The Economic Programs of Philippine Third Republic (1946-1972)

Emmanuel Jeric ALBELA
University of Santo Tomas
MANILA

ABSTRACT
This paper studies the different economic programs that the Presidents of the Philippines executed during the period of Third Philippine Republic (1946 - 1972). As the country regained its independence from the United States, and the end of the Second World War, the country was facing the difficult challenges of reconstructing the nation, its society, politics and more importantly the economy. Using John Stuart Mills’ theory on The Principles of Political Economy, this study reveals the necessary functions of the government and its intervention to achieve stability of the national economy. This qualitative study reveals its findings using historiographical interpretation, particularly the economic programs implemented from the time of Presidents Manuel Roxas to Ferdinand Marcos (covering his two terms of office), all of which these presidents have envisioned as instrumental in salvaging the Philippine economy from the desolation of the Second World War.

Keywords: Economy, Third Republic, Philippine Economy, Economic Development

When Philippine Independence was proclaimed on July 4, 1946, the new Republic of the Philippines was the first Asian country to regain its political freedom and independence after the last World War. In the following years came the liberation and independence of other Asian countries like India, Pakistan, Burma, and Indonesia.¹

This change of political status wrought significant changes in the life and progress of these different Asian nations. Placed in full control of their destinies, they began to shape the course of their developments by the longings and

---

desires and wisdom of their respective peoples. At the same time, a new and closer relationship among these nations developed. They started to build a more significant interest in one another, both commercially and culturally. As close neighbors, they could have maintained such relations; but during the long years of their respective colonial conditions, they existed mainly as cogs in the wheels of their ruling nations.

New movements for international cooperation, which came after the end of the war, also contributed to bringing closer the different countries in Asia. The essential unifying foreign body created in this part of the world was the Economic Commission for Asia and the Far East or ECAFE.3

The first Philippine International Fair held in Manila in the early part of 1953 recalled the position of the Philippines as the “Gateway to the East” and the Port of Manila as the trade center of the Eastern Pacific. The fair also gave an opportunity to the different nations (among them were the country’s Asian neighbors) to market their wares and become acquainted with the Filipino people. Ideologically, the fair served to emphasize the universally recognized position of the Philippines as the “Show Window of Democracy in Asia.”

Ruined and devastated by the war to a worse degree than any other country, not excluding those in Europe, the Philippines left in ruins with the difficult task of rebuilding since the granting of its independence. Despite tremendous odds, the country has reconstructed its economic road toward national development and economic progress. Among the contributing factors to this goal were the steady and substantial growth of Philippine business and trade; renewed efforts to develop the country's natural resources and manufacturing industries; improvements in transportation, shipping, and communication facilities; growth of banking and credit institutions; and a new orientation of economic policies of the government directed toward the development of commerce and industry. All of these happened during the first seven years of the Philippine Republic, so the Philippine trade presented a brightening outlook and a stronger basis for continued expansion.5

Facts and figures attest to this improvement in foreign trade. The country's volume of business made a meteoric rise in comparison with that of the prewar period. By then, the Philippines regained its excellent reputation in foreign

---

3 Balmaceda, “Philippine Commerce Today,” 35.
4 Balmaceda, “Philippine Commerce Today,” 35.
5 Balmaceda, “Philippine Commerce Today,” 35.
markets and built up new ones with the government's efforts to intensify foreign-trade promotion; the establishment of various consulates, legations, and ministries abroad; and the improvement of trade relations with different countries.  

After the war, the country did not only make great strides in the foreign trade but the domestic business as well. Since then, the nation has entered an era of expansion of its interprovincial and retail trade. As a result, the volume of goods distributed in the domestic commerce has been more significant as the increase in production, both agricultural and industrial, continues. The old commercial establishments have been rebuilt and expanded, and many new ones have emerged.

To give further sense to such impressive feats, the researcher ventured to analyze and study the Philippine Economy of the Third Republic (1946 – 1972).

Considering the apparent political bent of the Third Republic, this paper specifically focused on the influence of the government intervention on the national economy, hence, addressing the following concerns:

1. How did the government recover the national economy after the Second World War?
2. What were the economic development programs established by the presidents of the Third Republic to improve the national economy?
3. How did the government utilize natural resources to develop the economy?
4. What were the government agencies that helped in the economic development of the country?

Method and Design

The research probed into the fields of history and political economy. Quantitative and qualitative data gathered from the major libraries in the country. However, all these data were treated qualitatively to provide a historiographical interpretation and a unique narrative.

The researcher wasted no time and effort to make this study possible. All research materials pertinent to the present investigation reproduced. The researcher though had a hard time reproducing these archived reference

---

6 Balmaceda, “Philippine Commerce Today,” 35.
7 Balmaceda, “Philippine Commerce Today,” 36.
materials in an orderly manner, for he made it sure that none of them would be damaged.

These research materials arranged chronologically, and each was painstakingly reviewed to ensure that the gathered information would significantly contribute to the quality output of the study.

**Theoretical and Conceptual Framework**

The economics philosopher, John Stuart Mill, in the BOOK V of his work *The Principles of Political Economy*, revealed the significance of a government in building a good economy. The researcher used the theories in the abovementioned part of Mill’s work to elucidate the role of government intervention in improving the national economy.

