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Two Conflicting Views on Philippines Economy: A New Perspective Needed

Gerald H. Wilkinson

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Notes and Comment

Two Conflicting Views on Philippine Economy

I. A NEW PERSPECTIVE NEEDED

THERE must be stages in the life of a nation, as in the life of a man, when a pause for appraisal, a pause for a new perspective, may be wise. I imagine that most of us today feel that the Philippines is now passing through one of these stages. There seems to be a hesitation in the air, a sense of uncertainty. I, who have lived here so happily for so long, notice a questioning among many friends, Filipinos and foreigners alike; a questioning as to where the Philippines stands today; a doubt as to destination.

Now, what is this doubt, this uncertainty, this hesitation in the air? Is it merely a temporary pause, the pause that a mountain climber makes at the end of his first up-hill climb? Or is it a symptom of a deeper distress?

It has been a strenuous climb for the Philippines since the war. It was strenuous to reconstruct those shattered homes, those shattered factories; strenuous for those shattered families too. Strenuous for a young Government, with a disrupted civil service rising from the ashes to face the new responsibilities of Independence and nation-building, even with the generous help and great goodwill of America. But the homes and the factories were rebuilt and many new ones too. Looking back, a tremendous amount of progress has been achieved, at least in the material things. There is much to be proud of.

But it seems fashionable today to say "What a mess everything is in." Our newspapers seem full of all that is bad and little that is good. I would have thought that the good, of which there is much in the Philippines, deserves more recognition. All men of heart must hope that the air of uncertainty that troubles Manila today may be merely a pause in a long climb upwards.

But whether the pause is temporary or whether it is a symptom of a deeper ailment, perhaps it will do no harm for us to ask ourselves whether a new perspective might be constructive. Is there any major development arising during these next five, ten and fifteen years which could possibly dwarf or engulf most of our problems today? I think that there is. Population growth and particularly the *acceleration* of population growth.

I don't believe that most of us are paying enough attention to population growth, possibly because the facts are hard for the imagination to absorb. In a brilliant and somber new book the distinguished British writer, Mr. Aldous Huxley, records that on the first Christmas Day, the population of our planet was about 250 million people, less than half the population of modern China. It took no less than 16 centuries, one thousand and six hundred years, for that population to double. By 1931, the population was just under two billion. But since 1931, and this is where the warning begins, the population of the world has increased by another 800 million people, in spite of World War II. In other words, the population growth in the last 27 years alone has been more than three times the population growth of the sixteen centuries following the birth of Christ.

In the light of this tremendous and recent acceleration of population growth, the forecasts for our immediate future are overwhelmingly significant, because the world as a whole is now practising death control (by antibiotics, etc.) while a high birth rate continues. As Mr. Huxley has so ably pointed out, even the poorest government today is rich enough to provide its subjects with substantial measures for death control, since a reduction in the death rate of a whole population is being achieved by relatively few technicians working for any benevolent government, while birth control depends on the cooperation of an entire population and is either discouraged or not practiced in the areas of the world's greatest population. Under these conditions the population of the globe, now nearly three billion people, will double to reach a total of nearly six

billion in less than 50 years from now. Nearly three billion more people during the next 50 years. Has any of us begun to imagine what this is going to mean?

In the Philippines, so blessed by nature, the average rate of population increase is unlikely to be less than the average for the globe. Where will the food, water, housing and clothing for this tremendous surge of people come from? While Mr. Huxley is obviously unfamiliar with the good farming practiced by those planters in the Visayas with which our companies are so happily connected, I think that the rest of us may profit from another excerpt from his recent book. "This fantastically rapid doubling of our numbers will be taking place on a planet whose most desirable and productive areas are already densely populated, whose soils are being eroded by the frantic efforts of bad farmers to raise more food, and whose easily available mineral capital is being squandered with the reckless extravagance of a drunken sailor getting rid of his accumulated pay."

These population forecasts and the demands that they will make within our expected lifetime are far more serious than is generally recognized, and far more serious than most of the irritations and uncertainties with which Manila is preoccupied today.

If we don't anticipate this acceleration of population, what is going to happen? Today the Philippine population has just passed the 24 million mark, but over 13 million of these 24 million people are under 20 years of age and have therefore not yet reached the stage of greatest consumption. Yet we are already harrassed by an unemployment problem, restricted and therefore high priced imports, and inadequate clean water, roads and housing for most of the population.

