

Sixto Roxas 2
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JSPS Technocracy Project
Transcript of Interview

Sixto K. Roxas
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Roxas Residence, Mariposa Village, Quezon City

Interviewers: Professor Cayetano Paderanga, Jr., PhD and Professor Temario Rivera, PhD

Research assistance for the interview was provided for by Ms Mary Ann Joy Quirapas and Mr. Christopher Nex Beñas. The transcript of the interview was edited by Prof. Laura L. Samson and Rosa Concepcion Ladrido.

PADERANGA: The idea of the project is we document what people would say about their time, the issues that were important, and the decision-making process involved... our interest here is really the decision-making process... especially on key issues.

ROXAS: A lot of these issues, of course I don't know. During the time of the *Juetengate* I wrote a book using *Juetengate* as a parable of the Philippine situation... Have you've seen it?

PADERANGA: I haven't seen that one.

ROXAS: I'll get you copies.

< Mr. Sixto Roxas asks his assistant to get copies of his book *Juetengate* >

PADERANGA: The videotape [of the interview] will be kept in the library and so this will be [available] for scholars later on.

ROXAS: Are you doing this for all the administrations?

PADERANGA: No. For UP (University of the Philippines) and Kobe University

ROXAS: I see, but for which administration?

RIVERA: Basically [President Diosdado] Macapagal and [President Ferdinand] Marcos.

PADERANGA: It is a study on technocracy [which] we realized really started during that period. Even in the 1950s, you were essentially still in staff positions. It wasn't until Macapagal that you really became pre-eminent. And that continued...

ROXAS: Are you familiar with the work of Dubsky?

RIVERA: Roman Dubsky. Yeah. He used to teach in our department actually.

ROXAS: I see.

RIVERA: Now, do you agree with the observation that the concept and practice of technocracy really emerged only during the Macapagal administration.

ROXAS: Not strictly. Do you remember the return of Dr. [Armando] Dalisay, Leo [Leonides] Virata, Dr. and [Andres] Castillo? Governor [Miguel] Cuaderno was the first sponsor of technocrats; he organized the Central Bank and established the department of economic research. Leo Virata came back from Harvard to head the research department and he gathered quite a group. At the time, there weren't many graduates in economics. People were mainly accounting and commerce majors.

...I came back in 1954 and I joined the Central Bank as an assistant economist when Horacio Lava was already the head.

RIVERA: Was he our first PhD in Economics?

ROXAS: No. Dr. [Andres] Castillo was the first.

PADERANGA: We looked at the dates. Noel [Emmanuel] de Dios... looked at the dates. [Horacio] Lava was 1936.

PADERANGA: [Andres] Castillo was 1939.

ROXAS: I see, okay.

PADERANGA: And then, Leo [Leonides] Virata was also 1939.

ROXAS: I see. That's interesting.

PADERANGA: Because... [William] McKinley was 1939, Harvard... And, who else? **Fr. [first name] Nicholson**, I'm sure you know him...

ROXAS: I know Fr. Nicholson.

RIVERA: Ateneo de Manila University.

PADERANGA: He was also 1939. Columbia University.

ROXAS: Really, Columbia?

PADERANGA: I don't know...

ROXAS: Then we had Fr. [William] McKinley here. He was also Columbia, I think.

PADERANGA: And McHale. I don't know. I never knew him.

ROXAS: Yes, Tom McHale from Yale [University]. He was a good friend... [during the] early organization of the Philippine Economic Society. He was active with Joaquin Ahrensdorf. Do you remember the name, Joaquin Ahrensdorf? He was a German exchange scholar. Who was the other American who wrote about savings?

PADERANGA: Hertendorp.

ROXAS: No, there was another American.

PADERANGA: Dick Hooley.

ROXAS: Yes. Dick Hooley. They were the ones who were quite active at that time.

RIVERA: So [Benito Jr.] Legarda was much later?

ROXAS: Legarda was taking his doctorate in economic history in Harvard, when I came back. He was on leave from the Central Bank...

...Fanny [Cortes Garcia] and Horacio [Lava] were the ones who interviewed me when I came back. I wasn't asking for a job. I wanted to do research. I never went on to get a doctorate, because I got married. We had our first child in New York and we came back. I brought back crates of books because I said, I would do the work. So I went to see Horacio [Lava] to ask him if I could gain access to the data in the Department of Economic Research of the Central

Bank. It was where everybody was going in the economics profession. But the primary work at that time was really preparing the tables for the IMF (International Monetary Fund) and the UN (United Nations) reports. I think, they were doing the national income account. It was mainly accounting work. As a matter of fact, the economists later were telling them that their analysis consisted of increases and decreases. They would look at the accounting components and would trace the accounts. There was no analytical modeling. The first real modeling that was done was a very crude income expenditure multiplier model that I prepared to analyze the one billion peso bond issue of President [Ramon] Magsaysay. Under the Central Bank Act, the monetary board had to give an opinion on the effects [of the one billion peso bond issue] on money supply, prices and the external balance, foreign exchange....

PADERANGA: It was all on provision. It was covered, carried over.

ROXAS: It was carried over, yes, that whole provision. As a matter of fact, that's our gain in floating local government bonds now. For municipal bonds now, the same provision holds. As you know these are very small bonds—300, 400 million— not very big yet we still have to get the Central Bank monetary board's opinion. The red tape that goes into that is fantastic because they're going way beyond just giving their opinion now. They're looking, in effect, at credit which they have no business doing at all. The first econometrician we had was Gabby [Gabriel] Itchon... he went to study with James Tobin later. But he was a mechanical engineer. He was with the IBM (International Business Machines) unit doing statistical tabulation, the IBM unit with Pasing Kilabutan. He came from the same place as the Viratas. So those were the early stages. Then, there was Armando Dalisay, what year was he?

PADERANGA: 1949, I think....

ROXAS: Yes, that would be about right. He was earlier than we were. He was active in the National Economic Council (NEC).

PADERANGA: And Amado Castro was 1954.

ROXAS: Amado Castro was 1954. The others were really from the Harvard Business School, like Ting [Vicente] Paterno, Caesar Concho, [Filemon] Rodriguez. Armand [Fabella] was Harvard College actually. I remember. <laughs> We used to kid Amado (Castro) who used to

kid Armand, “You’re only from Harvard College.” “To be called Harvard man,” we said, “you got to go to college, not graduate school.”

RIVERA: Why was there a preponderance of Harvard [graduates] ...was there a special scholarship during this time?

ROXAS: I don’t know. Well I know that this was largely due to the Harvard Business School’s MBA program. So, Aureling [Aurelio] Montinola, Jobo [Jose] Fernandez, [and] Caesar Concho were the new batch. I remember that when I was in the Philippine National Bank (PNB), we interviewed the stars of the [Harvard] Business School who came back, like Caesar Concho and [Filemon] Rodriguez...

PADERANGA: Montelibano?

ROXAS: This was the young Rodriguez. The brother of, what’s his first name? It was Caesar Concho whom we hired at the Department of Economic Research in PNB. Then we moved into loans. I think, it was the first time that we used the term “technocrats.” Just before we formed PIA (Program Implementation Agency), [President Diosdado] Macapagal asked me to invite the leading economic thinkers and he gave a dinner in Malacañang. We had Ting [Vicente] Paterno, Rick Camus, and Armand [Fabella]... I don’t know if Amado Castro was present. This was mainly the core group that formed the Philippine Economic Society. Not all of them joined PIA (Program Implementation Agency). But the idea was to harness the best economists.... PIA served as the focal point for all the economists who wanted to become involved in government programs.

RIVERA: Can you say that PIA was not simply an implementing agency then?

ROXAS: No. It’s interesting, the concept of PIA. Because you had all these formal units—Budget, which was not Budget and Management, [and] the National Economic Council, which was pre-war, created by Commonwealth Act No. 2. And then you had the Department of Finance, Public Works, and all the other government financial institutions. So there were three functions that we were looking at. The project function, the programming function; the budget function and cash allocation; [and] the financial management function. ... We set up a capital budget group that looked at rationalizing government procurement. The idea was to

use government procurement as an instrument for stimulating local production. Then, we had the Loans and Investments Council, well the programming function was really outside, we had the project functions. [We had the] Loans and Investments Council, which was programming, what we called the capital transfers fund. That was all the government financial institutions. Then we had infrastructure programming, budget for programming and coordinating the infrastructure of the government. In effect, the government budget programming function... So you had these two levels, programming and project development; and the idea was to coordinate projects so they would interlink and then coordinate programs so that funding would be available. We also had a staff that was monitoring all that. But the work was being done by people on secondment [from other government units]. So we had the budget commissioner in the group, the undersecretary of public works was a member. We were following very much the [model of] Commissariat du Plan General of France. You had vertical and horizontal planning groups. The horizontal was all the cost-cutting functions—capital budget, financial budget, and so forth. And then you had the vertical which were the industry sectors, the sectoral budgets. Because of decontrol, the balance sheets of many of the companies, particularly those with foreign obligations, became quite unbalanced, distorted. So there was... a business clinic type of operation to try and help them adjust the balance sheet dislocations caused by the devaluation.

