



Presented at the DLSU Research Congress 2019
De La Salle University, Manila, Philippines
June 19 to 21, 2019

The Nationalist Economist Crusade of Salvador Araneta

Jose Victor Jimenez¹

¹ De La Salle University

**Corresponding Author: jose.victor.jimenez@dlsu.edu.ph*

Abstract: The Philippines obtained her political independence from the United States on July 4, 1946, but she proved to be powerless in disengaging herself from the imperialist hold of her former colonial master. Confronted with the challenge of rehabilitating the Philippines that suffered massive damages wrought by the Pacific War, the Philippine government was compelled to accede to the onerous stipulations attached to the grant of the rehabilitation aid, to wit, the continuation of the free trade relations and extension of parity rights to the American citizens, which were encapsulated in the Bell Trade Relations Act. For sure, these lopsided arrangements had forestalled the industrialization of the Philippines and had maintained the American economic control over its erstwhile colony. Pursuing relentlessly a nationalist struggle in the 1950s, Dr. Salvador Araneta, a staunch nationalist economist, vigorously fought for economic independence. Appropriating the concept of nationalism as a “philosophy of power” as put forward by the uncompromising nationalist Alejandro Lichauco, the writer argues that political nationalism signifies that the state should exercise its authority to govern itself and the political power is vested on the Filipino people. Economic nationalism, by the same token, denotes that the Filipino people should assert its power over the means of production. Employing the historical methodology, this paper aims to examine the nationalist economist crusade of Salvador Araneta, delving into his views on economic nationalism, industrialization, “limited free trade” and economic planning as propounded in his writings and the ramifications of his crusade. The writer deems it necessary to provide an account of American economic intervention in the 1940s and 1950s and the factors that must have provided the impetus to Araneta’s nationalist crusade.

Key Words: Salvador Araneta; economic nationalism; “limited free trade”; industrialization; economic planning

1. INTRODUCTION

On July 4, 1946, the President of the United States of America Harry S. Truman, invoking the Tydings-McDuffie Law, otherwise known as the Philippine Independence Act, officially “proclaimed” the relinquishment of “all rights of possession, supervision, jurisdiction, control of sovereignty now existing and exercised by the United States of America over the territory and people of the

Philippines” (June 12, 1898 and Related Documents, 1993, 55). The nationalist statesman Claro M. Recto argued that since it was a “Proclamation issued by the American President,” it was “the American concept, not ours, of Philippine Independence that was placed in the document”; hence it was merely a “grant, not an assertion of rights” (Constantino, 1965, 21). From that time on, the Philippines had been recast into a neocolony, that is to say, “it achieved formal independence without eliminating



Presented at the DLSU Research Congress 2019
De La Salle University, Manila, Philippines
June 19 to 21, 2019

foreign domination” (Schirmer and Shalom, 1987, 87).

It was pretty ironic that while the Filipino people had secured their independence, nationalism was on the decline from 1946 to 1950. (Agoncillo 1967) Commenting on this stark reality, the late nationalist historian Teodoro Agoncillo (1974) attributed this phenomenon to the “sentimentality and naivete” of the Filipinos, who “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). Renato Constantino (1978) observed that the Filipinos, who were moved by “feelings of gratitude and relief,” were “so predisposed toward Americans that they could not believe there could be any conflict between the interests of the two countries” (p. 193).

During the same period, the Americans “rode high in the Philippines” (Teodoro, et. al., 1967, 85). In consideration of the economic assistance, the Philippine government accepted the terms of the trade agreements, which provided certain concessions to the Americans. In the immediate post-war years, the Philippine government was faced with the daunting task of rehabilitating the country from the ravages of war. As stipulated in the Tydings Rehabilitation Act, The United States pledged to provide war damage payments totaling \$620 million. The rehabilitation aid was contingent upon the acceptance of the terms of the Bell Trade Relations Act, to wit, free trade between the Philippines and the United States and the “parity clause” (Shalom, 1981). As the country was in dire financial straits, the Philippine government was compelled to accede to these iniquitous provisions. In the 1950s, the Philippines and the United States entered into the Laurel-Langley Agreement. This particular agreement served the vested economic interest of the United States and stymied the industrialization efforts of the Philippines in much the same way as the Bell Trade Relations Act. (Constantino and Constantino, 1978)

The American encroachment on the Philippine political, economic and military affairs stirred up Filipino nationalism in the 1950s.

Rejecting the perception by some Americans in high places and their ever-loyal Filipino followers” that Filipino nationalism was tinged with “anti-Americanism,” Agoncillo (1974) made it clear that it was not the “American qua American” that was the target of “the Filipino nationalists’s severe

criticisms,” pointing out that they deplored the “anti-Filipino policy of the American government and some American officials, especially the military, who consider the Philippines their exclusive preserve and the Filipinos their glorified serfs” (72).

Waging a struggle for economic independence, Salvador Araneta, an unwavering nationalist economist, censured the United States for its stranglehold over the Philippine economy. Considering the meager works on the economic nationalism of Dr. Araneta and the continuing importance of his ideas and advocacy, the writer finds it relevant to pursue this study.

