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Hartendorp: The Magsaysay Administration

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Querry's condition as a "dark night of the soul." A meddling merchant, ex-seminarian and amateur theologian, insists on publicizing Querry's retirement as a great saint's work among the lepers, comparing him to Schweitzer. Both priest and merchant contrive to get the outside world to know all about Querry, despite Querry's repeated request to be left strictly alone. A meddling and conscienceless journalist splashes the story in sensational (and untrue) versions in the European press. Finally a meddling woman, unhappy in marriage, deliberately frames him and accuses him of being the father of her child, because it is her strange way of showing her love for Querry and of obtaining a divorce from her husband. It would almost seem as if the story were written to prove the thesis that a man's worst enemies are those who wish him well.

The result of all this meddling is catastrophe for Querry. He had already lost his faith when he left Europe. He now loses his life. But the meddlers prosper. The woman gets her desired divorce and returns blissfully to Belgium; her husband (the meddling amateur theologian) becomes a hero for having killed his wife's supposed lover; the meddling journalist presumably finds other stories to write; and the meddling priest presumably finds other souls to wreck.

That is the story of a burnt-out case. In telling it Graham Greene manages in his brilliant way to show a number of strange things: the shallowness of priests, the dangerousness of amateur theologians, the sordidness of the marriage bed, the emptiness of the Christian Faith. A reviewer in *The Wiseman Review* (formerly *The Dublin Review*) has ventured the observation that Graham Greene is a Catholic without the Catholic Faith. Just as a person could smile and smile and be a villain, so (he says) a writer could explore religious themes and exhibit religious knowledge and yet remain fundamentally irreligious. Such a verdict may sound harsh; but one wonders if it has not hit the nail on the head.

MIGUEL A. BERNAD

MAGSAYSAY'S FAILINGS?

THE MAGSAYSAY ADMINISTRATION: A Critical Assessment.

By A. V. H. Hartendorp. Manila: Philippine Education Company, 1961. xi, 532pp.

This book, a sequel to Hartendorp's earlier "History of Industry and Trade of the Philippines", assesses the achievements of the Magsaysay Administration and the post-war growth in trade and industry.

In the severest criticism yet of the Magsaysay Administration, the author writes off Magsaysay's term as "three years' loss of time", when there occurred "a great worsening of the country's economic situation." The cabinet and executive team around Magsaysay, while composed of men of integrity and good faith, lacked the needed experience. Magsaysay himself is pictured as a man lacking the intellectual and executive ability required of a president and is compared very unfavorably with Quezon, Osmeña, Roxas, and Quirino in this regard.

Wanting in economic perspective, Magsaysay failed to see the evils of deficit spending or the adverse effects of continued controls upon the economy. Even in the area of agrarian and rural community development, so closely identified with Magsaysay, the author finds that the movement was well underway when Magsaysay took office. The subordinate office of Presidential Assistant for Community Development was, however, created during his term.

Hartendorp admits that Magsaysay did much to reestablish the confidence of the people in the Government. "He did succeed in at least reducing the outrageous corruption in government...." Major achievements were also attained in the field of foreign affairs during his Administration. The organization of the SEATO; the sobering influence of Philippine participation in the Asia-African Conference at Bandung; the successful launching and termination of "Operation Brotherhood" in Vietnam; the negotiation of the Revised (Laurel-Langley) Trade Agreement; the negotiation of the Japanese Reparations Agreement; and the drawn-out negotiations on the Military Bases Agreement revisions, all these are described vividly.

For students of contemporary history, the book recounts the various events affecting foreign trade in the post-war Philippines. For the period 1949-1957, the author takes a gloomy view of the development of foreign trade in the Philippines. There was "no real freedom because of import control.... and full exchange control...." During the same period imports rose by 79% and exports by 27%. The total adverse trade balance amounted to P2.1 billion while the balance of payments deficit totaled P262.3 million.

It is admitted that some benefits came from import and exchange control: the proportional reduction in the imports of consumer goods as compared with the imports of capital goods and raw materials for manufacture. There was a definite shift of control from alien, principally from American and Chinese, importers to Filipino importers. The author seems unhappy over this gain because it was "wrested" from established non-Filipino traders by the Government; flagrant discrimination sprang from an "invidious and short-sighted nationalism".