PADERANGA: This would be around 1961?

ROXAS: This was 1962.

RIVERA: The creation of PIA (Program Implementation Agency), 1962.

ROXAS: This was September...

RIVERA: The way you described its powers and functions, didn't it collide with the NEC (National Economic Council)?

ROXAS: No. It didn't, and that was the ironic thing because the NEC was centered on allocating Japanese reparations and US aid.

RIVERA: Really?

ROXAS: We pointed this out in our terminal report.

PADERANGA: We will look for it, the terminal report of PIA (Program Implementation Agency)?

ROXAS: No, our terminal report. Because then they moved us, “us” meaning myself and my two principal assistants; [one was] Roman Cruz Jr., also back from Harvard.

RIVERA: Oh another Harvard...

ROXAS: I don't think he got a doctorate. I think he was working on his doctorate but never took his [comprehensive exams]... [My other assistant was] Fe Villafuerte from the PNB (Philippine National Bank) Department of Economics Research and Statistics.

RIVERA: Is she related to Luis?

ROXAS: She's the sister of Luis Villafuerte. [She worked for] Dragoslav Avramovic who was the engineer of the external debt restructuring...

PADERANGA: In the IMF (International Monetary Fund)?

ROXAS: No, in World Bank. Dragoslav got Fe Villafuerte to be his assistant in doing the Brazil restructuring—one of the early reschedulings of external debt. Do you remember Avramovic's book that highlighted the external debt problems of developing countries? And so when Fe [Villafuerte] came back, I had started Bancom and we had offered to do the study of the Philippine external debt for the Central Bank in 1969. Because after the decontrol in 1962, they dismantled the external debt monitoring mechanism so they were not keeping track of total external debt. They were only keeping track of the Central Bank's own debt. The balance of payments crisis of 1969, just before the elections, was not a classic balance of payments problem; it was a debt service problem, a debt maturity problem. And it was not the trade accounts but the visible accounts that were out of balance. So we gave a proposal to the government to do a tabulation of its external debt. They commissioned us to do that. I took Fe Villafuerte because she had all the experience. There were two things that we did earlier. We

did the domestic debt study for the government... Vic [Macalingcag], who was assigned from the government was in our team, and we did the tabulation of the external debt, the analysis of the debt maturities. We came to the paradoxical conclusion that the problem of Philippine debt was that it was a demand debt, because even the so-called fifteen-year development bonds of the national government were redeemable by the Central Bank. In other words, you could always encash it in the Central Bank, so it was a demand debt. Our recommendation was to lengthen the average maturity of the domestic debt by converting fifteen-year bonds into 91-day treasury bills, <laughs> but without support....

PADERANGA: That was the birth of the 91-day Treasury bills.

ROXAS: In 1960. The first issue was in 1966 April, which came at an appropriate time because we had a crisis in 1965. You know, this was our typical post-election crisis. In 1965, there was a very severe tightening of money supply after the elections. When we came out with our first issue in April, the banks were just beginning to find new liquidity, and there was a large pipeline of loan applications. So there was the market for non-supported secondary reserves. Despite dire predictions that the interest rate would go up, the first auction went quite well, I think it was about 6.9 percent or 7.2 percent, the first batch of 91-day treasury bills. We had weekly auctions to fill the market with [treasury] bills that were one-week maturity, two-week maturity, three-week maturity and so on.

PADERANGA: All the way until 360 [days]...

ROXAS: ...until 360 days. We were running Bancom and we had seminars for other investment houses and government securities dealers on how to prepare their bids.

RIVERA: You were already out of government by then?

ROXAS: Yes, I was already out of government but working on this project with the government. We put out the yield tables because we were using full yields instead of bank yields, pure discount rates. It was our recommendation that created the External Debt Management Office. When we submitted our report, the total external debt was about a year's imports, 1.4 billion dollars, very absurd figures then given the present magnitude [of our external debt]. Most were maturing by February of that year...

RIVERA: Short term...

ROXAS: ...the Central Bank way of monitoring was they would look at their own foreign exchange position and every time they would run short, Dr. [Andres] Castillo would call Chase Manhattan and Manufacturers Hanover, and say "I need 90 days credit." and they would give him that and he would accumulate all the credit. One of the questions... why were the resource flows reversing on us? If you have a whole set of export credit in the bag, unless you're filling the pipeline with new projects so you will get new loan releases, then it reverses on you because now you're getting new releases and servicing the old debt. That was exactly what was happening.

PADERANGA: Negative resource flow...

ROXAS: In our report, part of the reasons in our analysis was that we had gone through this period when a lot of the capital goods imports were really for whole equipment to set up new plants. When those plants came into operation, the major demand was for intermediate products to process and no longer for capital goods. We were not developing the intermediate industries; we were not linking our domestic materials with the final goods. So we were importing for the steel mills, we were importing bootstraps, and black iron sheets for the corrugated industries __ what we call the "beauty parlor industry."

PADERANGA: Who first used that term? The first time I heard that was from David SyCip? A long time ago...

ROXAS: I think that the term was used by some in the export industries.

PADERANGA: So it was a pejorative term from the start?

ROXAS: "That's your industrialization? That's only for a 'beauty parlor'." So a lot of our imports were in the form of intermediate products and not for project loans. The pipelines were not being filled; we were no longer getting project loans. So we said, "What you need is not project-related financing but a program loan that you can use for importation of non-project equipment. All you need is a line program loan of about \$50 million and a

rescheduling of the external obligations spreading out the maturities.” But Manufacturers Hanover was the syndicate manager of banks in the States. The secretary of finance was Eduardo Romualdez Sr. So we were met with opposition; they wanted to bring in IMF (International Monetary Fund). And we said, “If you bring in IMF they will ask for a devaluation which we don’t need. You don’t devalue because you have a debt service problem. You’re not talking about elasticities here, supply-demand of exports and imports.” But they wanted the IMF in to police the government.

PADERANGA: Who were they?

ROXAS: Manufacturers Hanover. Let me think of his name.

PADERANGA: Commercial Banks?

ROXAS: Later, he became a consultant in the Central Bank after he retired. I can see his face but I can’t remember his name. He was the senior vice-president of Manufacturers Hanover who was in charge of the Filipino accounts so he was very close to... It was [Andres] Castillo already who was the governor of the Central Bank...

PADERANGA: This would be 1965 or earlier?

ROXAS: No. This was early 1970 already.

RIVERA: The second term of [President Ferdinand] Marcos?

ROXAS: Yes, because it was right after the 1969 elections. Votes had been cast but they had not been counted. So it was very awkward to do any renegotiation with your external creditors when you didn’t know who the president would be. Of course, nobody had any question that it would be Marcos. <laughs> Officially, you did not know who the president would be. So we said, “You’re going to have trouble as soon as the votes are counted and the new president comes in and within weeks he needs to renegotiate”. And we said, “You need to set up the arrangements now.” They deputized me and this was through the Department of Foreign Affairs who sent out notes verbale to the governments saying I had been deputized to speak for the government because of that awkward situation and to present this program. So

we went to Bonn and to the various official lending agencies. And our suggestions at that time, was the Indonesian restructuring model.

PADERANGA: Not the Consultative group?

ROXAS: Yes, that was the Indonesian model. We suggested that a consultative group be formed. At that time Dr. [Andres] Castillo was resigning [as Central Bank Governor]. There were all sorts of rumors about who would be the next governor. And the rumor was that I would be the next governor because I was deputized and so forth. And the one who wanted it the most was Danding [Eduardo Sr.] Romualdez, he was secretary of finance. We had one funny incident, when we met with the executive director of the IMF (International Monetary Fund)...So we were in the conference room, with Fe Villafuerte, Danding [Eduardo Sr.] Romualdez, and others, and then he came in and said, "Oh, I understand you have a new governor," he said, "Sixto Roxas." I was so embarrassed. <laughs> Because you know, it was Danding [Eduardo Romualdez Sr.] and it wasn't true. <laughs> They had to have that rescheduling. The big culprit there was [Gregorio] Licaros, who was with DBP (Development Bank of the Philippines) and he was entertaining all these money brokers. Their technique was to get a guarantee from the DBP which had sovereign guarantee and they would then shop around for external loans. And that was why the whole credit of the Philippines got all [messed up].

RIVERA: ...screwed?