John Stuart Mill rendered an in-depth analysis of the government's significance to the state through the deliberation of its agency. Accordingly, the functions (i.e., policies, interventions, procedures, and the like) of the government should carefully distinguish the necessary (essential) from the optional (discretionary). The vital functions pertain to those considered complicated from the very idea of the government, such as (1) taxation, (2) laws on property and contracts, and (3) judicature and police. Other than the above, what the government does is flexible or optional, subject to question and protection from false theories. Mill writes:

“... there must be a specification of the functions which are either inseparable from the idea of a government, or are exercised habitually and without objection by all governments; as distinguished from those respecting which it has been considered questionable whether governments should use them or not. The former may term the necessary, the latter the optional functions of the government. By the term optional, it does not imply that it can ever be a matter of indifference or arbitrary choice, whether the government should or should not take upon itself the functions in question; but only that the expediency of its exercising them does not amount to

---


necessity, and is a subject on which diversity of opinion does or may exist.”\textsuperscript{10}

Mill also argues on the question of government's interference with individual liberty. He affirms that the government must prohibit and punish own behavior that harms other people, such as power, deceptions, or carelessness.\textsuperscript{11}

Mill likewise avers that the government should work to limit or eradicate a large amount of energy utilized in the damaging of one nation by another. He adds that a government must turn such disparaging comportment into developed social facilities, that is, transforming the powers of nature, so they serve the most significant physical and moral good.\textsuperscript{12}

Lastly, Mill proposes that governments should adopt a laissez-faire policy; in that case, they would refrain from interloping with individual choices and would grant unconstrained freedom to people, who should be able to chase their happiness without limitations. He insists that: "Laisser-faire, in short, should be the general practice: every departure from it unless required by some great good, is a certain evil.”\textsuperscript{13}

From this point of view of John Stuart Mill, the researcher was able to compose the structure or conceptual framework of the present study. About the theory of John Stuart Mill on political economy, the researcher was able to conceptualize the framework of the present investigation. The main subject of the study is the Third Republic and how the presidents of this era in Philippine History managed the government in achieving its political stability. Here, the government of the Third Republic was the prime mover in initiating interventions in the society that would help in the economic recovery of the Philippines after the Second World War. With this, one can divide the responses into two aspects, the essentials/necessary and the optional, based on John Stuart Mill’s theory on political economy. On the one hand, the essential interventions of the Third Republic to stabilize the Philippine economy were classified as follows: industrial reforms (including Services), economic development programs, and utilization of natural resources; on the other, the optional aspect was the government agencies. With this, the researcher will be able to come up with a better conclusion on how these interventions stabilized the Philippine Economy during the Third Republic. As a way to understand the flow of the

discussion, the researcher had come up with a diagram that represents its study as a whole.

![Conceptual Framework (The Economic Programs of Philippine Third Republic)](image)

**Figure 1. Conceptual Framework (The Economic Programs of Philippine Third Republic)**

**RESULTS AND DISCUSSION**

1. The Recovery of the National Economy after the Second World War

   After the Second World War, the Philippines finally got its independence from the United States on July 4, 1946. However, the war left the country so devastated and destroyed. When President Roxas was elected president of the new republic (Third Republic), he came up with solutions on how the economy can recover from the problems caused by war.
Having survived the problematic adjustment period after the war, the Philippines, under the Roxas Administration, was in the process of implementing an economic program designed to accomplish its objectives to face the future with great faith and hope that the economy would thrive towards peace and prosperity. With 1956 as the goal, the population then increased by approximately 20% growth rate. Considering that the national production in 1948 was about 4 billion pesos, the total increase required in 1956 would be up to 1.3 billion pesos. In other words, to attain a stable economy at a standard of living only equal to that of 1948, the government had to increase the gross national product by 1.3 billion pesos or 32 percent.14

Necessarily, the increase in the national production should take place over the whole pattern of the national economy – in industry, agriculture, and services. Moreover, to meet the demand for food crops and industrial raw materials, agriculture would have to increase materially through an account of the larger base. The percentage increase maybe comparatively smaller; hence, the essentially agricultural character of the economy would not change.15

From the 1.3-billion-peso increase in the national production aimed at in 1956, the estimated increments in the production from the industry, agriculture, and services would be as follows16:

<table>
<thead>
<tr>
<th>Gross Production, 1948</th>
<th>P 4,097,000.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>P 709,000.00</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2,630,000.00</td>
</tr>
<tr>
<td>Services</td>
<td>758,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross Production, 1956</th>
<th>Percentage Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>P1,100,000,000.00</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3,350,000,000.00</td>
</tr>
<tr>
<td>Services</td>
<td>947,000,000.00</td>
</tr>
<tr>
<td><strong>P5,397,000,000.00</strong></td>
<td><strong>32%</strong></td>
</tr>
</tbody>
</table>

As presented above, the percentage increase proposed for the industry was 55 percent; for agriculture, 27 percent; and for services, 25 percent. Considering that agriculture provided 64.3 percent of the gross production, the increase in production in agriculture would still represent the major item in the program.

for development up to 1956. Of the 1.3-million-peso increase in production, more than 55.4 percent was derived from agriculture.\footnote{Rodriguez, “Looking Ahead at Philippine Industrialization,” 49.}

2. Economic Development Programs by the Presidents of the Third Republic

After the short presidency of Manuel Roxas, the next presidents continued to face the challenge to establish a stable economy. Various economic development programs were formulated, and studies and research dealing with the national economy were undertaken. Together with some of the economic programs implemented by the presidents of the Third Republic, the Philippine economy remained stable for almost three decades. The following were the efforts and economic development programs of the Third Republic presidents:

**Elpidio R. Quirino Administration (April 16, 1948 - December 30, 1953)**

Under President Quirino’s administration, about 80% of the foreign exchange of the Philippines was produced from three agricultural products: coconut, sugar, and abaca. The coconut provides the principal export of the Philippines, generating roughly 50% of the earned foreign exchange. In 1950, its production was about 7% greater than in 1940, but 28 percent less than in 1947. The next big foreign-exchange producer was the sugar industry, and in 1950, the production was about 66% of the prewar average (The 1951 milling is expected to recover some of the loss.). The third great dollar producer was the abaca sector, and in 1950, its production was only about 41% of the prewar average. In 1939, the exported tobacco products earned more than 7 million dollars; in 1949, a little more than 2 million dollars was earned.\footnote{No Author, “The Role of Agriculture,” Fookien Times, Yearbook (1951): 26.}

