



## The Economic Nationalism of Jose P. Laurel

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**Abstract:** While her political independence was restored on July 4, 1946 by the United States, the Philippines was unable to extricate herself from the control and influence, albeit indirectly, of the United States. Faced with the gargantuan task of rehabilitating the country from the ruins of the Second World War, the Philippine government was constrained to accept the conditions attached to the war damage payment by the United States namely, the extension of free trade and the grant of parity rights to the American citizens as embodied in the Bell Trade Relations Act. By virtue of the Laurel-Langley Agreement, the special trade relations between the two countries were firmly established and the American citizens enjoyed an expansive scope of parity rights. Unquestionably, these impositions served to hinder the industrialization of the Philippines and to perpetuate American domination of the economy. Waging a nationalist crusade in the 1950s, Dr. Jose P. Laurel, a Filipino statesman, advocated the economic independence of the country, sounding the call for economic protectionism and industrialization. Drawing from the concepts of nationalism as a “philosophy of power” as propounded by Alejandro Lichauco and assertive nationalism of Dr. Laurel, this paper appropriates the views that political nationalism is grounded on the idea that a state should assert its sovereignty and wield its political power. In the same vein, economic nationalism demands that the power to make economic decisions emanates from the Filipino people. This paper delves into the economic nationalism of Dr. Laurel, explaining his concept of assertive nationalism in the economic sphere and how he articulated that concept in his writings. Specifically, the writer addresses the questions of industrialization, economic planning and democratized economy as expounded by Dr. Laurel. The writer renders an account of the American intervention in the economic affairs of the country in the 1940s and the 1950s. The descriptive-analytical method is employed in this study.

**Key Words:** Jose P. Laurel; economic nationalism; “assertive nationalism”; free trade; parity rights; industrialization

### 1. INTRODUCTION

On July 4, 1946, after almost five decades of colonial rule, the United States, by virtue of the Proclamation of the Independence of the Philippines signed by President Harry Truman, formally renounced her sovereignty and granted the independence of the Philippines in ceremonies held at Luneta. The Philippines remained under the control and influence of its former colonial master, the restoration of political independence

notwithstanding. The fledgling Philippine republic was transformed into an American neocolony.

Prof. Teodoro Agoncillo (1974), a nationalist historian, observed that “in the immediate post-war years when the Filipinos regained their political independence, nationalism suffered an atrophy,” saying that they “were, and continue to be, too sentimental and naïve to believe that America, in pursuit of her destiny and



national self-interests, was capable of exploiting them who stood by her in her hour of need” (p. 86).

Prof. Agoncillo (1967) described the “period from 1946 to about 1950” as one “during which the Americans rode high in the Philippines” (p. 85). True enough, apart from military treaties and agreements, they succeeded in obtaining economic concessions from the Philippine government in exchange for financial assistance.

The Philippine political leadership applied itself to the challenging task of rebuilding the country from the ruins of the war. Under the Tydings Rehabilitation Act, the United States government was bound to provide war damage compensation amounting to \$620 million, but the rehabilitation aid was subject to such conditions as the continuation of the free trade relations between the two countries and the grant of parity rights to the American citizens as stipulated in the Bell Trade Relations Act. Vulnerable as it was, the Philippine government had no other recourse but to accept these onerous impositions.

Like the Bell Trade Relations Act, the Laurel-Langley Agreement, which was forged in the 1950s, served to strengthen American economic interest in the country and hinder the industrialization of the Philippines what with the extension of the free trade until the 1970s and the expansion of the scope of the parity rights.

The 1950s saw the rekindling of Filipino nationalism. This resurgence constituted the response of the Filipinos to the continuing American intervention in the postwar Philippine affairs. As Prof. Agoncillo (1974) succinctly put it “Feeling that they were being colonized all over again, the Filipinos showed signs of re-awakening in the 1950s and began to express disillusionment with a frankness the Americans never associated with the Filipinos” (p. 87).

Carrying on a nationalist struggle, Dr. Jose P. Laurel, a Filipino statesman, denounced the American domination of the Philippine economy, agitating for economic independence and industrialization.

There exist quite a number of works on the life and philosophy of Dr. Laurel. However, there is a dearth of studies on his economic nationalism. In the light of the enduring relevance of his ideas and ideals to the contemporary period, the writer deems it proper to undertake this study.