ROXAS: I don't know whether it was a sense of humor or a sense of the irony, that [President Ferdinand] Marcos appointed [Gregorio] Licaros and so Licaros had to go and renegotiate, as governor of the Central Bank. He was telling me the story. "You know when I used to come here, there were limousines, and all these bankers waiting for me. This time, I had no limousines, nobody at all met me." They were sort of mad at him. He swore he would not go through that experience again, begging for a renegotiation of the external credit.

RIVERA: Can I go back to the broader picture during the [President Diosdado] Macapagal administration? Looking back, what would you reconsider to be the major, or the main, the most significant economic policies during that period? Decontrol is one.

ROXAS: The first was decontrol. Decontrol was a must because one of the big issues was corruption. The Central Bank import control department had become the seat of corruption.

PADERANGA: Gabby [Gabriel] Singson used to talk about the Marzotto gang.

ROXAS: And that was Virgie Yaptinchay.

PADERANGA: I see.

ROXAS: [Gregorio] Licaros and Virgie Yaptinchay.

RIVERA: Marzotto repainted the coat?

PADERANGA: They were the only ones who wore Marzotto..

ROXAS: The only way you could get rid of corruption was to remove that power to allocate foreign exchange from the Central Bank. We were offering all sorts of alternatives. We said that it's the power to determine two things: how foreign exchange will be used and who will get the foreign exchange. Those were the two decisions. Both became administrative decisions. So all foreign exchange would be surrendered to the Central Bank at the official rate. And then, the allocation of commodity pattern and the use of foreign exchange, and the allocation among individual importers and users of foreign exchange were all with the Central Bank. With that, tremendous margin was offered by an overvalued currency... So we used to say the purchasing power of the peso was larger abroad than domestically. So there was a tremendous incentive to import and there was the pressure from the IMF (International Monetary Fund). The Article 8 countries under the IMF, for every year of decontrol, they have to report, explain why they cannot lift the controls with the IMF. Before that, the Bell Mission had recommended the 17 percent exchange rate, so there was already a dual exchange rate. They were buying at 2 [pesos] to 1 [dollar], they were selling at 2.34 [pesos] to 1 [dollar] at that time. But still the decisions were administratively made: what exchange will be used for, and who will use that. So the power remained with the Central Bank. Then later, there were already attempts to do multiple rates. Sometime, I was asked by Subido...

PADERANGA: Senate.

ROXAS: I was asked to prepare a memorandum and I recommended a multiple exchange rate for the Philippines. My idea was that the whole philosophy of controls should be the opposite of the posture that the Central Bank was taking. The Central Bank posture was: "Everything is under our control except what we liberalize. Do it the other way around... assume the default that everything is free except the ones we want to control. So reverse the situation."

PADERANGA: This would be about 1960 or earlier?

ROXAS: This would be... Yes, yeah close to 1970, I think. I can check the dates. <Roxas' Assistant Joey Imson arrives> What is the name of the Japanese? This is my assistant, Joey Imson.

PADERANGA: So we can get in touch with him too...

ROXAS: Who was the Japanese doing work on the [President Diosdado] Macapagal era?

IMSON: Yusuke Takagi.

RIVERA: Is he an academic?

ROXAS: Yes, he is an academic, Keio University.

RIVERA: Katayama, our colleague, might know him.

IMSON: Do you need his contact information?

RIVERA: Yeah...

ROXAS: <Talking to his assistant> Can you get two copies of *Juetengate*. And bring down a copy of the terminal report, the report we did at NEC (National Economic Council). Can you bring those down?

IMSON: I will look for it, Sir.

ROXAS: What were we talking about?

RIVERA: The decontrol.

ROXAS: Ah yeah.

RIVERA: I was particularly interested in the... conflicting accounts, obviously, the local industry might have resisted, right?

ROXAS: Oh yes. That's very interesting, the exporters and the import-substitution class. Of course, [Miguel] Cuaderno at that time...

RIVERA: Was their champion?

ROXAS: [Cuaderno] was the champion of the import substitution class because he was very nationalistic... It was an interesting period because it reminds you of the pamphleteering, the transition mercantile and the Adam Smith era. All those pamphlets coming out, you had Araneta...

RIVERA: Salvador Araneta.

ROXAS: Salvador Araneta...

PADERANGA: [Alfredo] Montelibano...

ROXAS: Montelibano, [Jesus] Cabarrus, and Uy. Speaking of technocrats, he [Arsenio Hizon] was an earlier technocrat because he studied in Columbia [University], Arsenio Hizon became president of the Philippine National Bank (PNB). And he studied under the first president of the Philippine National Bank who was a monetary economist. What's his name? He and a fellow from Federal Reserve were writing on the gold exchange standard and... I can't remember his name. But Hizon studied under him and so Hizon at the PNB became champion of the exporters because PNB was a sugar bank. And since I was his personal

assistant and head of the economic research, I would write all the speeches. It was between him and [Miguel] Cuaderno.

RIVERA: So are you saying in effect, there was a confluence, between the sugar bloc...

ROXAS: Mining, logging. All the exports...

RIVERA: And all of these were against decontrol?

ROXAS: They were for decontrol. They... Larry [Hilarion] Henares, Salvador Araneta.

PADERANGA: Salvador Araneta was for decontrol?

ROXAS: For decontrol, the Aranetas. But it was [Miguel] Cuaderno... The Chamber for Industries then, with Larry [Hilarion] Henares, was very vocal at that time. Then, the nationalists, the group of Filemon Rodriguez, Monching [Ramon] del Rosario and so forth. They were all against decontrol. It's very interesting for me because from PNB (Philippine National Bank), I joined PHINMA (Philippine Investment-Management).

PADERANGA: Del Rosario?

ROXAS: This was a struggle... when [President Ramon] Magsaysay died and [President Carlos] Garcia took over [the presidency], there was a fierce competition to capture Garcia's mind.

PADERANGA: That is one of the things in this paper. I think you will like reading it.

ROXAS: I'd love to read that.

PADERANGA: By a Japanese scholar actually. From...a political science point of view we're trying to see how the struggle...

RIVERA: It could be interesting.....

ROXAS: I was very interested in that period as an observer... the whole economic history coming to life. That's the background of economics.

PADERANGA: I noticed, reading the minutes of the first interview with you... when you were talking about your time in the Philippines, starting from the mid 1950s, all the way to around 1970, you described your position as essentially the same; you were more for liberalizing...

ROXAS: Yes... I felt we would have industrialized in a much more rational pattern... because tariffs were very ineffective instruments for commercial policy. I kept pointing to Indonesia at that time. They gave up on customs, everything went into the exchange rate. There was also a paper on the multiple exchange rate, I think. This was the paper, February 29, 1964. Just to give you its theme and the way it opens: "The basic premise of this report is that it is meaningless to talk about national planning. It is meaningless because neither the Philippine government nor any of the agencies is in any position to draw up a meaningful national plan. The whole public administration system, the whole governmental machinery, as it stands, is a large, cumbersome and sticky structure that militates not only against implementing a plan but even against formulating a meaningful plan." And [Albert] Waterston, who headed the World Bank Development Institute, he quit. He put out this book in analyzing planning in various developing countries.

RIVERA: But from a comparative perspective in the region, at that time, this kind of statement of course can be said to be simply a commentary on Philippine realities because... the other argument in other countries where you have states capable of doing it, a national plan might work. Korea, Taiwan, Japan...

ROXAS: Yes, Korea, Taiwan... When I resigned, Larry [Hilarion] Henares took over NEC (National Economic Council) but after him [President Ferdinand] Marcos put Filemon Rodriguez. The first five-year plan of Marcos has an interesting history of NEC and planning in the Philippines.

RIVERA: Five-year plan... Under Filemon Rodriguez?

ROXAS: Yes, under Filemon Rodriguez.

RIVERA: Larry [Hilarion Henares] was NEC head earlier? Before Rodriguez?

ROXAS: I resigned after the midterm elections of 1963. So in February 1964, he [Filemon Rodriguez] resigned. That was it, on February 29 he submitted this.

PADERANGA: As part of the project, could we have copies of your papers, we'll deposit them in the UP (University of the Philippines Main Library)... You might want to decide to give it to Ateneo [de Manila University]. But you know at UP... We will make...

RIVERA: Photocopies?

PADERANGA: No, I mean, not just this but, maybe, all of your papers...

ROXAS: Do you want the paper on the multiple exchange system?

RIVERA: Yeah I think this would be a tremendous help for researchers, scholars if they could have access to this...

PADERANGA: As part of our project...

ROXAS: This was March 14, 1957.

RIVERA: Wow, 1957. Can you imagine?

PADERANGA: Maybe not just this but all of your other papers if they could be...

RIVERA: Photocopied...

PADERANGA: ... in the UP (University of the Philippines) Library for scholars.

ROXAS: Great. I've been trying to have them digitized, you know.

RIVERA: Even better.

PADERANGA: Catalogue, you can photo...

RIVERA: They have the equipment, the technology for that.