In reviewing the national scene of his administration, one can find out that the national economy almost doubled from 1946 to 1953, rising from P4.4 billion to P7.4 billion. This is reflected more pronouncedly by the rate of increase in national income from manufacturing from P492 million to P1.187 million for the same years. The price of growth in trade was not of the same scope, with figures rising from P558 million to P802 million for the same period.\footnote{Teofilo D. Reyes, “Philippine Commerce and Industry,” Fookien Times, Yearbook, (1954): 39.}
Foreign commerce nearly doubled, too, for the same period, from P720 million to P1,640 million in 1953, despite the operation of import controls. The import controls were imposed because from 1947 to 1949, the rate of importation was high, rising to the top record of P1,172.8 million in 1949. The exports were left so far behind, thus, creating a severely unfavorable trade balance against the country. After these import controls had been imposed, the annual importation went down to P684.9 million in 1950.\(^{20}\)

Controls were, however, gradually relaxed as the country strengthened its balance of payments position because of such restrictions, and by 1953, the figure was up to P855.1 million.\(^{21}\)

At the same time, the country’s export position was improving. From only P128.4 million in 1946, the volume of exports moved up to P819.4 million in 1951 but fell off to P784.9 million in 1953. The slack improvement was attributed to the termination of the Korean War, which stimulated Philippine exports, especially copra and lumber.\(^{22}\)

The export increase gradually cut down the unfavorable trade balance which, at one time in 1949, stood at the all-time high of P665.3 million; and by 1950, the figure was reduced to P10.6 million. The relaxation, however, of import controls forced the figure to escalate to P143.1 million in 1951, but eventually, the picture wound up to P70.2 million in 1953, the second-best figure after the war.\(^{23}\)

While the controls tend to limit the country’s foreign trade, especially on consumers goods, they provided one positive incentive to the development of domestic industries which, because of the existing free trade between the United States and the Philippines, were not encouraged.\(^{24}\)

As the import controls limited the number of goods that may come in, industrialists began to think of the advantages of setting up plants here and producing those goods that were being kept out of the country.\(^{25}\)

The industrialists did not wait for so long to decide, for two other incentives gave them further stimulus. The first was the tax exemption plan for new and

---


\(^{21}\) Reyes, “Philippine Commerce and Industry,” 39.

\(^{22}\) Reyes, “Philippine Commerce and Industry,” 39.

\(^{23}\) Reyes, “Philippine Commerce and Industry,” 39.

\(^{24}\) Reyes, “Philippine Commerce and Industry,” 39.

necessary industries, and the other was the 17-percent excise tax on foreign exchange. The latter was, in effect, a tariff that could be imposed by the Philippine-American Agreement.²⁶

The economists hailed this trend as desirable for the country which was trying to offset its recurring balance of payments difficulties. Thus, further growth in this direction should be encouraged.²⁷

**Ramon F. Magsaysay Administration (December 30, 1953 - March 17, 1957)**

One of the significant achievements of President Magsaysay during his administration was the signing of an accord, the Philippine-American Joint Economic Development Program on January 23, 1955, under the Industrial Development Center (IDC) (a joint Phil-CUSA-FOA project) to finance the industrial development in the Philippines. Under the plan, up to $13.5 million and P20 million would be allocated for the import of machinery to expedite the expansion of existing industries via the establishment of new ones. Four months after the program was announced, nearly 60 percent of the available funds were allocated for the approved projects. Additional applications were made daily.²⁸

Two types of financing services were available under the IDC program: (1) it provides pesos to private banks for long-term loans at reasonable interest rates to finance imports for industrial development; and (2) it gives foreign exchange which can be purchased with pesos to pay for the imported machinery and equipment. The immediate success of the IDC financing program was highly significant. It demonstrated that the Philippines possess both the human and the financial resources to implement a broad plan of industrial expansion.²⁹

The joint program brought dollar contributions with a total of $29 million during the fiscal year (FY) 1955, which almost doubled the $15-million figure of FY 1954. The Philippines' peso contribution likewise rose sharply during the year and would total somewhat more than P140 million for the year as against P95 million in FY 1954. A significant point in this connection was that the

---

continuing peso costs were absorbed into regular government departmental and individual appropriations.\(^{30}\)

The program moved at an accelerated pace. The drilling of wells to provide potable water for rural residents was prioritized on the agenda of President Magsaysay's administration. In the calendar year 1954, a total of 1,323 deep wells were installed. In the preceding six months, only 51 wells were drilled. Since the turn of the year, new wells went down at the rate of 25 to 30 a week. For the FY 1955, it was expected that 2,000 wells would be completed.\(^{31}\)

Some typical highlights of the measurable accomplishments of the said joint program were the following\(^{32}\):

262 farmers' coops were organized, with 117,000 members;
- 113 warehouses were constructed under the Agricultural Credit and Cooperative Financing Administration (ACCFA) program; 130 more were under construction or planning;
- ACCFA loans to assist farmers totaled to P23,074,000; all of which were disbursed since the start of FY 1954;
- Rice production increased from 2.8 million metric tons in 1952 to 3.2 million metric tons in 1954;
- More than 7.6 million animals were vaccinated in 1954 as against 3.4 million in 1951;
- Enrollment at the College of Agriculture in Los Banos jumped from 851 to in 1952 to 2,700 in 1954;
- Reconnaissance soil surveys were made in four provinces, covering 2,435 hectares; two new soil conservation stations established, and two old ones reactivated;
- The subdivision of 5,237,364 hectares of land into 61,321 farm lots up to 10 hectares done. Each accomplished under the FOA program from 1952 to June 30, 1954. From July 1, 1954, to April 30, 1955, the area subdivided was 168,789 hectares, divided into 26,878 farm lots;