This paper limits itself to the economic nationalism of Dr. Laurel. The first section aims to explain how the economic policies dictated by the United States affected the Philippine economy and

the Filipino people. The second section endeavors to explain Laurel’s concept of assertive nationalism in the economic arena and how this credo was reflected in his writings, taking into account his views on industrialization, economic planning and democratized economy.

This paper is grounded on the concept of nationalism as propounded by Alejandro Lichauco, a nationalist economist. In defining nationalism, Lichauco (1973) departed from the conventional definition of nationalism as “love of country” for “even a fool can love history” and “it does not furnish the conceptual basis for differentiating a nationalist outlook from one that is not, and for understanding why nationalists take the positions that they do on a number of questions” (p. 113). Lichauco (1973) maintained that “it is a philosophy of power” (p. 114). In expounding this view, he upheld the independence and well-being of the nation-state, stating emphatically that nationalism “is an outlook borne of the perception that the welfare, progress and security of a people lie, ultimately, in the unsullied integrity of their independence, and in the maximum enhancement of their collective power as a nation-state.” Pursuing this point, he averred that nationalism does not only spur the people to wage a struggle for independence, but it likewise serves to propel them to “develop all the powers latent in them as a nation.” Accordingly, political nationalism entails that people exercise the power “to manage their own affairs” and “govern themselves. In a similar vein, economic nationalism signifies the power to manage their “own business,” to “have their own steel mills, their own manufacturing industries. . .” He saw the necessity of building a “powerful industrial base” precisely because he believed that this is “the only way by which a people can create their own means of production, from which real wealth and economic power come, and without which they must forever depend on others for their very survival” (Lichauco, 1973, pp. 114, 115, 116, 117)

The historical method, that is, the descriptive-analytical method is employed in this study.



## 2. THE U.S. NEOCOLONIAL ECONOMIC INTERVENTION

The Second World War wrought havoc on the Philippines. "There is hunger among us," noted President Manuel Roxas noted in his inaugural address as President of the Commonwealth of the Philippines on May 28, 1946. Roxas (1946) further said: "Public health and sanitation have been set back a quarter of a century. Housing for most of our urban citizens is shocking in its inadequacy and squalor. Disease and epidemic threaten . . . Our communications are destroyed, stolen, or disrupted. . . Schools have been burned and teachers have been killed; our educational system is in large measure a shambles" (<http://www.gov.ph/1946/05/28/inaugural-address-of-president-roxas-may-28-1946/>).

The United States government was committed to grant financial assistance to the Philippines. The Tydings Rehabilitation Act appropriated \$620 M, broken down as follows:

\$120 million for the reconstruction of highways, port and harbor facilities etc., \$100 million worth of surplus military property, and \$400 million for the compensation of property losses and damages suffered by Filipinos, Americans, citizens of friendly nations, religious and private organizations. (Constantino and Constantino, 1978, p. 202)

However, the rehabilitation act made it clear that no amount in excess of \$500 shall be released unless the Philippine government acceded to the provisions of the Bell Trade Relations Act (Constantino and Constantino, 1978).

The Philippine government, under the leadership of Pres. Roxas, was compelled by financial exigency to accept the terms of the Trade Act. Agoncillo (1975) commented: "The Filipinos were sick and hungry; the country was devastated; there was no one else to turn to. In their tragic hour, they found their friend for whom they had suffered and sacrificed exacting a pound of flesh in exchange for dollars"(p. 255).

The Bell Trade Relations Act provided for the continuation of the free trade relations between the two countries, which were established during

the American colonial regime, from 1946 to 1954. Under this arrangement, while the products from both countries were duty-free, only those coming from the Philippines were subject to quotas. For sure, the free trade was inimical to the interest of the Filipino people. Stripped of the power to impose duties and quotas on American goods, the Philippine president was rendered helpless in protecting the local goods and industries. The country served as the supplier of raw materials and consumer of the processed goods from the United States, thereby perpetuating the Philippine agricultural economy. The influx of American goods in the country undermined its efforts to institute a heavy industrialization program. As such, free trade had the country economically reliant on the United States (Lichauco, 2005).