Of PRATRA, PRISCO and NAMARCO, the author holds that "none of them did the least good; together they piled up losses in unsaleable and spoiled goods, misplaced credit, etc., running into scores of millions of pesos...." The ban on tobacco is called shortsighted because "the Philippines was getting more than four times as much for the sugar it was selling to the United States than it was paying for the tobacco and the tobacco products imported." The value of tobacco imported into the Philippines dropped from nearly ₱50 million in 1948 to a mere ₱1.4 million in 1957.

After describing the rampant smuggling that broke out as a result of controls, high tariff rates and excess taxes; and after outlining the efforts being made to improve port facilities, overseas shipping and transportation, the author ends up the chapter on Foreign Trade with a sad commentary on the general corruption within the economy during the past decade. The solution proposed to correct the unbalanced trade and the evils of controls is to allow the peso to seek its own level under a free exchange market and to encourage investments, both foreign and domestic.

Discussing industrialization in the Philippines, Hartendorp restrains his enthusiasm over the post-war development of Philippine industry, particularly manufacturing, because this development was undertaken "under forced draft, . . . through central planning, credit creation, import and exchange controls, and high tariffs, in a carnival of protectionism and favoritism." He claims that, while there was progress, without controls industrialization would have been more rapid and more sound. Giving vent to his feelings against "the Government planners and controllers — and the hypernationalists", he claims that this group "spoiled this opportunity [for a tremendous industrial advance] as they also went far to spoil the country's foreign trade." "It was not that the country's planners were stupid or perverse; they believed, many of them still believe, that they acted on the best authority."

The tax exemption law, the author claims, led to a widespread abuse of the privilege and encouraged industries which were uneconomic. He claims that the "Government would have done better by creating a favorable investment climate and by avoiding excessive taxation of industry as a whole." ICA and IDC assistance to Philippine industry, Public Law 480 and the Japanese Reparations Program are all pictured as having contributed significantly to Philippine industrialization. Of the post-war growth of the banking system it is admitted that this growth "especially of the private domestic banks was in some respects phenomenal." Outlining the import, foreign exchange and credit restrictions in the Philippines, the author thinks that a contradiction existed between the move of the Government to encourage industrialization through tax exemptions and government ex-

penditures, while at the same time imposing all its restrictions on imports, foreign exchange and credit.

Criticizing the stand taken by the NEC to promote Filipino participation in joint ventures and of restrictive conditions set, the author says that the "economists in the National Economic Council were carried away by a most unscientific nationalistic fervor to make proposals which completely negated and subverted what should be the real and only aim of a national economic council — to promote the growth and progress of the country's economy."

On the subject of parity it is claimed that the arrangement merely continued American rights guaranteed in the ordinance appended to the Commonwealth Constitution (1936) with respect to American participation in the development of the natural resources of the country. Further, he says that this was necessary by virtue of the provisions in the war damage (Tydings Act) of 1946.

Hartendorp sweepingly attacks the "Filipino First" policy as a slogan comparable to the propaganda slogan of the Japanese militarists — "Asia for the Asians." "It is inherently a fascist slogan adopted here to further the gain of a small group of local business buccaneers." An analysis of the Filipinization of management in foreign firms reaches the conclusion that this trend was begun before the war and not because of the "Filipino First" policy. Electric power development, while on the uptrend, was irregular. Investment in newly registered business organizations was sporadic. Summarizing all the data presented, the author points to the correlation between the fluctuations in the economy and the government's discriminating administration of controls. The economy is pictured as one in near stagnation and lacking dynamic qualities. Hartendorp favors the immediate lifting of exchange controls.

The book is a welcome addition to the very limited body of literature dealing with Philippine political and economic events. There is no doubt that Hartendorp has raised some very crucial questions regarding exchange and import controls, the dangers of unbridled economic nationalism, the need for a better foreign investment climate and the hollow effects of our particular tax exemption laws. But instead of the sweeping, almost bitter, condemnation which he makes, one would have preferred more qualified judgments. For example, one can easily see the need for the adoption of exchange and import controls during the crisis of 1949, as a result of the free and unregulated importation of commodities, principally for consumption, although one might question the wisdom of prolonging them for a decade. In an underdeveloped economy one might reasonably argue for incentives to industries, although it is true that the form and the implementation of our tax exemption laws have left much to be desired. The same distinctions could be applied to other criticisms made in the book.

