely the production of paper plans and not really planning.

The second proposition that I should like to advance here is really a corollary of the first. The meaningful exercise is planning and not the preparation of plans. It is needless to prepare plans that exceed our capacity to do meaningful planning. At what scale then should we plan? Shall we do comprehensive or sectoral planning? The answer must really come from an evaluation of our capacity to take coordinated action. If the coordination of real action programs can be total, then by all means let us do total planning. If, however, we are merely capable of coordinating individual action units in particular sectors at a time, then it is useless to think of total planning. Better to have limited sectoral plans that are meaningful than to have ambitious, elaborate and beautiful total plans that have no meaning for the action sector.

I submit that the Philippines is not ready for total planning. And that it is because we have tried to produce total plans beyond our capacity for total implementation that we have failed to produce meaningful plans.

My final proposition is that while there is a deep disillusionment with economic planning in the country, at no time in its economic history has it been more necessary and essential that a true planning process be established. If it was possible in the past to achieve substantial, even impressive, growth, development and change in the economy, without an overall strategy of action, we have reached a stage where it is no longer possible to proceed without deliberation and blueprints and organized machinery for action.

Development in most of the critical sectors of the economy has reached an impasse. New breakthroughs will require simultaneous and coordinated developments on such a wide front that it is futile to expect that development will take place spontaneously without benefit of deliberate coordination and organization. One needs only to mention a few industries to make this evident.

Consider the task of establishing the links between our assembly plants and our metal mines. Development here would mean pushing the production line into metal fabrication, foundry work, smelting, hot and cold rolling, etc. In the Philippines, very little genuine manufacturing exists as yet in the sense of foundry and machine tool work. There are small captive base shops that merely service the maintenance and replacement requirements of present equipment users or small job order machine shops handling rebuilding of parts with rather elementary machining. Bringing together all these diverse elements of a metal industry into an organized complex capable of orderly growth and evolution requires delicate synchronization. It is doubtful that the separate individual efforts of many independent entrepreneurs, each pushing his own particular growth, each struggling to maintain his own small share in the market are somehow going to add up to an orderly reorganization of an entire industry. The same situation exists in almost all areas of manufacturing, particularly in the complex lines such as the chemical industries, forestry products and wood fabrication, plastics, food processing.

What is true in industry is true in agriculture. The further development of crop agriculture, livestock, dairy can no longer be achieved as the simple sum of individual plans, independently or separately conceived, in each instance encompassing only the narrow group of factors within the control of each individual farmer or land-owner or rancher. Too many variables have to be planned together that fall outside any individual's control—transport facilities, storage, supply of critical inputs, processing facilities—for any isolated plan to succeed. All the variables must be planned together if any one venture is to go through. In every key sector of the econo-

my, development faces this sort of an impasse. A new wave of development requires organized movement at levels beyond the purview of individual firms as they are presently organized.

II

Against the background of these major propositions, let us now look at the preponderant problems of the country. What are the urgencies and the imperatives?

Discussions of current economic problems over the last twenty years have a discouraging monotony about them. Whether these be culled from official reports or from popular articles in the press, they give the impression that the country has been moving with tremendous effort and at feverish haste towards a stationary state. Analyses of the situation in rice and basic foods that appear in 1966 seem like carbon copies of the situation in 1949. In certain areas such as housing, school building, overcrowding in urban centers, traffic congestion, state of roads, a comparison of reports on the current situation with those on the past gives the marked impression not of progress but of deterioration at an accelerated pace. Is it the case then that after twenty years of post-war development we have merely moved backward?

The statistical evidence shows quite conclusively that there has been improvement, growth in levels of living, not only nationally but on a per capita basis. You have reviewed the numerical evidence and I shall not bother to outline them further. The reason, in my opinion, why in the face of growth our social and economic problems seem more acute and more urgent is simply that improvement itself begets a demand for its own acceleration. Fulfillment begets aspiration and satisfactions breed discontent. The operation of these forces thus dictates that development itself will make our problems more acute and more urgent—the food and feeds problem, adequate housing, educational facilities, utilities, sources of livelihood.