• The Bureau of Lands issued a total of 17,417 land patents from 1952 to June 30, 1954. Since July 1, 1954, to April 30, 1955, an additional 35 was issued;

• 1,317,153 hectares of public land classified for the forest, agricultural, or any other purposes, and 605,330 hectares were released, mostly for agriculture;

• More than a million houses sprayed with DDT; half a million of these houses sprayed twice or more. Antimalarial drugs dispensed to over half a million of persons in the last 18 months alone;

• 163 rural health units established as of January 1, 1955, each with a medical officer, a nurse, a midwife and a sanitary inspector to bring better health to the rural population;

• Some 53 provincial hospitals were improved and provided with equipment;

• 38 vocational agricultural schools and 34 vocational trade schools received and used dollar-purchased equipment;

• 59 irrigation pump systems were installed, bringing the controlled water supply to some 18,400 hectares of land;

• Work accelerated in the Magat, Jalaur, and Pampanga gravity irrigation system; the Padada in Mindanao already completed, and thousands of hectares were expected to benefit from these systems. The construction of the P12.0-million Agno river irrigation project went underway in January of that year;

• 479 kilometers of main roads and 144 kilometers of feeder roads were under construction in the Mindanao road development program, and 114 kilometers of main roads and 31 kilometers of feeder roads were completed, totaling to 768 kilometers;

• 33 bridges completed; 146 were under construction, and 250 more were in the planning stage;

• The nearly P8,000,000 worth of heavy equipment ordered for a vast highway improvement program; more than half of them arrived;
• The nation's resources of coal, iron, ore, and strategic minerals surveyed; the aeromagnetic survey of an iron core, which the joint program sponsored, led five private mining firms to contract for similar studies;

• Industrial consultations were initiated to assist Philippine firms in improving cost-accounting methods, production, scheduling, pricing, and the like. The Industrial Development Center established the 5-million peso and dollar-financing industrial development – long-term credit;

• Multiple-purpose public-works project was wholly coordinated and blueprinted for the Marikina river basin to provide hydroelectric power, municipal and industrial water supply, flood control, and irrigation;

• More than 900 Filipino technicians were sent abroad for advanced study.

Behind President Magsaysay's excellent leadership and performance in fulfilling his duties and responsibilities, especially in implementing his economic programs, were his equally good economic advisers (from his different cabinet members): Executive Secretary, Fred Ruiz Castro; Student's Advisory Council Head, Rafael Salas; Presidential Complaints and Action Committee, Manny Manahan and Colonel Frisco San Juan; Secretary of Labor, Eleuterio Adevoso; Press Secretary, J.V. Cruz; Appointments Secretary, Atty. Jose Ansaldo; Finance Officer, Capt. Rodolfo Andal; Legislative Secretary, Jose Nable; and head of the Presidential Selection of Cabinet Members. Of the above economic advisers (cabinet members), one will not forget the support and assistance of President Magsaysay's favorite, Manuel "Dindo" Gonzales, who was also his political adviser on his way toward the presidency.

Carlos P. Garcia Administration (March 18, 1957 - December 30, 1961)

The five-year development plan for 1955-1959, which was approved by President Ramon F. Magsaysay in 1954, was a continuing program intended to be revised and updated annually by dropping off the year just passed, changing

34 Manuel Martinez, “Ramon F. Magsaysay: The Peoples President.”

http://talakasaysayan.org I:1 (September 2018)
the remaining four (4) years, and adding another year to form the new five-year program period. In brief, it would take care of the economy’s past performance, the present condition as well as the future aspects.\textsuperscript{35}

As planned, the program consisted of $327 million and P1, 346 million for the public sector and $457.2 million and P2,286 million for the private sector. The five-year plan, being a public investment program, only gave greater details on the financial requirements of the public sectors as follows:

**THE OVERALL PUBLIC INVESTMENT PROGRAM FOR ECONOMIC DEVELOPMENT** \textsuperscript{36}

*FY 1957 – FY 1961*

(In Million Pesos)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>28.1</td>
<td>54</td>
<td>59</td>
<td>62</td>
<td>65</td>
<td>68</td>
<td>307</td>
</tr>
<tr>
<td>Industries</td>
<td>10.8</td>
<td>107</td>
<td>85</td>
<td>81</td>
<td>84</td>
<td>76</td>
<td>433</td>
</tr>
<tr>
<td>Services (Utilities)</td>
<td>136.8</td>
<td>179</td>
<td>190</td>
<td>196</td>
<td>204</td>
<td>211</td>
<td>980</td>
</tr>
<tr>
<td>Social Development</td>
<td>8.3</td>
<td>25</td>
<td>27</td>
<td>28</td>
<td>30</td>
<td>30</td>
<td>140</td>
</tr>
<tr>
<td>Grand Total</td>
<td>184.0</td>
<td>365</td>
<td>361</td>
<td>367</td>
<td>382</td>
<td>385</td>
<td>1,860</td>
</tr>
</tbody>
</table>

(The suggested targets in each sector are stated in round figures. They indicate orders of magnitude rather than precise quantities.)

The above table reveals that the bulk of public investment allocated for the construction of public facilities, such as transportation, public utilities, irrigation, communication, roads, bridges, and the like which were necessary for the early stage of economic development to induce and support the growth of private enterprise. Next in importance as regards investment magnitude was the industrial sector which was expected to bring about readjustment in the economy and encourage greater private investment in desirable development projects.\textsuperscript{37}

The reason why President Garcia placed these economic programs was emphasized into two (2) specific approaches of the government, to wit:


\textsuperscript{36} Romualdez, “The Philippine Five-Year Plan,” 34.