The crux of all the issues raised by Hartendorp is whether in an underdeveloped economy the adoption of economic planning, of certain types of controls and regulations, of incentives to industries, and even of a healthy and reasonable economic nationalism is compatible with the free enterprise economy. I believe it is. What one might argue against is the extent to which these measures are carried out and their long duration. There is not a single country in the world, including the United States, which does not exercise some form of economic controls, practice economic nationalism or provide incentives to its economic units in one way or another. Reading through the book, one wonders whether it was written as an assessment or as an indictment of Magsaysay and his Administration, as well as of the various post-war economic measures taken in the name of economic development. Some of the statements made by the author against the "Filipino First" policy and the economic planners of the Government seem to come from a man whose feelings and interests have been hurt rather than from the Hartendorp known as a scholar and historian. There is a lack of insight into and understanding of the process of development and the problems confronting a developing country with limited resources.

One gets the impression that the writer had his judgment pretty much formed and set about assembling an array of figures and events to confirm it. Hartendorp must have had a suspicion of this when he wrote: "Some readers may feel that the writer's attempt to associate the negative annual increases in the various series of figures with the Government control measures, various discriminatory laws, etc., are forced and that the conclusions he has drawn are questionable." But even the summary and the correlation of statistical figures he presents to prove his conclusions which, oddly enough, include sweepstake tickets' sales and others not normally taken as indicators of economic growth, show a definite progress in the economy. Of the eleven years covered, 1948 to 1958, ten years will have positive balances and only one comes up as a retrogressive year.

Taking the record of growth in the Philippines during the post-war period and using a different set of indicators, we point out the following:

- a. From 1946, expansion in output exceeded the increase in population, so that real per capita income rose by more than one third to ₱388 in 1960.
- b. During the same period the proportional total real income from manufacturing advanced from 9 per cent to 16 per cent, while that from primary industries decreased from 41 per cent to 35 per cent, showing the gains in our industrialization program.

- c. In the last decade the index of the physical volume of production showed increases of 102 per cent for agriculture, 220 per cent in manufacturing, and 166 per cent in mining.
- d. Taking the entire period 1949-60, GNP at 1955 prices rose at an average of 6 per cent a year.
- e. Total unemployment went down from 19 per cent of the 1948 labor force to 6 per cent of the 1959 labor force, despite the 58 per cent increase in the labor force.

One cannot help but disagree with Hartendorp's contention that the Philippine economy was in near stagnation. Of course, one can agree with him that a number of economic measures have been adopted and implemented during the past years the soundness of which is debatable. But this disagreement over a number of measures cannot extinguish the growth which actually did take place. Other foreign authors and international institutions have reviewed the growth of the Philippine economy and all—the UN, the World Bank, the IMF—have confirmed the substantial gains that have been achieved. This acknowledgment of the actual growth that took place has not prevented them from expressing an objective disagreement over some of our policies.

As for Magsaysay, one hardly sees the point made by Hartendorp in comparing his intellectual and administrative ability with that of previous presidents. From the very beginning there was no illusion, either among the people in this country or abroad, about Magsaysay's being an intellectual and administrative giant. The legend never pictured him as an economist or as a financial wizard. He is known as the man who restored the confidence of the people in the Government. He is known as the man who stopped the inroads of Communism in the Philippines. He symbolized the integrity and dedication that should permeate national leadership. He is known as the man who gave new life and purpose to the agrarian movement here, not its inceptor. He is known as the man who substantially reduced graft and corruption in his country at a time when this was seriously undermining the stability of the economy. Taking his short career in this light, it was full of economic meaning and value. Fundamentally, economic development in transitional countries must start from the basis of stability, peace and order. Without this basis, all efforts to promote economic development will have little effect. On this basis the Philippine economy has continued to grow.