What makes 1966 unique in relation to these problems are the peculiar bottlenecks created by the development itself of the last twenty years. They have superimposed on the mere problems of expanding production facilities, educating man-

power to become more efficient, bringing natural resources into fuller utilization, the problems of sectoral reorganization, correcting imbalances created by historical evolution and development. Past urbanization has created problems of urban relocation and resettlement. Past exploitation of frontier areas has created problems of systematic resettlement. Past industrial development has created problems of industrial reorganization. Past education has produced tremendous tasks of re-education and retraining. The multiplication of financial institutions has produced problems of consolidation and rationalization. Exploitation of natural resources has raised the serious problem of conservation.

Qualitative Versus Quantitative Goals

In defining the goals of economic programs there has been a tendency to emphasize the merely quantitative aspects of performance and to ignore the qualitative considerations of efficiency and comparative advantage. Thus, rice production targets are defined purely in terms of rice tonnage as if it did not matter whether additional production came from opening new and less productive lands at high developmental costs rather than from the more efficient utilization of existing lands and installed investments in irrigation and processing facilities. When confronted with the problem of sugar production shortages, we tend to think merely in terms of getting additional tonnage without considering the most economical ways of gaining the incremental production. It does matter in terms of economic utilization of resources whether we secure such incremental production by opening up new sugar districts and establishing new mills or restructuring the existing complex to expand the efficient districts which still have under-utilized resources. From the point of view of getting additional tonnages two plans may have the same results. One plan, however, may give us greater increment in tonnages per peso investment in capital and effect an improvement in the overall productivity of the industry.

The same situation is common to most critical production sectors in the economy. We think of expansion of power generation purely in terms of merely adding units to the exist-

ing complex of power generating and distributing entities. It makes a great deal of difference, however, to the efficiency of generation and distribution and to the cost at which power can be delivered to industrial and household consumers if additional kilowatt capacity is produced by merely adding inefficient units to the existing complement of power companies while keeping their patterns of operation pretty much as at present or these companies are regrouped into more economic-sized operations effecting qualitative changes in the performance of the industry at the same time that expansion needs are filled. I think it is particularly important, therefore, that any program of development should include explicitly in its agenda a systematic strategy for rationalization of the existing production and distribution complex, an improvement of efficiency and modernization of equipment where required.

This is particularly an important role for government planners for the reason that in private planning the private enterprise calculus based on sustaining sunk investments may dictate a course quite contrary to the prerequisites of national economic efficiency. This is one of the areas in which it is quite likely that calculations of private profit may deviate from considerations of national economy and social gains.

Private enterprise planning, therefore, left to itself may merely perpetuate and further complicate the irrationality of historically determined production and distribution patterns.

III

How then do we cope with this multiplication and, to use the term, complexification of our economic problems that seem to be the product itself of past economic development. I should now like to return to the propositions which I discussed at the outset.

First, planning is indispensable.

Second, while we must gradually develop the capability to plan larger complexes, at this stage it would be far more useful to think in terms of more limited sectoral plans. And, here, the emphasis should not be on the production of plans but on the establishment of the organization and procedures

for coordinating the many individual separate isolated plans and programs which different agencies in the public and private sectors are using as their actual bases for allocating resources.

Third, in terms of the specific sectors, the most critical are the following:

1. The economics of food-feed production and distribution.
2. The orderly development of housing and all the accompanying problems of urban and town planning, organized settlement, relocation and resettlement.
3. The orderly development and expansion of utilities.
4. The rationalization of industry and the development of economic linkages between the present complement of industries and the full and effective utilization of our natural and manpower resources.
5. Rational reorganization of the whole educational system and programs for the development of manpower resources.
6. Finally, the reorganization of the nationwide institutional arrangement for the mobilization of savings and their allocation to investment.

Food and Feeds Sector

While I am advocating that planning be conducted at a sectoral level, the scope of the sector should be significant in terms of problems that must be viewed together and action programs that must be taken in single complements. I do not think, for example, that rice is a meaningful sector for purposes of planning. The scope should encompass the entirety of food and feeds. This is true not merely because, at the consumption level, planning must govern all the elements of a balanced diet, but also because, at the production level, planning must be concerned with the most efficient utilization of land and water resources. Rice is a problem as much because our people find it the cheapest mode of filling the human stomach and eat more of it than nutrition standards require or consider healthy as because total production has been short of demand.