Under the parity clause of the Bell Trade Relations Act, the Americans in the Philippines were to enjoy the same rights as the Filipino citizens in the exploitation of natural resources" and operation of public utilities" (Fernandez , 1977, p. 221). It became necessary to amend the Philippine Constitution, considering that it mandated a 60%-40% Filipino-foreign ownership of corporations that were authorized to exploit the natural resources of the country (Schirmer & Shalom. 1987). President Roxas succeeded in securing the approval of the parity amendment by both houses of the Philippine Congress by ousting those senators and representatives of the Congress who opposed the amendment (Shalom, 1981). Lamentably, the United States did not extend reciprocal parity rights to Filipino citizens (Constantino & Constantino, 1978).

The trade agreement was revised in 1954. The Laurel-Langley Agreement replaced the 1946 Trade Act. Under the new act, the free trade between the two countries was extended until 1974. This agreement "accelerated the imposition of Philippine duties on American products and inversely slowed down the imposition of U.S. duties on Philippine products" (Fernandez, 1977, p. 238). The modified tariff schedule was favourable to the interest of the Philippine "manufacturers" and



“exporters,” but this “was not without some benefit to Americans” (Shalom, 1981, p. 95).

The Laurel-Langley Agreement expanded the scope of the parity rights to include “all economic activities,” enabling the foreign corporations to invest in all economic ventures to the detriment of the Filipino capitalists (Agoncillo, 1967). Furthermore, the agreement provided for reciprocal rights, but the “reciprocity, of course, was only a legal construct” for the “Filipinos were hardly likely to invest in the United States with the same vigor that American nationals invested in the Philippines” (Shalom, 1981, p. 97).

### 3. LAUREL’S CALL FOR ECONOMIC INDEPENDENCE

#### 3.1 CONCEPT OF “ASSERTIVE NATIONALISM”

Laurel was keenly aware of the economic problems that confronted the country during his time. These difficulties derived from the “historical” nature of the economy. It had to do with the Philippine-American economic relations. The Philippine economy was really a “Philippine-American economy” in the sense that it was “Philippine-American in conception, in composition, in its distribution of rewards, and in its general utility as long as it remained satisfactorily useful to both nations” (Laurel, 1956, p. 3).

The national economy took on a colonial orientation. Laurel (1953) characterized the “colonial-type economy” as one that “relies mainly upon the production of raw materials for export with the unfortunate consequence that not enough foodstuffs for home consumption needs are raised, and some have to be imported annually” (p. 92). He pointed out that such type of economy could not stimulate economic development (Laurel, 1956).

In the face of such historical realities, Laurel saw the compelling need for “assertive nationalism.” His concept of “assertive nationalism” bore a striking resemblance to Lichauco’s nationalist credo inasmuch as the former emphasized the assertion of national sovereignty and independence from any foreign control. Laurel (1956) exhorted the Filipino people “to cultivate and practice an **assertive nationalism**,

or “Filipinism,” in order that they “may develop a sense of national integrity, a national soul, as it were, which could then embolden very Filipino to fight for his rights and liberties and once won, to defend them at all times” (p. xi).

Speaking of economic nationalism Laurel equated it with economic independence, which denotes that the Filipino held the power to make economic decisions. He admonished that “*political independence is but the proverbial ‘fool’s paradise’ without its necessary foundation and concomitant of economic independence*” (Laurel, 1956, p. 126). When he sounded the call for economic independence, he stressed the imperative to liberate the economy from the yoke of any foreign domination. His “program for economic survival” consisted in taking “full responsibility for our currency policies or reform,” asserting “our sovereign rights to levy tariffs and duties on incoming goods and services,” and exercising the freedom to “negotiate for trade agreements with any country in the world” (Laurel, 1953, p. 96).

#### 3.2 ADVOCACY OF INDUSTRIALIZATION

Laurel strongly believed in the role of industrialization in the economic development of the country. He made the following remarks: “About the need for us to industrialize our economy, as the only way to progress and prosperity and to economic independence, there seems to be now considerable agreement” (Laurel, 1956, p. xvi). Laurel pushed for industrialization if only to expand agricultural and industrial output and reduction of essential imports. He averred that an industrialized economy implied economic development since it meant production of a wide array of goods, creation of “new processing industries based mainly on the utilization of local raw materials” and manufacturing of local goods that eventually “replaced” the essential imports (Laurel, 1956, p. 35). Laurel (1997) proposed that “the government, private capital and public in general” should work hand in hand so as to propel the “industrial growth” of the country (p. 209).