\textsuperscript{37} Romualdez, “The Philippine Five-Year Plan,” 34.

http://talakasaysayan.org I:1 (September 2018)
1. Through the formulation of long-run and stable public economic and social policies that will provide a framework of positive incentives upon which private business decisions based; and
2. Through the implementation of economic and social overhead projects that are directive, promotive, and supportive of economic development by private enterprises.\textsuperscript{38}

The achievement of the proposed investment and its objectives, however, will be induced, promoted, and supported by public policies, and these fundamental policies are:

- A monetary and credit system designed to give fuller support to private productive activity through a moderate expansion of the money supply;\textsuperscript{39}
- A foreign-exchange policy designed to make foreign exchange increasingly available for use, with maximum economic development impact, and to gradually eliminate foreign-exchange controls so that competitive forces may eventually be given free play in the economy. An appropriate and flexible tariff policy should be adopted immediately and skillfully implemented so that the elimination of controls may be accelerated without adverse effects on the economy as a whole;\textsuperscript{40}
- A fiscal policy directed to the promotion of an accelerated economic development program through a sound tax system, with increasing revenues derived from an expanding national income, and the use of public credit to induce a more significant and steadily growing volume of productive private investments;\textsuperscript{41}
- A production and price policy aimed at the diversification of the economy and increased production by providing a sufficient and efficient network of public services required by private investment;\textsuperscript{42}
- An active commercial policy or expansion and diversification of overseas markets, enlargement of the domestic market, and improvement of the

\textsuperscript{38} Romualdez, “The Philippine Five-Year Plan,” 34.
\textsuperscript{39} Romualdez, “The Philippine Five-Year Plan,” 34.
\textsuperscript{40} Romualdez, “The Philippine Five-Year Plan,” 34.
\textsuperscript{41} Romualdez, “The Philippine Five-Year Plan,” 34.
\textsuperscript{42} Romualdez, “The Philippine Five-Year Plan,” 34.
distribution system to secure greater participation by our people in the ownership and control of wholesome and retail merchandising;\textsuperscript{45}

- A social development policy aimed at increasing the contribution of social services to economic development regarding skills, technology and research, health and improved human relations; and utilizing the material wealth generated by the economic development program to provide opportunities for every man to attain a satisfying standard of living and self-fulfillment.\textsuperscript{46}

\textbf{Diosdado P. Macapagal Administration (December 30, 1961 - December 30, 1965)}

The program was formally entitled President Macapagal’s Five-Year Integrated Socio-Economic Program. Simply and briefly stated, it is an outline of what the government and the nation should do over a period of five years to secure a better life for the Filipino people and ensure a bright future for the children.\textsuperscript{45}

\textit{Objectives of the Integrated Socio-Economic Program:}

1. Restore economic stability at the earliest possible time
2. Alleviate the plight of the common man
3. Establish a dynamic fundamental future growth\textsuperscript{46}

\textit{Financing Program:}

President Macapagal’s program required an outlay of some P12.7 billion for the entire five-year period. Of this amount, the government intended to contribute 22% or P2.8 billion. The government share would be drawn from revenues and devoted to economic development projects, like the construction of power and irrigation systems, roads and bridges, waterworks projects, railroad lines, and telecommunications.

According to President Macapagal, ”We believe we can get this amount through a revitalization of our collection system. If we can secure 50% of

\textsuperscript{45} Romualdez, “The Philippine Five-Year Plan,” 34.

\textsuperscript{46} Romualdez, “The Philippine Five-Year Plan,” 35.


\textsuperscript{46} Adevoso, “President Macapagal’s,” 35.
revenues lost annually due to either notorious tax evaders or to inefficient and dishonest tax collections, the government will be more than able to meet its commitment."

Roughly 78% or more than P9 billion of the program's financing program would, therefore, come from the private sector. In the words of President Macapagal, “the task of economic development belongs principally to a private enterprise, with the government acting only as a stabilizing influence on business activity.”

**Measures to enable the private sector to meet the significant financial and credit requirements of the program:**

1. The establishment of rural savings institutions and cooperative banks to encourage systematic savings in the rural areas and to complement the lending activities of the commercial banks, GSIS, SSS, Development Bank of the Philippines, Postal Savings Bank, private insurance companies, investment banks, and any other institutions that finance inventory.

2. The Central Bank will be requested to study the feasibility of increasing interest rates paid by commercial and savings banks on savings and time deposits to offer more inducements for a systematic saving plan.

3. It contemplated in the program to remove from the GSIS and SSS their lending functions to attain the overall targets and priorities established in the President's agenda. The policies of the Development Bank of the Philippines, Philippine National Bank, Philippine Normal Cooperative Bank, and the ACCFA shall bring in line with its targets and priorities. Thus, it can be done by creating inter-corporate loans and investments council to formulate the policies for those institutions to attain maximum coordination among these financial institutions.

4. The regulatory powers of the Central Bank over financial institutions shall continue to ensure the use of loanable funds in the most economically productive ventures. In the same manner, the assistance of the Office of Insurance Commissioner shall be enlisted to secure the cooperation of insurance companies to attain the objectives of the program.
5. The plan contemplates the establishment of a Private Development Bank with total resources of P30 million. The rise in the capital will be as follows:

<table>
<thead>
<tr>
<th>Type of Subscription</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Subscriptions</td>
<td>P15,000,000</td>
</tr>
<tr>
<td>Private</td>
<td>P5,000,000</td>
</tr>
<tr>
<td>Government</td>
<td>P10,000,000</td>
</tr>
<tr>
<td>Subscription to be sought from international institution</td>
<td>P45,000,000</td>
</tr>
</tbody>
</table>

**Total Resources**

P60,000,000

_Ferdinand E. Marcos Administration (December 30, 1965 - September 21, 1972)_

The objective of the Four-Year Economic Development Program, prepared by the National Economic Council, was an annual increase in real per capita income at constant 1960 prices starting with 1.5% in 1967 to 2.3% in FY 1970. This means that the real national income must increase from 5.1% in FY 1967 to 6.0% in FY 1970. The gross national product, in turn, would have to grow by 5.8% in FY 1967 to 6.8% in FY 1970. From these increases in national product, a total investment requirement of more than P20 billion at current prices would be needed.