In relation to nutrition standards, the problem of rice is really a problem of supplying, at costs within the reach of the average consumer, more vegetable and animal proteins, more

meat, more fish, more dairy products. At the production end, it seems to me that we must be thinking not of increasing the acreage planted to rice but of increasing the yields of the best ricelands now under cultivation through the full array of technology and capital which have the proven capability to raise yields 100 and even 200% above existing overage levels. Fuller utilization of our land resources would then dictate that suitable pasture areas be improved and used; fruit orchards established in rolling lands not suited to rice or vegetable crops; that the production of the feed components such as hybrid corn and sorgum should be pushed with at least as much energy as the production of rice. What I am arguing for is balance. A balanced program must encompass a balanced food diet and a balanced agriculture.

Furthermore the vertical structure of agriculture demands its own balance. Parallel developments in transport, storage, processing facilities, marketing outlets, trading and financing vehicles must form an essential part of the program. This need for planning in depth gives added argument in favor of limited sectoral planning. It is more important that a strategy be developed for the development of a single sector such as the food and feed industries, that encompasses the full details of land and water usage, production, transport, storage, processing and distribution, than to have a comprehensive national plan without the proportionate means of implementation.

Housing

Housing has occupied a somewhat ambiguous place in economic development planning in the Philippines. This has been largely due to the ambivalent attitude that government has had on real estate development and on the priority that it should command in the allocation of resources. In most recent priority schemes, real estate has been given the lowest priority. On the other hand, the supply of shelter is recognized to be one of the basic prerequisites of national life. The conventional wisdom assigns to it the third order of priority after food and clothing.

The first step in removing this ambivalence should be to sort out two quite different activities related to housing. One is real estate speculation, the other is the production and marketing of shelter. The one may be an activity of dubious economic merit and a genuine bottleneck to development. The other is a highly essential activity to which resources must be devoted. Real estate speculation is parasitic in character since it seeks profit from inactivity. Real estate development, the production of residences, industrial and commercial plants is capital formation in the true sense and a creation of economic values. There need be no ambivalence in public policy. Real estate speculation, along with all other speculative activity, in mineral rights and forest concessions, defined to mean the seeking of gain from merely sitting on such property rights without developing them, should be penalized and discouraged with all the force that government can muster. But the development of raw land into valuable community sites is enterprise in all the beneficial meaning of the term and must be encouraged, rewarded, stimulated and assisted.

Once the supply of adequate shelter is placed in the same category as the production and distribution of essential foods, clothing and utilities, once it is seen as the legitimate venture that it truly is, then it will take its rightful place in any economic plan as an industry with vital goals to fill, with its own imperatives of rationalization, improvement in efficiency, development of new techniques, new materials and new financing organizations.

The problem of adequate housing is at least as critical as food. I shall forego citing the figures. The PHHC and the Office of the Presidential Assistant on Housing and Resettlement have some studies that show the seriousness of the urban squatter problem and the growth of slum areas. The 1960 census also has nationwide information that shows the utter inadequacy of shelter.

The critical need here is to develop the financing media that will enable prospective homeowners to purchase decent homes under sufficiently easy payment terms. Simply to give you some idea of the importance of the terms under which fi-

nancing can be secured, all you need do is consider that a house and lot at a total purchase price of ₱20,000 if sold on monthly installment at 10% per annum interest re-payable in 10 years will need monthly payments of ₱264.20; if sold at 20 years repayment and 10% per annum interest monthly installments come down to ₱193.00. If the terms were more ideal, say, 25 years at 8% per annum, the monthly installments would be ₱154.00.

From these figures, it is immediately evident that even medium cost housing involving, say, a 300 square meter lot at ₱20.00 per square meter and a ₱14,000.00 house sold at the extremely liberal term of 25 years and 8% per annum would already take over 50% of the monthly income of anyone earning ₱300.000 per month. It is no wonder then that so many squatter settlements and slum areas form in our urban centers. The problem will not be solved until appropriate financial organizations are established that can mobilize savings to finance housing at these liberal terms.

The Orderly Development and Expansion of Utilities

The situation in the field of utilities development requires not merely investments to expand power, water, transport, communications and sewage facilities but a fairly thorough reorganization of the complex of enterprises, private and government, now supplying these services. It is not possible to go into a review of the situation in each of these areas. The situation in the electric power utilities is probably typical of the problem. Sometime in 1964, a power survey team reviewed the Philippine power situation in great detail and projected requirements in the coming years.

