



# A Little Matter of Dollars

By Benito Mencias

WITH the presidential race in its final lap, Senator Jose P. Laurel felt he should be more articulate about the Nacionalista Party. Forthwith he issued a press statement saying that the problem was economic, not political. The sooner the Filipinos did away with political bickering, why, of course, the sooner they could concentrate on working out their economic future! This was a left-handed way of exhorting the voters to get behind the Nacionalista Party, whose vice presidential candidate is Laurel Jr., but it was understandable to many people. The trouble is that he also talked about dollars.

Laurel was convinced that the peso was weakening. This was unsettling him, and what Filipino, indeed, wouldn't be disturbed? Filipinos use nothing but pesos, and they want their money's worth. Now a respected elder statesman was telling them something was wrong with it. But, thanks heavens, he had a plan: he was ready to negotiate for a \$500 million loan with an international banking organization to prop up the peso and make it strong again.

It was President Garcia's turn to be unsettled. All this time he was telling voters all over the country what great economic advances the Philippines was making under the Nacionalista administration. But here was Senator Laurel implying — well, *almost*, at any rate — that this just ain't so. President Garcia issued a strong denial, saying the peso remained in the "hard currency" group, and hoped that was the end of that.

But politics kept the thing alive. The Liberal Party's presidential candidate, Jose Yulo, picked it up during his Visayas stump. Laurel, insinuated Yulo, had a point there. An adequate dollar loan really was needed. He was, of course, the man to get it.

That put the fatt on the fire. The boys who write the editorials were soon ventilating their pet theories about dollars in relation to the Philippine economic position. Filipinos who claim familiarity with the economic situation insisted on having their say about

it. The feelings expressed one way or another were often so strongly put that they confused those who are content merely to listen.

But what about the dollar loan? Do we really need it?

The answer of this armchair economist is yes and no. If the Filipinos are the strong people they think they are, if they can sacrifice for their country and their unborn children and do it gladly, then they have no compelling need for dollars. Otherwise, they do.

First, however, let's do a little review on the connection of dollars with the Philippine economy.

Mainly, we need dollars for two things. The first of these is to buy consumer items such as rice and other primary goods which we don't produce in volumes matching the requirements of our expanding population. Secondly, we need dollars to buy capital equipment — the common word for this is machinery — with which we can develop factories and thus create employment for our increasing labor force. These are the reasons why the Philippine dollar reserve is so important to the economy: it is the pivot around which our economic development effort moves.

The point is that the Philippine dollar reserve had, by September this year, dipped to a low of \$180 million, which some Filipino economists consider too near the cut-off level. No wonder Senator Laurel was so disturbed!

Where do we get dollars? From our export products, such as copra and sugar, which we sell mainly to the United States. In 1956 we got nearly \$180 million out of copra alone. This represented about 39 per cent of the Philippines' total export trade. We can earn more dollars if we produce more.

It is, however, not only a question of earning but also of saving dollars. If we produce more rice and primary goods, for example, we wouldn't have to import them and thus save dollars. We can then divert our savings to the requirements of our industrialization program and achieve a balanced economy.

Considering the difficulties we had to go through in reconstructing our economy, we are, production-wise, getting ahead. The National Economic Council in a proposed Five-Year Economic and Social Development Program submitted to President Magsaysay in January 1957, reported an aggregate production increase of 9.6 per cent per year during the period 1950-55.

Consider agriculture. An average yearly production increase of 8.5 per cent was reported although performance in this field was spotty. Specifically, hectareage per unit of population devoted to a dollar-saving industry, rice, and to three dollar-earning industries — sugar, hemp and tobacco — was below prewar levels. Production volume per unit of population told substantially the same story. While three dollar-saving industries — corn, fish and root crops — and one export product, copra, rose to production levels above prewar, two consumption products — rice and meat and poultry — and four export commodities — hemp, coconut oil, tobacco and sugar — were produced below prewar volumes.

Now take mining. This looks like peanuts — mining contributed only 2 per cent of the national income during the 1950-55 period, compared to agriculture's 42 per cent — but this industry is potentially one of the Philippines' biggest. The production pattern was substantially the same. Two export metals — copper and chromite — were produced in increasing amounts since 1950, but output of three other export items — iron ore, manganese and gold — was below prewar levels.

Stimulated by such incentives as a preferential credit policy and tax exemptions, the manufacturing industries registered an overall production increase of 10.5 per cent. As a result, they contributed a sizeable chunk — from 14 to 15 per cent — of the national income. The disturbing factor is that "many of the new industries depended on imported raw materials which, together with the still insufficient rate of import substitution in the face of practically static export receipts, did not sufficiently relieve the continuous pressure on the foreign exchange reserves."

These figures dramatize the necessity of increasing production to earn more dollars. The matter of increasing production ramifies into a multiplicity of lesser problems — the dissemination of skills, for example — but the point is that we must produce more and quickly. The reasons for this are outlined in the projected five-year development plan in blunt words:

"Per capita income for 1955 was still at the low estimated level of P360, placing the Philippines among the underdeveloped countries, even though not among the poorest of these.

"(This) seems indicative of the conditions of poverty and want characteristic of the rural areas, where a majority of the people live and are engaged in ag-

ricultural pursuits marked by primitive methods and practices which have not often been touched by technological progress for centuries...

"Available information indicates that in 1953 the per capita cash incomes in selected barrios in Central Luzon, in areas where the tenancy system predominates, ranged from P96 to P107 per farmer. (From the) apparent disparity between tenant farmer per capita income of about P100 and the national average of about P360, (it may be assumed) that the rate of increase in the national income, if true, represents on the whole gains made by the Manila area and outside it by the higher income groups and that similar gains in the other sectors of the economy have not materialized. For the country as a whole, this represents a lopsided development."

But this is not the entire story. Listen:

"The current level of unemployment is nearly 1.2 billion or about 13 per cent of the labor force. It is possible that actual unemployment may be as high as 1.9 million or even higher if the various forms of disguised unemployment and underemployment are taken into account.

"Considering the age distribution of the population, in which about 44 per cent is below 15 years of age, it could be expected that the labor force will increase in the next few years at an even faster rate than the total population, or by nearly 3 per cent per year.

"The labor force may, therefore, increase by almost 275,000 annually...

"(To absorb these new additions to the labor force), it would be necessary to provide new employment opportunities in the neighborhood of at least 300,000 new jobs per year. The investment volume and level of activity in the recent past have apparently been either too small or otherwise not been of a kind or composition to generate sufficient employment opportunities."

The future, as you can see, is dark. The only way soften the black spots is to earn more dollars, and the easiest way to do this is to get a loan. But what if it is not obtained? Then we'll have to tighten our belts. The period of austerity before us will be no joke — it is bound to be long and full of sacrifice.

If we have fortitude and purpose, you can be sure we will win. We are a rich country. Our natural resources have an actual worth, at this very moment, of nearly P35 billion. The potential value of our natural wealth — made up of land and mineral resources, livestock, timber stands and fishing grounds — is nearly P80 billion. You'll agree that this is fabulous.

There is no question about our potential economic worth. The point that needs proving is whether we, as a people, deserve these riches.