ROXAS: I also have a copy of Filemon Rodriguez's first plan, if you want it...

PADERANGA: We'll get in touch with Ms. [Salvacion] Arlante. She's the head of UP Library. She is putting things together...

RIVERA: If we can digitize all of these, can you imagine?

ROXAS: I hope it has a better fate. When my father died, he was one of the first graduates of the UP (University of the Philippines) College of Agriculture. And he was the first Filipino director of Europlant Industry of the Americans and so forth. He was the earliest advocate of Philippine industrialization. He had a lot of papers. When he died, he donated it to the (UP) College of Agriculture and now, I can't find any of it. They can't find any of it.

PADERANGA: They could be in our archives. They might have been moved to (UP) Manila. Well let's hope that's what happened. But they have put up a system in the [UP Main] library where they will try to digitize.

RIVERA: That's now the latest technology...

ROXAS: And those OCRs (Optical Character Recognition) now are so efficient, you don't need much editing. That used to drive me crazy, that OCR, because I find editing is a lot of work.

RIVERA: Juetengate.

IMSON: Sir, I will go to the other house to get some....

ROXAS: I think there's one behind my chair.

IMSON: Its okay Sir, I could just go get some copies of...

ROXAS: <Talking to his assistant> Then I have also the NEC (National Economic Council) plan of Filemon Rodriguez. Do you have the one published by the government of Thailand?

IMSON: Yes.

PADERANGA: Maybe... We will tell the library and they will try to get in touch with you ... We will understand if you want to give it to Ateneo instead of the UP Library. <laughs> But we may still want to have some copies.

RIVERA: We could have both, why not, the Ateneo and UP....

ROXAS: If it can be digitized that will be easier.

RIVERA: We will immediately ask the library.

ROXAS: So in digitizing, how do you authenticate? Is there an encryption to authenticate that these are [genuine papers]?

PADERANGA: If you have time, you might want to visit the area in the library.

ROXAS: Yes, I'd love to.

PADERANGA: They're starting to organize by person. They're building up [the collection].

ROXAS: Oh alright, this is a photocopy of this. Not quite what I was asking for.

RIVERA: It's even clearer.

PADERANGA: But then you might want to digitize the original.

ROXAS: This was in 1911...

PADERANGA: We will also tell Mrs. [Salvacion] Arlante about it.

ROXAS: Let's talk about this later... In 1972, there was a Southeast Asian conference of planning ministers organized by the Japanese in Bangkok. That was when ADB (Asian Development Bank) published the Southeast Asian agriculture report. There was the **SRI (spell out)** report on transport study. The Thai government with Amnuy Virawan, the planning minister, commissioned me, because he said we were going to have a lot of papers and the Japanese were sort of controlling. We want a Southeast Asian perspective on that. So he commissioned me to do a study of integration in Southeast Asia. So I prepared this for presentation at that meeting. I already called it the ecosystem approach to Southeast Asian economic integration using the ecosystem framework ... breaking up the country into regional prototypes and the Thai government published it. At first, the Japanese objected at having a paper not coming from them but Amnuy insisted, so it was a kind of parallel presentation. It was quite interesting.

RIVERA: By the time [President Diosdado] Macapagal took over, more or less, it was just a matter of time for decontrol because Macapagal himself was supportive...

ROXAS: Right at the outset. His state of the nation address already announced decontrol.

RIVERA: And then [Miguel] Cuaderno was out of the picture?

ROXAS: Yes. Cuaderno had retired prior to [Diosdado] Macapagal and Dr. [Andres] Castillo had already taken over because he was the deputy.

RIVERA: There was a realignment of forces.

ROXAS: You can look at the table [of contents of Juetengate] it has a chapter on technocracy.

RIVERA: Interesting. Was this published by Anvil?

ROXAS: This was published by Bancom Foundation. I was originally writing a financial history and the Bancom story. But then Juetengate occurred. Here's reforming the

technocracy. There's another one which is from the NEC (National Economic Council)—the NEC five-year economic development plan. It also has an interesting prediction on what would happen to Gloria Macapagal Arroyo. She had the opportunity of becoming the longest serving President but she was going to run into exactly the same problem that her father ran into and almost all previous presidents had ran into. Usually after the first two years of their administrations, presidents end up being unpopular. They usually lose in the midterm elections. So she's going to have a three-year term there. If we follow the tradition, by the end of the third year, she is going to be the most unpopular and she will have trouble getting elected on her own...

Actually I have a lot of documents upstairs. I never had time to really go over them.

RIVERA: Salvacion Arlante, I'm sure will be interested in these documents.

PADERANGA: Actually she's asking around who we should be talking to put in her section of archives of original materials and so on...

ROXAS: Pepe [Jose] Abueva did one on [President Corazon] Cory Aquino's regime and then [President Fidel] Ramos.

PADERANGA: And then, actually, I think GMA's [Gloria Macapagal Arroyo's] first term...

RIVERA: But these are official reports by the cabinet official members. Let's go back to another major thing identified with the [President Diosdado] Macapagal administration which, of course, was land reform and... Is it right, again, I'm trying to recall your main points in the first interview. The problem, was it mainly with the financing...?

ROXAS: There were all sorts of problems [in Macapagal's land reform program]. When we designed the agrarian reform program, we were fully aware...

RIVERA: When you say we, who were involved by the way?

ROXAS: There was a committee formed, I was in PIA (Program Implementation Agency) so I headed the committee. The committee had Jerry [Jeremias] Montemayor from SSS (Social Security System), and a lawyer, Fernando Santiago.

RIVERA: What was he representing?

ROXAS: He was representing, I think, the [Ramon] Magsaysay agrarian reform but he was head of the tenancy office.

RIVERA: Government office?

ROXAS: What we did was we consolidated all the land use, land management, agricultural finance, the agricultural cooperative credit (ACFAC).

RIVERA: Yeah, I remember...

ROXAS: ...primarily for financing tobacco, if you remember...

RIVERA: Yeah...

ROXAS: And it was terrible because they were buying tobacco with rags inside at premium rate. There were 10,000 people in the government offices... agricultural extension which came out of the old PACD (Presidential Assistant on Community Development), the community development office that [President Diosdado] Macapagal had set up when community development was the battle cry.

RIVERA: Are you referring to the PACD?

ROXAS: Yes, PACD.

RIVERA: So it was under Macapagal...

ROXAS: No, that was set up by [President Ramon] Magsaysay.

RIVERA: PACD, Magsaysay, yes, the Presidential Assistance for Community Development.

ROXAS: Under [President Diosdado] Macapagal we wanted to follow the Taiwanese formula of declaring all contracts of tenancy automatically contracts of lease, so that was the first step. And then launching a land-to-the-tiller phase—titling, purchasing, expropriating the agricultural lands. We had a committee, and when we designed it, there were two things that were going to happen. First, the moment you convert land into lease, then all credit from the landowners will stop... They will be responsible for finding their own financing, the pre-harvest, post-harvest facilities and all the support facilities. That cannot happen overnight so you cannot just pass a law and declare overnight that all contracts [are invalid]. So the way we structured it—we were going to divide the country into agrarian reform districts. And in each agrarian reform district, the first step was to set-up all the support facilities—the credit, the pre-harvest, the post-harvest facilities, milling, storage facilities and so forth. And then, after those had been set up, the Land Authority would certify to the President that in this district, all of the support facilities had been set-up and the President would issue an order that “the Agrarian Reform Law is effective in that district and automatically all contracts of tenancy become contracts of lease.” And then, there was a Land Bank that was created, the whole function of which was to generate attractive financial instruments. It would be so attractive that every owner of agricultural land would fall all over themselves to extend their land for the instrument and some attractive features would be put into it. The Land Bank was empowered, first to acquire choice properties of the government. The shares of stock of government corporations would build up an attractive portfolio and it could do two things: swap assets directly like Taiwan. Or it could put them into a pool and generate a fully participative preferred stock. It was fully participating in the sense that all of the earnings and all the capital gains of the pool would accrue to the holders of the preferred stock and receive it on a tax-exempt basis...

RIVERA: Tax exempt...

ROXAS: We said, we would put somebody, a well-known businessman, known for property development as its head so that there would be no question in the mind of the land owners that these instruments were good. Our choice was Pepito [Jose] Katigbak, the father-in-law of Armand Fabella. Although he was a medical doctor, he was administering the Kalaw properties because he was the husband of Maria Kalaw-Katigbak.

RIVERA: Are you a Kalaw or a Katigbak?

ROXAS: I am a Kalaw. My mother was the sister of Teodoro Kalaw who was the father of Maria Kalaw...

RIVERA: The former senator...