The Power Survey Team estimates that in order to meet the growth in power requirements over the next 20 years, from 1964 to 1984, the total investment requirements will be some ₱2.5 billion. This figure includes the requirements of Meralco and NPC for additional hydro and thermal generating capacities and for distribution facilities. The assumption also is that the additional generating capacity as much as possible will represent expansion of hydro and thermal capacities of NPC and Meralco with wider distribution of the power through in-

vestments in transmission facilities. Additional capacity from the diesel generating units will be kept to a minimum and confined to areas where Meralco and NPC power cannot be effectively delivered, particularly the Visayas.

Notwithstanding the anticipated constraint on the role of the smaller electric utilities, the future capital requirements of these companies are expected to be still quite substantial. In the ten-year period between 1965-1974, the required investments of these companies are estimated at ₱318.3 million of which the bulk will be in the Visayas with ₱188 million for additional generating, transmission and distribution; Mindanao coming next with ₱89.4 million and Luzon coming last with ₱40.9 million. Luzon is expected to be served primarily through the expansion of hydro and thermal capacities of NPC and Meralco and a more extensive network of transmission and distribution facilities. Mindanao is expected to be served primarily by the wider transmission and distribution of NPC hydro capacity so that the bulk of the expenditures are to be for transmission and distribution. Still, an estimated ₱31,250,000 will be required during the ten-year period for isolated generation facilities.

Engineering and Financing Problems

In the implementation of this expansion program, there are really two basic problems that must be faced: first, to achieve the expansion in the most efficient and economical way. This we might call the "engineering" problem. Second, to mobilize the financing in the amounts and under the terms required.

The "engineering" problem is rendered complex by reason of the fact that electric power generation and distribution are proliferated among a large number of government and private entities. The government's participation itself is spread out between the NPC and a number of individual municipally-owned and operated plants. Among the private companies the Meralco stands as the largest and most efficient principally because its franchise area encompasses the largest load in the country, making feasible steam generating and substantial economies to scale. The balance of the power supply comes from

diesel units distributed among a large number of companies with relatively small franchise areas. By and large, the franchises have been distributed on the basis of municipal boundaries and every franchise holder endeavors to handle both generating and distribution of electric power.

A rational program of development in the industry would involve consolidating franchise areas in appropriate localities into larger units that can be served more economically by central generating stations. A number of the larger generating plants in key localities might serve as the nucleus towards which power supply might be centralized.

Even these larger companies, however, in areas such as Cebu, Bacolod, Davao City, Legaspi, Naga, Lucena, Angeles (Pampanga), Tarlac are even now finding it increasingly difficult to meet the investment requirements for additional generating and distribution capacity. In many of these areas, the growth of power consumption is so rapid that additional units have to be installed every two years or so. Although the capital requirements for each firm are substantial in relation to the original capital of the firm, the amounts that each firm has to raise are still too small to be raised from the more sophisticated sources such as the securities markets, here or abroad. For example, it is too expensive for local companies to raise anything less than a million US dollars even from institutional sources abroad and a public offering in the US market of securities in amounts less than \$5 million may be uneconomic.

A Private Utilities Development and Finance Company

I submit that the best vehicle for carrying out a rationalization program is a private development and finance company, in structure similar to the Private Development Corporation of the Philippines (PDCP) but specializing in electrical utilities.

Such an institution would perform four functions with respect to electric utilities:

First, it would pursue and promote an overall program for gradually transforming the present structure of electric

power generation, transmission and distribution in the country into a more efficient and adequate one. This it would do in accordance with an approved national program with the elements that are being developed by the present Power Survey Team.

Second, it would act as an investment and finance company, purchasing out of its own resources equity and debt instruments of Philippine electric utilities for the purpose of providing resources for expansion, modernization, consolidation and mergers or promotion of new power companies when any of these activities fit the pattern of the overall program.

Third, it would serve as the principal investment banker of electric utility companies, helping them to tap the resources of domestic and international securities markets, raising funds from international and foreign country institutions, and performing financial consultancy services for these companies.

Fourth, it will provide technical and managerial consultancy services for electric utility companies in every aspect where such services are needed, whether these be in engineering, finance, management controls, office systems and procedures, etc.