Organized into two major sections, the paper aims to examine the nationalist economic crusade of Salvador Araneta. The first part deals with the economic policies imposed by the United States on the Philippine government and how they adversely affected the Philippine economy from the time the Third Republic was inaugurated on July 4, 1946 up to the expiration of the Laurel-Langley Agreement in 1974. The second part ventures to discuss Araneta’s concept of economic nationalism, to explain how he gave expression to his personal credo in his writings, focusing on industrialization, “limited free trade” and economic planning, and to discuss briefly the consequences of the nationalist crusade. It also takes into account some factors that must have some bearing on his nationalist crusade.

The study is predicated on the concept of economic nationalism as set forth by Alejandro Lichauco. Lichauco (1968) veered from the typical definition of nationalism as “love for country” simply because “it is primarily an emotional one and leaves many things unexplained” (26). Asserting that “nationalism is essentially a point of view,” the nationalist economist averred that is a “philosophy of power” (26). Explaining this point, he wrote: “It is an attitude which insists that power in a sovereign state must, as much as possible, be lodged in, and exercised by the citizens of that State” (26). Speaking of political nationalism, he pointed out that “the political nationalists insisted that the political power in the Philippines be lodged in Filipinos,” whereas the “economic nationalists” demanded that “the economic power in the Philippines be lodged in the Filipino people” (26). Furthermore, for Lichauco (1973), economic nationalism refers to the exercise of power by the Filipino people to control their “own business,” “to have their own steel mills, their own manufacturing industries. . .” (117).



2. METHODOLOGY

The writer employs the historical method, that is, the “descriptive-narrative-analytical method” (Lemon, 2003, 294-301), which involves gathering and evaluation of both primary and secondary sources, and analysis, synthesis and weaving of the data into a historical narrative. After describing the phenomenon of American intervention in the Philippine economy from 1946 until 1974, he proceeds to explain his concept of economic nationalism and how he articulated this concept in his writings.

3. RESULTS AND DISCUSSION

3.1 THE AMERICAN INTERVENTION IN THE PHILIPPINE ECONOMY, 1946-1974

The immediate challenge that confronted the administration of President Manuel Roxas was the herculean task of rehabilitating the Philippines, which sustained enormous damages wrought by the Pacific War. Shalom (1981) noted that “the war had left in its wake terrible destruction throughout the islands. Manila, after Warsaw, the most completely devastated capital anywhere in the world” (33). Pursuant to the Tydings Rehabilitation Act, the United States, dictated by economic and military considerations, was bound to grant rehabilitation aid, amounting to \$620 M. But then, the Rehabilitation Act stipulated that no amount in excess of \$500 would be dispensed if the Philippine government did not accept the provisions of the Bell Trade Relations Act. (Shalom, 1981; Constantino and Constantino, 1978). Owing to financial constraints, the Philippine government had no other option but to accede to the stipulations of the Trade Act. Agoncillo (1975) wryly remarked: “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” (255). Under the Bell Trade Relations Act, the Philippines and the United States continued the free trade relations, which were established during the American colonial rule, for a period of eight years from 1946 to 1954.

The Trade Act provided that while the products emanating from both countries were duty free, those originating from the Philippines were allocated quotas. Veritably, the free trade relationship was disadvantageous to the Philippines. The Philippine government was divested of the authority to impose tariff and set quotas on American goods, thereby rendering it weak in protecting its own industries and produce. As in the colonial years, the free trade served to preserve the agricultural economy of the country and hinder the industrialization of the country. (Lichauco, 2005). In the matter of the parity provision, the Trade Act of 1946 mandated that the Americans were to be granted equal rights in the “exploitation of natural resources and operation of public utilities” (Fernandez, 1977, 221). In view of the 60%-40% ownership requirement favorable to the interest of the Filipino, the 1935 Philippine Constitution had to be amended. President Manuel Roxas maneuvered into the passage of the parity amendment. (Constantino and Constantino 1978).

The Laurel-Langley Agreement, which replaced the Bell Trade Relations, extended the duration of the free trade relations until 1974, under which the American goods were subject to “increasing tariffs,” while the Philippine goods enjoyed decreasing rates of tariffs. As for the parity clause, this trade agreement proved to be beneficial to the American nationals as they could invest in all forms of businesses. (Fernandez 1977)

3.2 THE SHAPING OF ARANETA'S NATIONALIST OUTLOOK

A combination of external and internal factors provided the impetus for Salvador Araneta's nationalist crusade. Araneta must have swayed by the ideas of Alexander Hamilton, the first Secretary of the Treasury of the United States, who was hailed as the “founding father of US protectionism” (Philippines's “Prophet of Disaster”: Salvador Araneta). Araneta “took inspiration from U.S. Treasury Secretary and nationalist economist Alexander Hamilton (ca. 1756–1804)” (Why extremist, atheistic, capitalist ideologues are just as evil as extremist, atheistic, communist ones). Araneta was a



DLSU
RESEARCH CONGRESS
Towards Industry 4.0
Knowledge Building

2019

Presented at the DLSU Research Congress 2019
De La Salle University, Manila, Philippines
June 19 to 21, 2019

staunch promoter of American System of protectionism and championed a system of national banking in the Philippines in order to create public credit to finance the industrial and infrastructural development of the archipelago (For independence from empire-the spirit of '76 and Pan-Asian nationalism).