While the overall program accounts followed the standard micro-model form at 1960 prices, the sectoral programs went to more specific details of projects and activities that were identified with clear-cut specifications of particular targets and close estimates of investment requirements at 1965 prices, which were synchronized with the overall national projections.

The sectoral programs required an estimated investment of P13.6 billion of which 25.8% would come from the government and 74.2% from the private sector. P3.5 billion was the total government share. As expected, a significant percentage of this would go to infrastructure – roads, bridges, ports, irrigation systems, electrification, among others. A good portion would go to the agricultural sector, mostly for food production and land reform. The private

---

47 President Macapagal’s Five-Year Socio-Economic Program by Eleuterio Adevoso, *Presidential Executive Secretary, The Fookien Times, Year Book, 1962*


sector's share would go mostly to industry, agriculture, utilities, transport, and trade.\textsuperscript{50}

A unique feature of this drafted program was the inclusion for the first time of a chapter on strategies for development. This is considered a milestone in defining the different steps, measures, policies, attitudes, and basic approaches which must be adopted and undertaken by the government to accomplish its direct and specific role in economic development. Moreover, it also allowed the realization of the less direct but vital need to motivate, persuade, and influence the private sector and the vast mass of Filipino citizens to participate in carrying out the activities connected to the program.\textsuperscript{51}

There were three noteworthy aspects in this overall plan for the economy. The first was the very great reliance placed on the private sector for developing the economy. Of the total gross investment projected, the private sector was expected to account for some 75\% of the absolute requirement. The second notable point was the balance that was sought to be struck between agricultural and industrial growth. Further, the third, little reliance was placed on foreign-equity investment in which a large portion was expected to come from reinvestment of profits to be made by companies that already had operations in the Philippines.\textsuperscript{52}

The other very important aspects of the program would have to wait for later opportunities for public ventilation. It would be vital that they are discussed and be brought out into the open because they would constitute the essence of the strategy of development underlying the drafted plan. For the program to be adequately implemented, these fundamental concepts or basic principles must be understood by all and accepted by all.\textsuperscript{53}

The first fundamental principle states that the main burden of economic development must repose on the private sector; the task of the government is to provide the proper climate for growth and make available to the private sector the infrastructures, the facilities, the incentives, and the protection it needs to do well its part.\textsuperscript{54}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{50} Rodriguez, “Strategy for Philippine Development,” 74.
\item \textsuperscript{51} Rodriguez, “Strategy for Philippine Development,” 74.
\item \textsuperscript{52} Rodriguez, “Strategy for Philippine Development,” 74.
\item \textsuperscript{53} Rodriguez, “Strategy for Philippine Development,” 74.
\item \textsuperscript{54} Rodriguez, “Strategy for Philippine Development,” 74.
\end{itemize}
\end{footnotesize}
The philosophy underlying this principle is that the Philippines, which is unique among the other developing countries in Southeast Asia, already has a sizeable class of native entrepreneurs who have demonstrated unusual ingenuity and efficiency. By which, despite shortcomings, cannot be matched by the government, which is supposed to encourage their growth by proper stimulation and guidance through the latest techniques of national planning.\textsuperscript{55}

The review of economic and financial developments during the first nine (9) months of 1972, as reported by Central Bank Governor Licaros to the President, noted that the country's foreign-exchange transactions resulted in an overall deficit of $2.8 million as compared with the $8.8 million surpluses of the same period in 1971. However, there was a surplus of $125.0 million in invisible receipts. The export receipts dropped by 10.5\% while the import payments rose by 6.0\%. The international reserve declined from $244.2 million to $226.0 million. Also, the outstanding foreign loan obligation of the Central Bank, plus drawings from the IMF, increased by $24.0 million. However, short- and medium-term loan obligation decreased by $9.6 million. The money supply declined by 6.4\% while the domestic credits of the monetary system rose by 7.4\%. The average consumer prices were higher by 10.8\% but fell by 0.6\% in September after the imposition of Martial Law.\textsuperscript{56}

3. The Utilization of Natural Resources

At the time of the Independent Republic, the government used to utilize the natural resources in the country and developed them with the belief that it would help the national economy in many ways. Coal mining has been practiced since the Spanish period; the production of which had increased and continued by the Presidents in the Third Republic. Fuel prospects in the country were merely pushed through at the time of President Ferdinand Marcos administration.

\textit{Coal-Mining Industry and Other Fuel Prospects of the Country}

The coal-mining industry in the Philippines could not attract investment capital as the demand was minimal. Perhaps, with the establishment of three or four new cement plants in various places, the demand may improve.\textsuperscript{57} Before the

\begin{flushright}
\end{flushright}
war, the Philippine coal was used in the production of power for use in various industries, such as cement manufacture, railways, and inter-island and ocean-going vessels, and, to a small extent, in local forges and founders. However, at present, most types of machinery in the Philippines are run by electric power, gasoline, and bunker oil.\textsuperscript{58}

The known coal deposits in the country are small compared with those of others, but they are believed to be sufficient to be of importance in the local economy. Because of the climate in the Philippines, there is no need for coal as a domestic fuel for heating; so, the market for such fuel is, therefore, industrial. Because other mineral resources are available to provide the sound basis for an industrial economy, coal, in the country, could play an essential role in the industrialization program.\textsuperscript{59}