The company should be privately managed and controlled and will have to be operated as a viable and profitable private business. In order to attract private capital into it, however, it will be necessary to raise leverage money under somewhat attractive terms. The utility business is a highly regulated business and does not offer overly attractive rates of return. Furthermore, its capital requirements are rather long-term in character, probably averaging ten to fifteen years. If investments in manufacturing need to be long-term in character this is even more true of public utilities. It will be necessary, therefore, to find some source of seed money under somewhat soft terms at least comparable to the P27.5 million of US/AID loans granted to the PDCP. If seed money can be found then private capital may be raised from local and foreign sources to constitute the equity of the institution. External financing might then be arranged with such institutions as the World Bank, through the International Finance Corporation, the Ex-

port-Import Bank of Washington, and European and Japanese sources.

Institutional Reforms

The rationalization of industry and the development of linkages between our present assembly plants and our natural resources is a problem that I discussed earlier to illustrate the critical impasse which development in most every line of industry has reached at the present time. I should now like to make a few comments on institutional reforms.

There are two areas in which such reforms are particularly urgent: first, in our whole educational system and the programs for the development of manpower and second, in the reorganization of the institutions concerned with the mobilization of savings and their allocations to investments in the country.

Here the approach to reform which should be common to both is a fairly comprehensive analysis and evaluation of the entire complement of institutions and agencies in the government and in the private sector concerned with fulfilling these two sets of functions. There has been a tendency to view segments of these functions on an isolated and ad hoc basis without adopting a total systems approach.

Manpower Development

The analysis of the educational system should encompass all the educational and training media, formal school programs and non-school programs such as apprenticeship, training course, public education media, public as well as private schools, colleges and universities.

The entire system should be viewed against the manpower requirements of development and the efficiency with which our existing establishments are performing the function of preparing the population for productive and creative roles in the economy.

Here as in most other sectors, even a cursory examination will reveal the extent to which our efforts are proliferated. The resources devoted to education and manpower training by government and by the private sector, substantial as they

are, still are meager in comparison with the tremendous demand and need for educational facilities. Still, what resources are committed to this activity might be substantially more effective and productive if there were far greater logic in the functional distribution of these resources.

Government schools provide elementary education for over three quarters of the school population. In secondary education, the high school enrollment is distributed about evenly between government and private schools. At the college and university levels, the private sector supplies the major proportion of school facilities accounting also for over three quarters of the enrollment.

The government is keenly aware of the problems it is facing directly in trying to keep up with the growth of the population at the elementary school age. But little attention has been paid to the problem of private schools particularly at the college and university levels. It is at these levels that the nation's manpower is developed and prepared for productive activity. The quality and productivity of the young men and women who will man the enterprises of the nation depend crucially on the quality of the education and training they receive in colleges and universities which are mostly privately owned, financed and operated.

These private colleges and universities are now facing the problem of keeping up with the growth of enrollment, raising the tremendous financing required for buildings, laboratories, libraries, teaching aids, recruiting competent faculty in the face of competition from private business and industry here and abroad. The problem of private school financing has reached proportions that now go beyond the capabilities of the individual private schools themselves to cope with. It is all very easy to criticize private schools for the quality of the education they offer. No one, however, has yet come up with the magic formula that will enable these schools to raise their financing from the normal capital markets, in competition with business and industry, paying the costs of financing which business and industry are able to offer, and at the same time maintain the high standards of education that can only be

achieved with expensive facilities, and equipment, library and highly paid faculty.

Among the sectors for which a detailed plan should be formulated, I would include private education. Such a plan would be meaningless unless it included a government-sponsored and supported school financing scheme that enabled colleges and universities which are willing to improve facilities, to recruit high quality faculty, to limit enrollment, to specialize along such lines as may be laid out in a national educational reform plan, to secure financing at reasonable cost.

Reorganization of Financial Intermediaries

A suitable development strategy for the Philippines must involve an effective plan for rendering our financial institutions more effective vehicles for gathering savings and placing them into productive investments.

The pith and core of the problem here is, to use the words of a 19th century Chinese banker, how "we accumulate small sums to make a big fund."

The answer, of course, is the orderly development of suitable financial intermediaries. But just as our people have determined that their rising needs will not wait for a slow, haphazard, spontaneous process of economic evolution, the emergence of a suitable network and complex of financial intermediaries cannot wait for spontaneous development. Deliberate strategies for financial-institution-building are as much prerequisites of national progress as deliberate plans for physical asset construction.