The fact that most of Asia is in a worse plight does not reduce the urgency of the Philippine problem. For what is this mounting wave of population going to expect? Is it going to expect the same standards of living as in the past? Are the children of today going to expect to have more or less things than their grandparents? If the Philippine population was under communist control, I suppose that coercion, brain-washing and regimentation might for a time induce an acceptance of lower standards of living which in turn would curb the strain upon the economic apparatus of the Philippines. But under our democratic processes with a free press, competitive political promises for a better life for everybody in

every election campaign, and with commercial advertising, the radios, the television, the magazines, the movies and the billboards, all stimulating everybody, everywhere, to expect the luxuries of yesterday to become the necessities of today, surely the people of the free world including the Philippines are being stimulated to demand more and not less things per person than they now obtain.

Faced by this tide of accelerating population with an accelerating demand for more things, what are we really doing in the Philippines to meet the avalanche? Is it not going to be necessary to provide more facilities, more production, more capital and more trade channels than have ever existed? Is international friendship for our exports, and technical cooperation in industrial development, going to be more or less necessary than today? With the population of the globe expected to double from under three billion to nearly six billion people within the next 50 years, is not the shortage of capital and technique going to become so acute that popular demands will swamp free enterprise, and possibly free government too, unless we gird ourselves to a much broader outlook and a much clearer practice of encouragement and combination than exists today?

Would it not be well, as we survey the economic mountain ahead, to frame some resolutions that might strengthen the Philippines for this future? May I suggest the following simple preliminaries:—

Recommendation Number One

A reduction in dissensions and divisions, however admirable these may be in democratic theory.

Recommendation Number Two

More effort by the press to seek out what is good in the Philippines and to give it as much space as is accorded to the bad. In other words, to aim for a democracy of encouragement, not a "damn-ocracy" of disparagement.

Recommendation Number Three

A truce on attempts to take things away from each other, such as those little import quotas of long-established, law-abiding, tax-paying foreign firms, simply because they lack the umbrellas of Philippine or American citizenship. Cannot such firms help the Philippines into the highly competitive markets of Europe? Is

this really the time to cast their goodwill and their old employees aside? Is the Philippine consumer going to benefit from this? Trade channels and international confidence take long to establish. Is this really the time to hurt them?

Recommendation Number Four

A truce on compulsory percentages of ownership, and instead, a warmhearted and generous encouragement of joint ventures in whatever participations the Philippine enterprisers and their foreign friends may wish. The growth of Filipino ownership and enterprise in post-war business and industry has been splendid. Its continued growth is certain. But surely it will be soundest where it is voluntary. Can shot-gun weddings of compulsory stock-participations ever be as fruitful as alliances of free men joining together on a voluntary basis?

Recommendation Number Five

The encouragement to foreign technicians in the development of Philippine industries and mineral exploration, particularly oil exploration. All sensible managements are accelerating the development of Philippine technicians as fast as possible today. From our companies, Filipino technicians visit England, the United States, Belgium and Hawaii. Many other companies do the same thing. These men all benefit from the experience but some of them tell us that observation abroad is no match for working closely with experienced and friendly foreign technicians on the job in the Philippines. But with future demands towering before us, I earnestly advise you, while advancing the development of Filipino technicians in every possible way, not to dishearten foreign technicians from also serving the cause of Philippine growth. Those little dollar licenses for their savings are a very practical form of encouragement. Without those licenses such men cannot be retained. Other countries are snapping them up.

Recommendation Number Six

Never to take our blessings, and our friends, for granted, even if our friends sometimes do that to us. I am not a Filipino or an American but I know that certain Philippine trade privileges, such as our sugar export quotas in the high-priced United States market, are the envy of the world. Surely we should all work for the retention of such assets while building new production and adding new markets for other products.

"Make new friends but keep the old;
One is silver the other gold".

Recommendation Number Seven

To encourage mineral development and oil exploration to the fullest possible extent. Their dollar-earning and dollar-saving potential might surprise us, if scientific techniques, which cost dollars, are adequately applied.

In submitting these recommendations, none of which are new but which are not necessarily mistaken on that account, I realize the fears that domestic capitalists may entertain as to any excessive entry of foreign capital or technique. I believe those fears to be groundless. I too come from a small island country whose economic problems have been hard to solve. The British Isles have more than double the population of the Philippines, and less than one tenth of Philippine natural resources. Britain is heavily dependent upon imports and her survival has been threatened in two major wars already this century. She nevertheless welcomes foreign technicians and foreign ownership in her factories and in her trade. A Filipino, an American or a German can enter the British Isles and own a factory, a tienda, or agricultural land with or without British participation, and he will receive equal treatment with British firms at the hands of the import and exchange control authorities. And British capitalists have benefited for centuries by entry to Britain of foreign technicians.