The possibility of finding commercial oil deposits in the islands took on a brighter outlook in 1958. STANVAC, drilling its Ipil No.1 well at Echague in the Cagayan basin, encountered a sizeable gas deposit of about 7,260, which was of commercial importance then. Acoje Oil drilled one well at Bago, Cebu which gave gas showings. Oil exploration, geological and geophysical, continues very actively. Even with no oil yet in sight, three more petroleum refineries may go up in Luzon shortly.\textsuperscript{60}

However, despite extensive surveys to determine the extent of potential areas, findings have not yet proven to be of commercial quantity. Even so, most of the data gathered by both government and private sectors dealt with petroleum exploration, trying to confidently determine that retail deposits of petroleum and gas can be developed in the country.\textsuperscript{61}

Among the energy sources other than fossil fuels and water, geothermal energy appears to be promising, especially in Albay and Leyte. Geothermal energy is a source of steam which can be used to process heat or generate cheap electricity. In Luzon alone, there are 43 known thermal springs. At present, the geothermal area in Tiwi, Albay is being drilled to determine its potential for


\textsuperscript{59} Busuego, “The Philippine Mining Industry Today,” 152.


economic utilization while geological and geophysical surveys are also being conducted in the Tongonon Area, Ormoc, Leyte.\textsuperscript{62}

\textit{Coal-Production Situation/Trend}

In 1950, the coal production had a total output of 158,822 M.T. valued at P3.4 million compared in 1949 of 123,336 M.T. valued at P2.7 million, with an increase of 27.78\% in volume and 25\% in value.\textsuperscript{63}

The coal production in 1957 increased with a total output of 191,708 M.T. valued at P4,574,455 million as against of 151,708 M.T. valued at P3,613,830 million, with an increase of 26.6\%.\textsuperscript{64}

In 1958, the Philippines continued to have an abysmal production of this fuel when a total coal output was a mere 107,780 M.T. valued at P2.5 million. This was 43.2\% lower than that of the previous year (1957) 191,151.\textsuperscript{65}

The coal production in 1959 started to climb with a total output of 139,853 M.T. valued at P3.2 million against 107,780 M.T. valued at P2.7 million in 1958. This was a rise of 29.7\% in volume and 28.6\% in value.\textsuperscript{66}

In 1960, the production was 147,857 M.T. worth P3.44 million compared with 139,853 M.T. valued at P3.25 million in 1959 with a slight increase of 6\%, each both in volume and value. Coal was primarily used as fuel in cement and for power generation.\textsuperscript{67}

In 1962, the coal production went up with a total output of 162,978 M.T. valued at P4.14 million against 152,328 M.T. valued at P3.14 million in 1961, with an increase of 7\% in volume valued at P3.2.\textsuperscript{68}

\textsuperscript{64} No Author, “The Philippine Mining Industry,” \textit{Fookien Times}, Yearbook, (1958): np
In 1963, it went down with a total output of 156,535 M.T. valued at 4.05 million compared with 162,978 M.T. valued at P4.14 million in 1962, with a decrease of 3.95% in volume and valued at 2.27%.\(^69\)

The coal production in 1964 went down with a total output of 114,936 M.T. valued at P3.04 million against 156,535 M.T. valued at P4.04 million in 1963, with a decrease of 26.57% in volume and valued at 24.88%.\(^70\)

The 1965 coal production went down with a total output of 94,541 M.T. valued at P3.27 million against 114,936 M.T. worth P3.04 million in 1964 or decreases of 18 and 22 percent, respectively. The trend, however, is not surprising since, as mentioned earlier, most types of machinery in the Philippines are run by electric power, gasoline, and bunker oil.\(^71\)

### Government Agencies and the National Economy

Aside from the Central Bank of the Philippines as the administrator of the monetary and banking system of the Republic vested under Republic Act No. 265 otherwise known as the Central Bank Act, two other financial institutions complimented the Central Bank's functions: the Philippine National Bank and the Rehabilitation Finance Corporation. The other agencies that assisted and supported the country in making its economy grow and become stable were\(^72\):

#### Government Agencies

**A. Cabinet**

**A.1 Department of Foreign Affairs**

- Board of Foreign Affairs Service Personnel Examination and Review
- Office of Political and Economic Affairs
- Office of the Administration, Controls and Foreign Service Affairs
- Office of International, Social and Cultural Affairs
- Embassies; Legation; and Consulate

**A.2 Department of Finance**

- Bureau of Customs
- Bureau of Internal Revenue


Bureau of the Treasury
Bureau of the Insurance Commissioner and
Bureau of Supply

A.3 Department of Agriculture and Natural Resources (now divided into two)
   Bureau of Plant Industry
   Bureau of Animal Industry
   Bureau of Forestry
   Bureau of Lands
   Bureau of Mines
   Bureau of Fisheries
   Fiber Inspection Service

A.4 Department of Public Works and Communications
   Bureau of Public Works
   Bureau of Posts
   Bureau of Telecommunications
   Motor Vehicle Service
   Irrigation Council
   Flood Control Commission
   Radio Control Board
   National Transportation Board and
   Government Quarters Committee

A.5 Department of Education
   Bureau of Public Schools
   Bureau of Private Schools
   Bureau of Public Libraries
   National Museum
   Institute of National Language
   Board of Text Books
   Philippine Historical Committee

A.6 Department of Labor
   Labor Management Advisory Board
   Advisory Safety Council
   Industrial Safety Engineering Division
   Bureau of Labor and
   Placement Bureau
A.7 Department of National Defense
- Armed Forces of the Philippines
- Philippine Army
- Philippine Constabulary
- Philippine Air Force
- Philippine Navy
- Bureau of Coast and Geodetic Survey
- Philippine Veteran Board
- Board of Pensions
- Munitions Board