Let me then sum up the essential elements that belong in a comprehensive strategy for an organized effort to gather small sums into large funds for the financing of development. The principal objectives of the strategy should be on the one hand to stimulate savings, establish efficient and economical vehicles for mobilizing them and on the other hand to induce ultimate users of savings to organize their operations in a manner that permits the safe and profitable placement of these funds. A strategy with these objectives must be a strategy for building in the proper sequence and combinations the suitable

financial intermediaries whose business it is precisely to become effective pipelines between savers and users of savings.

A system of intermediaries must encompass:

First, suitable credit financing and investment companies whose financing facilities cover in appropriate proportions the full spectrum of requirements of industrial enterprises from very short-term to equity capital and also through the different stages of industrial enterprise development from promotions to operations and expansion.

Second, dealers of securities and investment banks whose business it will be to provide the selling organization that will continually push worthwhile corporate securities into the hands of personal and institutional investors.

Third, the organized markets for short-term monies and for long-term securities to facilitate communications between those who have and those who need investible funds of various maturities and forms.

Among the means needed to stimulate the development of institutions in each of these categories, there are four that can play strategic roles in carrying out a planned strategy for the systematic development of a network of financial intermediaries in a developing country.

A deliberate government program to accelerate the development of open public corporations into the predominant form of industrial enterprise.

Second, the Central Bank should accept as an explicit role not merely the stabilization of the currency but also the development of an efficient primary and secondary market in commercial paper, bankers' acceptances and other negotiable instruments.

Third, development banks should perform entrepreneurial functions in identifying, developing and promoting industrial projects, become effective media for educating industrial enterprises in the techniques of sophisticated financing and at the same time expand the supply of high grade industrial securities in the markets.

Fourth, specialized securities financing companies that will provide dealers and investment banks with supplementary financial resources for carrying inventories of securities, and help develop secondary markets for stocks, bonds, mortgages, etc.

IV

Let me now attempt to bring these thoughts to a focus and outline what concrete steps should be taken by government to improve the planning and implementation of development projects in the country.

First of all, I would forget about preparing a comprehensive medium-term economic development plan. Such a plan would be meaningful only if it were an operational plan. And I do not believe the government or the private sector is prepared at this stage to achieve the measure of coordination of thinking and acting that an effective operational plan requires. Furthermore, what the actual agencies and entities in the public and private sectors can do between now and in the next two or three years are already severely constrained by historical actions and decisions. What can be accomplished must be already at some stage in the pipeline. What is not yet in the pipeline now cannot be accomplished in the next two or three years.

Second, instead of a four-year economic program, I would substitute purely a perspective plan that should not attempt to be operational but should merely represent a prognostication of where, if present trends continue far into the future, say, in a period of from ten to twenty years, this nation is going to be, what its population is going to look like, what its needs are likely to be and what resources will be required to fill those needs. This will give some perspective into critical bottlenecks that will be likely to develop in the process of growth.

For purposes of guiding the economic activities of the nation in the next two or three years, I would focus attention on the six areas that I cited, attempt to bring together all the sectors, agencies, entities in the public as well as in the

private sectors who have anything to do with these areas, lay out goals that are feasible and can be achieved in the next three years and formulate detailed operating plans for meeting these goals.

Such plans should be spelled out in very specific details covering the magnitudes of financing that must be mobilized, how these are to be mobilized, where they are to come from, the manpower resources, the materials and equipment that need to be put together, the administrative and legislative framework that will smoothen the path. The projects that are ready to go and can be implemented immediately should be pushed directly. Bottlenecks that stand in the way of implementation should be identified and removed.

Parallel with this, work should be started to prepare the ground for future development, identify the surveys that need to be undertaken, the resource studies, the basic research, the training work, the feasibility studies, the reorganization work, the effects of which will not be manifest until after four or five years.

The end product of the exercise will then be not an ambitious comprehensive economic plan covering all sectors but specific individual sectoral plans designed to push into completion projects that have already been started and that are considered worthwhile (completion of unfinished irrigation systems, road and highway projects, harbor dredging and port-works, municipal waterworks) in supporting private sector investment promotions that are already in the pipeline, assisting in the reorganization of existing industries, improving the efficiency of existing agricultural extension services, rural credit programs, etc.

In the meantime, however, more fundamental work will have been started, the thrust of which will be to expand the scope for effective planning and coordination in the future so that, by stages, the scope of meaningful operational planning will become wider and more far-reaching.