ROXAS: Former senator, Interior Secretary, married to Pura Villanueva-Kalaw, the first beauty queen. His daughter Maria became Ms. Philippines also. So that was the whole idea behind the Land Bank. Premier Chen Cheng, who was the author of the Taiwan agrarian reform and who wrote the book on agrarian reform, was our guest here and he invited me to Taiwan. So I had a royal tour of all the facilities and I saw the wallway from the villages. The agrarian reform was already ten years and the farmers were just finishing their last installment payments. So I was watching people like PS Lin of the big appliance manufacturer in Taiwan, YC Huang the large plastics king. All their markets were local; they were selling small utility vehicles, consumer durables to all the farmers. And that was how they got into big industrial complexes which later became internationally competitive. YC Huang set up petrochemical plants in the United States because he had the downstream control. He had huge gyms where he had 17-18 year old boys and girls who could transform plastics into raincoats, clothes, bags, etc. He had control over downstream conversion and he moved upstream into petrochemical plastics, plastics manufacturing and when there was recession in the United States, he was building new plants because he had control over the downstream. I observed all that in Taiwan, so I was so impressed with what you could do with agrarian reform. Once you built up that domestic purchasing power in the rural areas, then you could industrialize. You could really industrialize, building up the domestic market. So that was the vision for the Philippines. So we set up the organizing committee. Because I was the first governor of the Land Authority our first pilot was in Angat, Bulacan. We picked what we felt would be the most likely to succeed and Angat had irrigation. Now the difficulty was that when we were asking for all the prime assets of the government to be transferred, every time we identified a property, it had been committed to other people including the Admiralty lot in Roxas Boulevard. The Land Bank of Taiwan became the biggest property developer in Taiwan because they were developing lands to generate the instruments to swap with agrarian lands. The second thing that we said, "you cannot pay cash

because that is disastrous". You would be monetizing land and that would be terrible. "This is a capital transfer transaction, it doesn't create new wealth, you cannot monetize it." That was the big debate when we were pushing the law in the Senate; oddly enough it was [Lorenzo] Tañada who was our biggest enemy and the sponsor was Raul Manglapus. Because of the constitutional questions, Tañada was insisting that bonds were not legal tender. In one particular dramatic incident, Tañada said, "how could you say that bonds are just compensation because they are just obligations of the national government?" I told Raul [Manglapus], ask them to produce a peso bill and Raul said, "will you read what it says? This is an obligation of the Philippine government." And so I said, "it's a demand obligation. It's an obligation instrument." That was the idea but every time we wanted a piece of property or a piece of asset, there were all sorts of other things that were...

PADERANGA: There would be a record of the Senate deliberations, I'm sure...

ROXAS: Yes. You should get that. At the same time there was this struggle for the Senate presidency. [Ferdinand] Marcos was being pushed by [Diosdado] Macapagal to be the senate president and the... What's the name of the other senator who had a swing vote from Davao...?

PADERANGA: [Alejandro] Almendras.

ROXAS: Almendras. He had a swing vote and so he was playing it for all. Behind the scenes there were all these negotiations for the vote of Almendras. The whole idea precisely was to follow the Taiwan formula. We said that you could really develop agrarian reform projects as combinations, agricultural-industrial combinations where the instruments that were generated in the transfer of ownership could be used by the original land owner, to capitalize industrial projects provided they were in the same area. That whole idea of developing areas with agro-industrial complexes linked, that was part of that vision, and so that was the whole idea of the agrarian reform district...

RIVERA: So the prime assets could not be provided, as you were saying?

ROXAS: They could not be provided.

RIVERA: So that was one major constraint...

ROXAS: Yes, so the thing was not moving because Republic Act 3844 was passed in August 1963 just before the midterm elections. Nothing was happening. We couldn't get the adequate resources; we were all set to launch it and everything. We reorganized the Land Authority, we transferred all the 10,000 people, we set up the support services and so forth but by the time of the midterm elections, there were no dramatic results. And then [President Diosdado] Macapagal declared the whole country a land reform district and all contracts of tenancy became contracts of lease all over the country, without the preparation [needed].

RIVERA: Against the area idea?

ROXAS: Against the agrarian reform district idea, yes. I think, he panicked after the elections, how badly he fared in the midterm election. So that was how [President Ferdinand] Marcos picked it up with his Presidential Decree, PD 27.

PADERANGA: This was already right after Martial Law.

ROXAS: Yes, after Martial Law. [Marcos] picked it up. In effect, he took over the whole technocracy. That was where he had Cesar Virata... I'm trying to think when Cesar came into the picture. Cesar came in with Armand [Fabella] I think...

PADERANGA: I think 1966, because we were also talking to him...

ROXAS: Yes, about 1966. He came after the elections already.

PADERANGA: Yes. He was in the transition team that included Dioscoro Umali, Agriculture.

ROXAS: Yes, Dising Umali.

PADERANGA: You were probably on the financial side.

ROXAS: Yes. I was already in Bancom because I started Bancom in 1965. [President Diosdado] Macapagal came to our inauguration before the elections and then we did all sorts of things for (Ferdinand) Marcos.

RIVERA: What year, given the failure of the transfer of any prime assets, was there no fallback positions for...?

ROXAS: When Marcos took over, they had the contracts of lease. The contracts of tenancy became converted into lease. There was a formula for the lease because the idea was to give landowners a return of something like 6 percent on the value of their land. And then, the average production of the three years, the rental would be 20 percent and the fixed rental, so any increase in productivity would accrue to the farmer. It was no longer a moving percentage. The contract of lease, so that the first stage was really dealing with all the problems that cropped up with the sudden conversion of contracts... And then a limited amount of land to the tiller, a certain amount. It was going very slowly... It became an issue against [President Diosdado] Macapagal. And the other thing was the emergency employment. I mentioned that Macapagal was very much a lawyer. So in his mind, the solutions were legal, we passed an agrarian reform law and emergency employment, he was very much taken with the Roosevelt...

RIVERA: FVR...

ROXAS: ...And that was what I was mentioning, the application of Keynesian pump-priming. Keynesian analysis was couched in terms of Marshall's periods—the short period and the long period in Marshall's analysis. The short period assumes all capacities are constant, the analysis is short enough so you could spend the capital expenditures but before the capital expenditures turn into increased capacity, so that was the short period. That was the Marshallian period and that was the Keynesian analysis. You had fixed capacities and the only problem was what level of effective demand would you fully utilize the existing capacities and so his thesis was that you could reach equilibrium before full employment. That was his analysis but given fixed capacities. So that when you pump prime, then you could bring it to full capacity. The whole idea of pump priming assumes an industrial economy with unused capacity which meant that the farms were ready in place. The technology, the equipment and the factories were there. Capital has to have gestation before

capital becomes increased capacity. That capital has to rely on existing capacity for the supply, and so it does not work, in the case of the Philippines. But the whole PEA (Philippine Economic Association) under Terry [Eleuterio] Adevosos was based on that Keynesian idea so they were [to generate] work, emergency employment ...

RIVERA: Whose brainchild was it, the PEA?

PADERANGA: [Diosdado] Macapagal.

RIVERA: Macapagal himself?

ROXAS: Yes.

PADERANGA: He had an ally in Salvador Araneta, who was thinking very strongly along these lines...

ROXAS: Yes, along these lines. That was where I used to have long debates with Salvador [Araneta] because he would confuse... provided it was investment, it was okay. But I said, investment expenditures had to be met with products from existing capacity, which were not forthcoming from that investment. So you have to wait for the gestation period so you're limited to the existing capacity in your combination of consumption and investment.

PADERANGA: Is it possible that Araneta was a professor in UST (University of Sto. Tomas) where Macapagal studied economics?

ROXAS: It could be. I don't know. Of course, my nemesis was Feny [Rufino] Hechanova, the campaign manager who became executive secretary. He was the fair-head boy of [President Diosdado] Macapagal. He was the most resentful when Macapagal brought me in. Did I tell you that story that when we were having debates, we immediately clashed on several things. The Iligan steel project that was a seven-year old project study prepared by Jack [Bernardo] Abrera of National Shipyards and Steel Corporation (NASSCO), and the whole idea, the reason he located in Iligan was because of the hydro-electric plant, and because it was going to be an electric art furnace. Then he suggested it be converted to a regular blast furnace, so a fully integrated steel [mill]. And I said, "With that conversion, you

have a location problem. It's not near coal, it's not near the markets. It's near power that you're not going to need if you convert it to a blast furnace. You need to rethink this location because it's so far upstream that if it becomes uneconomical, the whole downstream industries, which is the key to this thing, the engineering industries, the ship's plates, the can-making plants, all of these are going to suffer... we have to restudy the location problem if it's going to be converted to blast furnace. We're all for steel because that will develop the downstream engineering industry, which is very important in the industrial development but we have to make sure that we're getting the most efficient upstream." Rufino [Hechanova] had already promised the Iligan project to the Jacintos. So he went to [President Diosdado] Macapagal; he said, "Ting [Sixto] Roxas wants to study everything first." <laughs>

PADERANGA: That's, interesting because I always thought you were for that because of your theory of growth poles.