#### 3.3 Economic Planning

Laurel strongly advocated economic planning with a view to address the economic imbalance. He wrote: “National planning is essential if the Philippines were eventually to



extricte herself from her present condition of helplessness or puppetry” (Laurel, 1997, p. 63).

Laurel had a strong persuasion that the capitalist system ought to be “scrapped or entirely abolished” (Laurel, 1997, p. 60). He expressed his preference for state socialism, declaring that “*republicanism vitalized by state socialism is the best form of government for the Filipinos in this epoch*” (Laurel, 1997, p. 56). By state socialism, he meant “that type of Socialism which is Christian and evolutionary founded fundamentally on the oneness and solidarity of mankind, the brotherhood of man, the love of man’s neighbor” (Laurel, 1997, p. 58).

In economic terms, Laurel (1997) viewed “*socialized democracy*” as a “form of state socialism” whereby the state is vested with the power to intervene and control in matters necessarily connected or involved in the promotion of economic security and social justice” (p. 29). This form of government fell within the principles embodied in the constitutions of the Commonwealth and Republic of the Philippines. To buttress this point, he cited the constitutional provisions on the “promotion and protection of labor and industry” and the limitation upon the extent of public and private agricultural land” (Laurel, 1997, p. 30).

State socialism called for the regimentation and planning of the national economy. A planned economy ensured a system of coordinating the economic activities and utilizing the economic resources. As identified by Laurel (1997), the economic benefits of a socialist economy included the following: “a)unified and organized system of production by the state; b)elimination of competition; c) avoidance of waste; d)effective conservation of natural and human resources; e)avoidance of duplication; f)reduction of administrative expenses; g)effective methods for the attainment of greater social welfare” (p. 59).

In light of the foregoing considerations, Laurel proposed the creation of an economic planning body and formulated the idea of organizing a National Economic Development Authority (NEDA). The NEDA was envisaged to “attack our basic economic problems” in a “comprehensive, coordinated, well-planned, purposeful and logical manner” and to provide the

“only statesmanlike approach to our present problems” (Laurel, 1997, p. 179).

### 3.4 Democratization of the Economy

Laurel openly censured the capitalist system. He faulted the system for the gross “wealth inequality” that it fostered, noting that “some people, notwithstanding their strenuous efforts, have remained in a hand-to-mouth existence in contrast with individuals who have so much wealth obtained by speculation, monopoly or inheritance.” Underscoring the disparity in the distribution of profits, he observed that the capitalists reaped huge profits at the expense of the laborers: “Much unearned income goes to the capitalist. Large share of national income therefore goes to relatively few individuals.” He bewailed the maltreatment of the workers as a consequence of the “capitalist control of the instruments of exploitation” (Laurel, 1997, p. 64).

“Economic democracy,” which was an integral component of state socialism, meant harnessing “the most and best of man’s powers and opportunities, i.e. social justice” (Laurel, 1997, p. 57).

Taking cognizance of the undue concentration of wealth in the hands of a few capitalists, Laurel promoted social justice. Propounding his concept of social justice, he wrote: “Social justice is the humanization of the laws and the equalization of social and economic forces by the State so that justice in its rational and objectively secular conception may at least be approximated.” His concept of social justice put emphasis on the “promotion of the welfare of all the people” (as cited in Pedrosa, 1962, p. 151).

Laurel was convinced that it was imperative to address the unequal distribution of wealth and income. On one occasion, he made mention of “no glaring inequalities in wealth and income” as one of the “social advantages” of state socialism (Laurel, 1997, p. 59).

## 4. CONCLUSION

Following the grant of the political independence in 1946, the Philippines had fallen prey to the economic exploitation of the United States as evidenced by the impositions embodied in the trade agreements. The lingering influence of



the United States on the Philippine affairs served to rekindle the nationalism of the Filipino people in the 1950s. Guided by his nationalist credo, Dr. Jose Laurel vigorously advocated economic independence, harping on the necessity of industrialization, economic planning and democratization of the national economy, all done to ensure the economic development of his beloved country. In this context, it may be posited that economic nationalism could very well be an alternative solution to the challenge posed by U.S. neocolonial intervention.

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