As regards the United States and Canada, have their industrial developments been assisted or not by the foreign capital and foreign technicians that they have constantly received? Yet the need of the Philippine economy for accelerated technique in many fields of industry, mining and geology may be more vital here than in Britain, Canada and the United States. I am quite certain that the principal beneficiaries would be Filipino capitalists, Philippine labour and the Philippine Government, if a policy of confident liberality, rather than restrictiveness, could be applied.

If these simple suggestions could be both honoured and practiced in the Philippines, I believe that the mounting problems that lie ahead can be met. But if all men of goodwill are not encouraged to help, I believe that the economic demands of accelerating population growth will one day swamp Philippine free enterprise

and all facilities that any free Government can develop within the time available.

May I also add a simple suggestion which I believe would accelerate entry of Philippine domestic capital into new development and also enlarge national ownership in industry? Among the various taxes at present collectible by the Government is a tax on capital gains. This yields only a few million pesos in annual collections. But I believe that the tax prevents scores of millions of pesos of Filipino capital from moving into new development each year and that the tax is therefore a drag upon the growth of national ownership in industry, since a Filipino capitalist who might otherwise wish to sell land or move out of some static investment into more productive enterprise, is deterred from doing so by the heavy capital gains tax that would be levied if he sells his static asset.

Is it really a wise thing to obstruct the movement of Filipino capital into new investment by such a punishing tax? Is it to the advantage of national development that local foreign stockholders and oldtimers are likewise discouraged from selling their holdings to Filipino investors because of a Philippine capital gains tax? I believe that the deterrent effect of this tax on Philippine capital development is far greater than any revenues derived by the Treasury from capital gains tax to date. Both England and Canada still find it wise to levy no tax on capital gains, because England and Canada still wish to encourage capital movement and enterprise. Surely the Philippine need for development is even greater than England's and Canada's. Some of the steps taken to promote national ownership to date have seemed aimed against foreigners. Why not take a step that would be purely constructive and hurt no one? Abolition of the capital gains tax would be such a step.

However, it is no good for businessmen like us to suggest abolition of one tax, even a small one, without recognizing the need of the Government for larger revenues to balance the budget and to provide services for the future. What is the duty of businessmen in this connection? Surely it is our duty to support the Government to the maximum of our ability in whatever tax programme the experts may judge effective and collectible. The Government has decided, I understand, against devaluation and in favour of tax on foreign exchange. A tax on foreign exchange gives no incentive to exports, and may therefore increase exporters' demands for

barter on subsidy. An exchange tax also tends to raise prices to consumers by increasing the cost of imports. It bears heavily on outward remittances of dividends and profits to foreign investors. On the other hand, an exchange tax is easy to collect. For all its shortcomings it may therefore be a more practical measure, if combined with abolition of capital gains tax, than any increase in personal or corporate income taxes which seem simply to stimulate tax-evasion, and put the honest businessman to disadvantage.

I hope that in this paper I have not infringed on the courtesy that the Philippines so warmly extends to its residents and friends. If I have infringed, please blame my head, but not my heart.

In the tremendous demands that the future is going to make, don't discourage any of your friends from working for the Philippines. The future is at hand, and the future will dwarf today.¹

GERALD H. WILKINSON

II. REPLY TO MR. WILKINSON

BECAUSE Mr. Gerald Wilkinson is an esteemed member of the community, his recent Rotary speech merits more than "a temporary pause." It calls for a considered and dispassionate reply. If my personal regard for him were less than what it is, I would have simply dismissed his speech with silence. But I have a high regard for his sincere desire to cooperate in our economic development with due regard for the general welfare. In taking public exception to some of his views and recommendations we would clarify many of the issues before the public today, including the so-called "irritants."

Mr. Wilkinson's speech came after I had the opportunity of reading the speech of Mr. H. F. Prioleau, President of Standard Vacuum Oil Co., at the Eleventh Annual Far East Conference, entitled "The Economic Challenge in Asia", which was presented to me by an American friend who attended the recent Educators-

¹ The foregoing is the substance of a speech delivered before the Manila Rotary Club, 19 February 1959.