ROXAS: We were in favor of the steel. But we wanted to change the idea. We also clashed with the coming of Dole, their pineapple project. PIA (Program Implementation Agency) was a clearing house for the President [Diosdado Macapagal]. So when Dole came to see us, our position was that "you cannot do it the way Del Monte did. You cannot have a large 20,000-hectare plantation in the face of the present population densities and land scarcity. You're going to have fenced areas and all around you are people clamoring for land and you're going to have trouble." So what we suggested was to do it on a contract-growing basis. You set up the plant and have contracts, and you organize the production as an extension production buying the product. They didn't like that because Dole felt they didn't have control. So that was our position at PIA. They went to Rufino [Hechanova] who complained to the President that I was imposing all these [requirements] and it was important for the president's image for foreign investments that Dole would come in. So they brought Dole in similar to the arrangement with Del Monte with a long-term lease of 25-40 years.

RIVERA: But later I think under [President Ferdinand] Marcos, because we did a study of banana plantation, they also went into contracts with short-time small growers later...

ROXAS: Then, word got around that there was a conflict between Feny [Rufino Hechanova] and me. The newspaper men wanted a debate so I said fine. We set a time to meet with Feny and have the press there. [President Diosdado] Macapagal heard about it, so he called me in

and had it cancelled. “No, I don’t want any controversy. I don’t want any idea that we’re divided at this particular time.” So I said okay. Feny didn’t tell the newspapermen. So when the day came, the newspapermen were around and Feny said, “Roxas isn’t here.” <laughs> That was the way he operated... he was strictly political and he was against me and PIA. Because PIA was stealing the thunder from him since we had the fiscal facilities. We had this old German embassy in **Aviles (Spain? check)**, a beautiful mansion and at the center we put an operations room with scale maps, like a war room, which was set up by Alex [Alejandro] Melchor. Alex Melchor was from Annapolis. He was a naval attaché in Washington. I suggested to him that he resign or go on leave from the navy and join us, and he did. He was in charge of the whole operations room. So we had the briefings there: Premier Chen Cheng came, a briefing with KT, Saburo Okita, the planner of Japan also came. We developed a sense of camaraderie among all the planners then.

RIVERA: In effect PIA (Program Implementation Agency) then also functioned as the major think tank of the government?

ROXAS: Yes, that’s what it was [a think tank] but using the powers of NEC (National Economic Council), the powers of the Budget Commission, and the powers of the departments. We were not exercising power ourselves. My legal title was assistant executive secretary for economic affairs, director general of the PIA. PIA was not a preacher of statute. It didn’t have a budget; we pooled the budget from government financial institutions to support it. So when I appeared before Congress at budget hearings, they asked me, “What do you want?” I said, “We don’t want anything.”

RIVERA: But unlike LEDAC (Legislative- Executive Development Advisory Committee) now, you did not have any representatives from Congress?

ROXAS: NEC (National Economic Council) had representatives from Congress. [Ferdinand] Marcos himself was a member. NEC was a joint executive-legislative... Eva Estrada-Kalaw for the Senate, Sergio Osmena Jr., Lorenzo Tañada, Pendatun Mercado, Jose Yap, all from the House of Representatives, then the Governor of the Central Bank, the Chairman of the DBP (Development Bank of the Philippines) then the private sector. They were all NEC members. This was the Filemon Rodriguez’s five-year plan.

PADERANGA: The first five-year plan?

RIVERA: Under [President Ferdinand] Marcos?

ROXAS: Under Marcos. He has a history there.

RIVERA: Was there significant instances when the PIA (Program Implementation Agency) clashed with the NEC (National Economic Council) in terms of major policies?

ROXAS: No, because a lot of the professionals in NEC were happy to be seconded to us, to work with us. They could see that it was meaningful because we were actually programming. They never had any involvement in programming public works or any influence on the budget commission or government financial institutions. They were all at PIA by secondment. One of the budget commissioners worked very closely with us. What's his name?

PADERANGA: Faustino Sy-Changco?

ROXAS: Sy-Changco?

PADERANGA: Yeah, until Marcos he was quite influential...

ROXAS: Yes, he was with us, Sy-Changco.

PADERANGA: He was influential even during the time of [Diosdado] Macapagal.

ROXAS: Yes, he was influential but he was strictly a career person, a very apolitical person...

RIVERA: Very professional.

PADERANGA: The general consensus was that the technocrats gained pre-eminence during [President Diosdado] Macapagal's time. They were important in the [Ramon] Magsaysay's

[government] and [Carlos] Garcia's but more like staff people. In [President Diosdado] Macapagal's time they were essential, making decisions.

ROXAS: So when [President Ferdinand] Marcos declared martial law then, he made a statement: "I would just lie back and let the technocrats run the government," which of course didn't come true. <laughs> That was where the term, the Virata syndrome came in—that you had a technocrat who symbolized technocracy but had no powers.

PADERANGA: That brings us to one point... you were already talking about [Rufino] Hechanova, but were there people alive with him ... and also the business sector, I see here, Gil Puyat...

RIVERA: Who was also a senator?

PADERANGA: Not yet, apparently...

ROXAS: As I remember, we did not have much problem with that. We would be in the background and everybody would deal with the President. We were not out in the public eye but we were doing all the backroom work. The only times that I would surface would be, for example, in the Senate, when we were pushing the agrarian reform, I was right on the floor behind [Raul] Manglapus, writing notes for him. I don't remember that we had any serious clashes. Our clashes were internal.

RIVERA: But the key executive positions then like Budget, Finance, these, they were not topped by technocrats? I mean the heads were politicians...?

ROXAS: Well no, Sy-Changco was not a technocrat but a career man in budget.

RIVERA: In Budget?

PADERANGA: Which was a commission at that time...

ROXAS: So he would work with us and we had the technical level people, below the political, who would also work with us. At the political level it would be the President in the cabinet. As PIA assistant executive secretary, I would also be at the cabinet meetings.

RIVERA: How about Finance?

ROXAS: In Finance was (Rodrigo) Perez at that time. He was very close to us, part of, what we called the development conspiracy. Rod Perez, before he died, was very much with us.

PADERANGA: He's the father of Fr. Perez?

ROXAS: Yes.

RIVERA: What was the formal training of Rod Perez?

ROXAS: Rod was in business administration and law. He was a lawyer.

PADERANGA: So Finance was Rod Perez.

ROXAS: Before that, he was undersecretary, I think, and Fernando Sison.

PADERANGA: [Dominador] Aytona at one time?

ROXAS: Aytona was in the budget commission but no longer under [President Ferdinand] Marcos... under [President Diosdado] Macapagal.

PADERANGA: So Aytona had started as a career [officer]?

ROXAS: Yes, Aytona started as a career [officer]...when they introduced the performance budgeting as opposed to the line-item budgeting.... So we were doing it here before the Americans adopted it. They were testing it here... That was the time when we had the consultancy of Booz, Allen and Hamilton here and that started the five-year fiscal planning process. That was the time of [President Carlos] Garcia.

PADERANGA: The way the budget is operating now it looks more of a cashier, essentially where the President gets OK fine...

ROXAS: Release this money...

PADERANGA: How was it during your time?

ROXAS: It was pretty much the same, the congressional appropriation process... they disregarded the condition that "you cannot appropriate unless there is a source of funds." So they would appropriate with the proviso subject to availability of funds. When you added all the appropriations, it was far in excess of the actual cash collections and that gave the presidency the power to program. They could then choose from the bundle of approved appropriations which would receive funding. This was part of the reform that we were suggesting and in effect, gave the President tremendous powers to program releases which GMA (Gloria Macapagal Arroyo) is using now to...

RIVERA: You know this power of the first so called bi-congress... I was curious, let's say in Magsaysay, Macapagal era... in examining the power relationship between the legislature and the executive in terms of determining the budget appropriations; was there ever a time when the legislature was somewhat more powerful?

ROXAS: Not really, because the congressmen would show their performance by the bills that they had approved and therefore, they would approve bills with total appropriations that would always exceed the actual amount. So it was more popular to approve expenditure appropriations than revenue legislation so that, there was never a time when revenue legislation matched the appropriations legislation.

RIVERA: Always lags behind...

ROXAS: It always lagged behind. You were popular because you've approved some legislation. Then, they could point out to the President, "We've approved that bill but the President did not fund it." Thus the President was always vulnerable to being the victim of this blame game. They would always say, "We passed that law but Malacañang did not fund it."

RIVERA: Post-Marcos, was there any significant change in the budgeting process?

PADERANGA: There were attempts.

RIVERA: But nothing happened?

PADERANGA: The same thing.

ROXAS: The same thing.

PADERANGA: That's why it could look like... an inherent difference between a presidential system and a parliamentary system.