A.8 Department of Health
- Bureau of Health
- Bureau of Quarantine
- Bureau of Hospital
- Institute of Nutrition
- Public Health Research Laboratories and Committee on School Health for Medical and Dental Services

A.9 Department of Commerce Industry
- Bureau of Commerce
- Cooperatives Administration Office
- Patent Office
- Sugar Quota Administration
- Securities and Exchange Commission
- Civil Aeronautics Administration
- Weather Bureau
- Fair Trade Board
- Bureau of the Census and Statistics

B. Office of the President
B.1 Offices
- Local Governments
- National Economic Council
- National Security Council
- National Intelligence Coordinating Agency
- Civil Service Board of Appeals
- National Information Council
- Social Welfare Administration
- Philippine Charity Sweepstakes Office
- Import Control Administration
National Planning Commission

B.2 School
University of the Philippines

B.3 Institutions
National Research Council
Philippine General Hospital

B.4 Executive Offices
Bureau of Printing
Games and Amusement Board
Board of Review for Moving Pictures
Fire Prevention Board

B.5 Offices of Economic Coordination
Price Stabilization Corporation
Land Settlement and Development Corporation
National Shipyards and Steel Corporation
Cebu Portland Cement Company
Manila Railroad Company
Manila Hotel Company
Metropolitan Water District
National Power Corporation
National Development Company
Government Service Insurance System
Peoples Homesite and Housing Corporation
Insular Sugar Refining Corporation
Philippines Airlines, Inc.
Institute of Science and Technology

4. Conclusion and Recommendation

After the Second World War, the Philippines faced many challenges and struggled to save its devastated economy. Through the efforts of President Manuel A. Roxas and his economic policies, the national economy gradually improved and reached its peak after a few years.

After President Roxas passed away, his successors continued what was started and formulated economic development programs for the country’s economic stability. The policies and development programs and projects initiated and implemented helped the Philippine economy steadily rise from the
severe damages of the war and from the new challenges posed by the termination of the Commonwealth government, being the only independent country in Asia. Consequently, these efforts to uplift the economy involved the resolve to utilize and develop the country’s natural resources as well as the agricultural industry where coconut, sugar, and abaca have become the principal export products of the Philippines.

President Elpidio R. Quirino encouraged and empowered the exporting of other raw materials which helped the country in the parity rights with the United States. President Ramon F. Magsaysay formulated the Philippine-American Joint Economic Development Program to improve the quality of Philippines products and make them competitive in the global market. President Carlos P. Garcia continued this and had his own Five-Year Development Plan which caused the economy more stable than before. President Diosdado P. Macapagal, on the other hand, established the Five-Year Integrated Socio-Economic Program that met the needs of restoring stability in the economy and of building a dynamic primary future growth, which was implemented successfully. Finally, at the time of President Ferdinand E. Marcos, the Four-Year Economic Development Program was implemented which increased the GNP growth of the country as well as the quality of Filipino products in the global stadium. He initiated much scientific research to improve the agriculture industry and the capital-intensive technology.

The efforts of the government in the Third Republic to use the country's natural resources in boosting the Philippine economy were effective and impressive. The coal industry was enhanced, and attempts were made to explore the fuel-production capacity of the country.

In the previous analyses of the achievements of each sector in the economy, each development was marked by unpredictable impediments and some controversies. Nonetheless, the economic growth, so far, of the Philippine in the Third Republic was almost significant, with an approval rating of seven (7) out of ten (10), which was enough to make the economy grow and become stable and competitive with the Asian neighbors.

As regards the individual performances and accolades of the said presidents, President Marcos's economic policies were significantly remarkable and were recognized by foreign leaders apparently because of the successes in attaining national peace and maintaining close economic and political partnerships with leaders from different countries in the global village.
President Magsaysay, on the other hand, was the most popular among the said presidents because, under his administration, the economically disadvantaged were given much attention and concern. He uplifted them from economic plight by putting up various infrastructures. Because of his dedication to serving the people, he was popularly called "The Man of the Masses," and in his time, HUK insurgency was suppressed.

Through books, one can trace the history of the Third Republic presidents' performances and achievements in fleshing out the growth and stability of the Philippine economy. Now that the country is confronted with economic challenges, such as the unpredictable inflation of basic commodities, it is but imperative that the government take a critically important look at the past presidents' responses to the challenges posed by the postwar period and their decisive efforts to counter and alleviate poverty.

The researcher recommends this study to teachers and students who wish to analyze and study the economic history of the country during the Third Republic. This study can help find solutions to the most pressing economic problems in the Philippines at present.

Moreover, this study can serve as a reference for all researchers who wish to explore some other relevant aspects of the topic further. This goes with a hopeful note that future access to this research will make the young ones realize that they are vital players in the country's struggle for social transformation and development.

REFERENCES:

Adevoso, Eleuterio, “President Macapagal’s Five-Year Socio-Economic Program.” The Fookien Times, Year Book, 1962
Balmaceda, Cornelio, “Philippine Commerce Today,” The Fookien Times, Year Book, 1949
__________, “Two Decades of Philippine Foreign Trade,” The Fookien Times, Year Book, 1948

http://talakasaysayan.org
Locsin, Jose C., “Three-Year Blueprint for Economic Progress,” The Fookien Times, Year Book, 1959
Reyes, Teofilo D. Sr., “Philippine Commerce and Industry,” The Fookien Times, Year Book, 1954
No Author, “The Philippine Mining Industry,” *Fookien Times*, Year Book, 1964

Additional Readings

Corpuz, Onofre D., *An Economic History of the Philippines*, University of the Philippines Press, 1997
http://www.photius.com/countries/philippines/economy/philippines_economy_fiscal_policy.html