ROXAS: Very much [a difference]...

RIVERA: Because in the parliamentary, they are combined, fused...

ROXAS: It's a cabinet government, your parliament; you don't have a separation of powers between the executive and the legislative, so...

PADERANGA: So really the economic issues at that time really had most to do with industrial development... but summarized in that control/decontrol controversy?

ROXAS: Yes, yes.

PADERANGA: ...in terms of planning it had not yet surfaced.

ROXAS: Yes, the planning was in the Central Bank, because they were preparing the foreign exchange budget. That was the plan and there were a lot of problems. For example, if you look at the inefficiency of the textile industry here, it all started with the foreign exchange allocations, first, the practice of piece goods. You know, they created that industry in seventh Avenue in New York with piece goods [retazo]—they would take bales of cloth and cut them into smaller sizes so they could be imported to the Philippines. So the big textile

manufacturers, the textile people, like Dolor, Litton—they were all retazo dealers in Divisoria and Batangas. Then controls came in; first there were allocations for retazo, then the Central Bank would say, “Okay, you have a limited period when you’re importing this to maintain your market but after, you have to bring in grey goods.” So they put finishing, the term for that was the “laundry industry.” They would bring in grey goods, finish it, do the dyeing, and so forth. And they claimed that this was industrialization; then they required everybody to integrate backwards so with your grey goods allocations, they went back to looms integrated with finishing and weaving. They began to go into the yarn with spindle capacity. So they forced everybody to integrate backward while in the rest of the world, finishing is a separate industry because the fashion for finished goods is so changeable. So even our garment exports, they don’t buy from the local textile industry because we cannot compete in the designs of the textile. So all the piece goods are brought in, made into garments, and then shipped out. So our textile mills were the most inefficient in the world, partly because they brought in a lot of old Textron equipment that was earmarked for Shanghai and when the Chinese Communists took over, they diverted them here. A lot of the obsolete equipment, the textile looms were brought in because we wanted to buy second-hand equipment. Those were the inefficiencies in industrialization here. And no one went into intermediate goods.

RIVERA: But decontrol then substantially reduced the traditional powers of the CB (Central Bank) to intervene in economic, industrial matters?

ROXAS: There was the Board of Investments, the NEDA (National Economic and Development Authority) tariff commission, and the lobbying, the smuggling, the customs people...

RIVERA: Our economic history...

PADERANGA: Industrialization at that time you could count, textiles, flour and then ...

ROXAS: ...Flour, construction materials, roofing, the Spanish tiles you can see in the names of the people who became prominent industrialists, Fil Hispano, Puyat steel, the Littons, the Dolors, then, del Rosarios with cement...

RIVERA: Which of these proved to be the most viable in our local industries...?

ROXAS: Well they could have been [viable] if they had been properly orchestrated. Part of our difficulty was that it was an odd mixture of commercial policy being used to stimulate and the idea of no planning. You develop entrepreneurs, support them but you don't plan. Unlike in France where they have the Commissariat du Plan and when they talk of integration, they plan the horizontal and vertical integration of industries. The Central Bank had quotas—quotas for financing individual companies, corporate quotas for specific purposes in the Banque de France but all under the Commissariat du Plan General of France. Their plan was not entirely by the government but secondments from the private industry so that was what we were attempting to do which was never appreciated.

PADERANGA: When I talk to Jose Romero, he also idolizes the French planning system, where did he get this from, from you?

ROXAS: I don't know.

PADERANGA: And you never had direct...?

ROXAS: Well, we used to talk...

PADERANGA: But he wasn't under you?

ROXAS: No, no.

PADERANGA: He came in later?

ROXAS: Yes, he came in later.

RIVERA: So you're saying... in the attempt for some planning there was the absence of any effective participation from the private sector?

ROXAS: Yes, partly that.

RIVERA: Because even in Japan, as you know, planning involved the highest level of the business.

ROXAS: Absolutely ...

RIVERA: That was why we never were able...

PADERANGA: What prevented that? Would you have any view on that one?

ROXAS: It was partly American... part of the reason, I think, is because early in the game we had too many doctors of economics. I always say, **K.T. Lee (check)** was a physicist, Okita was an engineer. I mean, the planners in Korea were technical people, they were not economists. In a sense, they did not have this idea that if you just leave any individual to follow what is in his best interest, what is most profitable, and if you keep the market free it would build an economy, and that comes from a Darwinian theory of the survival of the fittest and as the critics of [Charles] Darwin would put it, if you throw stones in a pool over a long enough period of time, a house would emerge. <laughs> KT Lee was talking to us about making a deal that we would set-up a special steel plant, manufacturing a particular kind of alloy and they would set up another one and that we would complement. He was already talking complementation at that time but this was planned. We had the hypocritical attitude that, we did not want to give support to a particular business group the way the Japanese very clearly chose the zaibatsu units to do... and also the chaebol in Korea. Their governments had no bones about that... you go into this car manufacturing and we'll support you, with very specific group. Our hypocrisy was, you didn't want to appear to be supporting any particular business group, but under the table, you do...

RIVERA: But again, if we include a major external factor here which might have been very weak for example in Japan, Korea or Taiwan, the American, especially the IMF influence, was that a major factor too in preventing this?

ROXAS: Well, it was after [Miguel] Cuaderno. You must hand it to Cuaderno that for the longest time he refused to approach the World Bank for a loan. I remember that when we talked about Ambuklao, and Rosend Spanglerjohn, the economist of the World Bank, and they looked at the conditionalities and said, "No, we will finance it on our own." And during

the time of Cuaderno, that was the import-substitution period, and later import-substitution became a bad word... with John Power, Gerry [Gerardo] Sicat... I think, if you're looking at an assessment you have to address that while you have the politicians on one hand, their utopias were really formed by the technocrats, and for as long as it suited them, they would embrace those utopias. It was very neoclassical. In the annual consultations of IMF and World Bank in 1969, we suggested that the World Bank and IMF form joint teams to look at the problems... I mean, you don't have the IMF come and look purely at the stabilization programs and then, the World Bank looks at the development. The World Bank, for example, had already gotten their fingers burnt with program loans so they were all looking at project loans, and not anymore at program loans. On the other hand, the IMF was looking at the balance of payments loans. So we suggested that they get together and look at the country. We said that the Philippines did not need new project loans. Instead, we needed program loans so we could buy intermediate products with the loans...

RIVERA: Just to make it clear... I just want to clarify the difference between project loans and... program loans; it means you could use it for anything...

ROXAS: Finance, imports in general...

RIVERA: Whereas project loan is specific...

ROXAS: ...specific

<break>

ROXAS: I was very much with the local nationalists because there were portfolio loans versus equity, and for equity, portfolio versus direct [investment]. The advantage of direct investment was that it brought in technology but it had to be accompanied by a deliberate program for technology transfer. One of the criticisms against it was that it was not really technology transfer and that the technologies that were brought in were elementary technologies... that this was really direct investments coming in as part of the import-substitution. In other words, the companies, who were defending their brands here and who had a market share, came in with direct investments to protect their brand market. And they

were not interested in developing more value-added, they were just interested in protecting their share of the market.

RIVERA: They were not also producing products for export?

ROXAS: No. They were basically protecting their local shares of the market, particularly the brand. The other thing was the equity ... Our contention was that portfolio equity can be more expensive than loans. Our position was that it was high risk, like oil exploration. Equity is good, but it should not be used for public utilities because public utilities have a guaranteed market, a franchise and a guaranteed rate of return. So equity is a much more expensive in relation to the risk ... For those Filipinization programs, the Filipinization of PLDT, and Meralco—the general public utilities, they were justified on that basis—that you were substituting, you were retiring expensive money in effect by converting them in industries that had guaranteed markets and guaranteed returns. The difficulty was that it was not in the higher risk areas that they were coming in. Some came... in connection with the programs to assist particular groups to Filipinize, for example, public utilities. ... The groups that bought out general public utility, the Lopezes, I think...

RIVERA: Meralco...

ROXAS: Yes, Meralco...

RIVERA: And I suppose when the debt problem became worse and worse... I can imagine your concern for this...

ROXAS: Yes, we were saying that some of those debt-equity swaps were really not favorable... One of the prime examples was the failed loan extended by American Express and Citibank for the nuclear plant which was later converted into equity in some of the bank shares and that's crazy, you know. That's crazy substituting what would have been 10 percent financing, and substituting it with returns in bank shares, which was over 20 percent, so you're really doubling your cost. And the failure to understand that equity is a foreign obligation as much as a loan... By the way, that CIAV? The term is "vente" CIAV, Compagnie Industrielle pour de la Vente. "Vente" is a term for sale, auction for external foreign sales. That was a subsidiary of a group of banks like Banque de Suisse and it was

created specifically to arrange financing that would be covered by Banker Club Coface refinancing, and they were credit mobilizers. As you imported the equipment, you issued promissory notes and they would buy the promissory notes and keep them afloat because they had to be 90-day promissory notes and then they would consolidate them... During the construction period, they would float the promissory notes as you got the equipment and then after the project was completed, they would consolidate that into a term loan, and that was what they did.

RIVERA: Just on a personal note, of course you started your career with the labor movement, I was wondering when you joined the government and the corporate world, did you keep touch with the labor sector?

ROXAS: No, except that we had some collective bargaining agreements with the Federation of Free Workers in some of the companies. I'm trying to think whether we had one in Bancom.

PADERANGA: You had known Johnny Tan, Johnny Tan from boyhood?

ROXAS: Johnny Tan was ahead than me. He was a couple of years older, ahead of me.

PADERANGA: Ting [Vicente] Jaime was behind you?

ROXAS: Ting Jaime, we were classmates. I brought Ting Jaime, Bong [Arturo] Tangco, to the labor movement.

PADERANGA: He was also an Atenean?

ROXAS: Mon [Ramon Vicente] Kabigting was in their class and Mon stayed with the labor movement. They were ten years younger than I, I think. So that was a new generation... Ting [Vicente] Jaime, Luis Sison who became [head of] NAWASA (National Water and Sewerage Authority), the late Luis Sison, were also with us. Oddly enough, Eddie [Eduardo Jr.] Romualdez, the son of Danding (Eduardo Sr.) Romualdez was with us when he was in school and Arturo Consing who became president of Ateneo's Social Order Club. He was the son of

the former governor of Iloilo and the secretary of labor at that time was [Jose] Figueras, who was also from Iloilo.

RIVERA: Yes, I remember Figueras.

ROXAS: You remember him... You were asking about Union Obrero y Stevedores. It was a waterfront-based labor organization and they were tied up with Luzon Stevedoring, Steve Parsons... As we said, we didn't consider them a labor union because they were really a labor contracting firm. They had a roster of 3,000 men and they only needed 300 workers a day. They had the power to say who was going to work on a particular day or not. It was not an automatic rotation, a partial rotation the way they had at the San Francisco dock. This was more like the New York docks. I don't know if you saw that movie "The Waterfront."

RIVERA: Yeah, Marlon Brando, famous movie...

ROXAS: Marlon Brando. Shape up, that was the system here and so then, they would receive the wages for the workers and they would take their cut and give the balance to the workers. We were trying to correct that practice. Our chance to do that came when President [Elpidio] Quirino took over because Chick Parsons was the protector of Manuel Roxas. So, when Roxas died, Quirino took over, and the ones who were close to Quirino were the Delgado brothers. They had assurance from Quirino that they would get the arrastre contract from Chick Parsons. But Chick was using the unions; he insisted that for any new bidder, one of the qualifications was to have a union ... to bring in unionized labor. Figueras swore that he would not register a new waterfront union. That became our problem. Under the old Republic, Commonwealth Act 213, the act that gave the power to form unions, the unions had to be registered with the Department of Labor under its terms. You could gather 31 people and you could then register a union. So we took the Ateneo Social Order Club, listed 31 students and Arturo Consing went to see Figueras and said this was a school project and that they had 31 members. This was already a controversy because the papers were following the quarrel between Chick Parsons and Figueras. And at the day of the bidding, the newspaper men asked him, what's going to happen to the Delgados? He said, they had to bring in union labor so they had to tie up with UoyF. On the same day, after he [Figueras] approved the union registration, we registered 3,000 names. He just put it in the file, and that was it. We published in the papers the certificate of the Associated Worker. We picked the

most innocuous name, it was called the Associated Workers Union (AWU) that became Oca's. You see, Oca (Roberto) was the waterfront man, and we cultivated him to become the alternative leader in the waterfront so that was the reason for such an innocuous name, Associated Workers Union. The Delgados took over the arrastre, we brought in AWU but within a few months, Oca was behaving exactly like UoyF. He found his power, and soon he was riding a big car with VT goons as motorcycles escorts with 45 pistols and he bought a big house... And so we parted ways, we said, well we were going to have a certified election. We made representations with the MSA (Mutual Security Agency) to bring in someone from a group, I think, the US unions... to monitor the elections, so we were going to have certified elections at the waterfront. And the person who ran against Oca was Ting [Vicente] Jaime. It was so pathetic because we agreed that there would be no campaigning... But secretly, Oca gathered all his people, and campaigned during the night. We heard about it, and so I said, "Bert, we should also speak out..." So he said, okay. We, with Ting [Vicente] Jaime, went but those Tagalog orators were so good. When we were in Ateneo, we were prohibited to speak Tagalog. So we had pure logic but we didn't have any rhetorical flair at all. So it was so pathetic because in a certified election, it was clean elections. We got 10 votes. Oca won overwhelmingly. And that was when I really thought... The way he behaved was the image that Filipinos have of how a leader should behave. And if you don't behave like that, you're not a leader. That's the Filipino idea. If you're a leader, you must have a big car and bodyguards. Ting Jaime was low-key. He was not bombastic at all. The first time we entered, the UoyF people blocked the way with clubs and everything. We had blocked the Cavite group with us in AWU. They were led by a very charismatic character, [Delfin] Esguerra, I was so impressed with him: he was tall, high cheek bones, a leader and quite brave and daring... We used to go around with Ting [Vicente] Jaime, we had a Thompson submachine gun in the car... So when we went in and they were blocking our way in... one of the Caviteños got hurt. And this [Delfin] Esguerra got so mad, he took his .38 pistol, held it by the barrel, he didn't shoot with it, but he ploughed through those people with clubs swinging right and left, and nobody dared to stop him but boy, I said, "This is a real leader, so fearless." I was so impressed with the kind of leadership and for the longest time, I used to go to Molino, [Cesar] Virata's place— a no man's land because only a few people could go in there. They used to have that American quail, which was really a partridge. So nobody could hunt there but with Delfin Esguerra, I could hunt there. <laughs> So I was so impressed with the image of Filipinos of how leaders should behave.

RIVERA: I was just curious, were you ever invited to act as a consultant to any of the Presidents?

ROXAS: Marcos... You mean after Marcos?

RIVERA: After Marcos...

ROXAS: [President Ferdinand] Marcos invited me to take over NEC (National Economic Council)... but I'd already started Bancom. And I made the mistake that I turned him down on the phone. I should've said, "Wait, Mr President, let me go there and talk to you." We were together several times, when we were talking about the take-over of Palm. Benny [Benigno] Toda Jr....

RIVERA: Palm? Toda?

ROXAS: Marcos wanted to take over Palm and then Benny Toda had loans with Hongkong-Shanghai Bank. It was going past due and he could not pay it. Marcos asked us to have them take over... so with Ronnie [Geronimo] Velasco we were... As a matter of fact, when he filed his case against Marcos, after EDSA 1, Benny cited that Marcos had commissioned me to take over Palm... but it's funny because like [Geronimo] Ronnie Velasco, I was the one who introduced him to Marcos. I was the president of the Management Association of the Philippines (MAP) and we were going to have Marcos as a speaker. Ronnie was interested in cultivating Marcos and he was the one who offered to be the coordinator for MAP.

RIVERA: Was he [Geronimo Velasco] general manager of Dole?

ROXAS: Republic Glass. Well, he was with Dole...

RIVERA: Earlier?

ROXAS: Yes, was he with Dole or Republic Glass first?

PADERANGA: I think Dole was (first)...

ROXAS: Yes, he was with the Dole project.

PADERANGA: But was Republic Glass owned by the Japanese or by an American at that time?

ROXAS: No, Republic Glass was owned by [Harry] Stonehill. When [President Diosdado] Macapagal cracked down on the strong... [Jose] Diokno, do you remember that?

RIVERA: Diokno was Secretary of Justice then.

ROXAS: There was an incident because Maning (Emmanuel) Pelaez was vice-president, I was very close to Maning... the president or the managing director of IFC (International Financial Corporation) was a Jew... what's his name, and he was our official visitor here, I was in PIA (Program Implementation Agency)... Maning was vice-president and [was with] Foreign Affairs, at that time... so he was our guest... and then there was word that part of the list contained Macapagal's name... I forget now how, what it was specifically. But he implicated Maning (Emmanuel) Pelaez, unfairly, just to cover up. So Maning broke up with him... it was a crisis because of Stonehill, all the scandals...

RIVERA: By the way, we should get that, a new biography of Maning [Emmanuel] Pelaez. It just came out a few months ago. The author is Nelson Navarro. He was commissioned by the family to write it.

PADERANGA: Because he's from Mindanao

ROXAS: Tito [Teofisto] Guingona also...

RIVERA: Yeah, his biography came out recently.

RIVERA: For this... we already took up more than two hours of your time...

<End of interview>