The economic history of countries like the United States and England must have provided him insights into how economic protectionism fostered industrialization. (Araneta, 1967) In his address before the Manila Rotary Club in 1947, Araneta spoke of the brilliance of Hamilton and the protectionist economic policy of the United States:

There is no country (with the exception of England which was the first to turn to industrialization) which has been able to become industrialized without having had to protect its industries. The United States, with all its natural resources, had to protect its industries with high tariff barriers. From the time of its first Secretary of Treasury, the great Alexander Hamilton, to the present time, the United States has in fact consistently been a highly protectionist country.

In this connection, it will be interesting to note, that the financial problems that the United States of America had to face during the first years of its independence were quite similar to those of our present government. And to solve them, Hamilton created a National Bank...

Imbued with a keen sense of history, Araneta attributed the emergence of England

as the "first modern industrial country" to economic protectionism:

If the English were naturally lazy before the Industrial Revolution, how could they have made of England the first modern industrial country? England's rise to greatness, according to another English author, was not due "to any original innate quality in her people" by the result of deliberate statecraft devoted over the centuries to the development of wealth-building industries and the creation of ever new and varied aptitudes in the people" . . . The deliberate statecraft was the strong protectionist policy pursued by the British Parliament up to the year 1845 (Araneta, 1967).

And lastly, the nationalist struggle against the American imperialists must have given a boost to his own nationalist conviction.

3.3 CONCEPT OF ECONOMIC NATIONALISM

In providing a historical perspective of the Philippine-American relations, Salvador Araneta could not but recall the betrayal of the Philippines by the United States. Araneta considered the "shabby treatment she had given her wartime ally 47 years earlier following the Spanish-American War" as the "second double-cross" (Araneta, 1999, 53-54).

He hastened to add that the "series of economic and military impositions on Philippine sovereignty" had turned "Philippine independence" into a "farce," thereby establishing "neoeconomic imperialism" in the country, which constituted "a second edition of the Platt Amendment for Cuba" (Araneta, 1999, 53, 54).

For Araneta, economic nationalism was synonymous with economic independence.



Rationalizing the imperative of economic nationalism, Dr. Araneta recognized the necessity of a strong nationalist policy as a counter-force to attain a rapid basic economic development” if the “American government and the American businessmen continue pursuing their present super-nationalist policy.” By economic development, he had the welfare of the Filipinos in mind, referring to “a development by Filipinos, of Filipinos and for Filipinos” (Araneta, 1965, 4).

3.4 THE CALL FOR INDUSTRIALIZATION

Advocating the importance of creating “basic and heavy industries,” Araneta strongly believed that “industrialization can become to a great extent a self-generating process of manufacturing of “capital goods” given that “capital goods by their very nature are not consumed.” Pushing for heavy industrialization, Araneta cited one of the recommendations of the First Educators-Management Congress convened in Baguio in 1959:

To achieve the industrialization of our country with a minimum of foreign exchange, it must include as soon as possible the basic industries, particularly the steel industry including shipbuilding, the development of water resources, the chemical and fermentation industries and the machine and tool industry (Araneta, 1965, 57).

3.5 CONCEPT OF “LIMITED FREE TRADE”

Salvador Araneta called for a revision in the free trade relation between the two countries. The revision was meant to resolve the stalemate in the country’s “industrialization program. The proposal entailed the importation of “American capital goods,” consisting of “machineries and construction materials,” all of which should “be subject to tariff duties.” On

the other hand, those duty-free Philippine goods being sold to the United States were to be restricted to “sugar, coconut oil, cordage and cigars, and only in the quantities or quotas at present provided” and should be covered by the “present tariff duties of the United States.” Araneta (2000) maintained that if such proposal materialized, “an industrialized Philippines with a higher standard of living would be a more valid customer of the United States than an impoverished Philippines” (148).

3.6 THE DEMAND FOR ECONOMIC PLANNING

Dr. Salvador Araneta sounded the call for economic planning, which involved a “directed economy.” He maintained that “plans can be implemented by private initiative under a directed economy-to be provided by the State with a strong fiscal, monetary, credit and foreign trade directions and even controls.” He was confident that these measures will come about with nationalism” (Araneta, 1965, 214, 216).

3.7. THE RAMIFICATIONS OF THE NATIONALIST CRUSADE

The nationalist crusade vigorously carried on by Salvador Araneta constituted a response to the American domination of the Philippine economy. However, Araneta was a lone voice crying in the wilderness as he sounded the call for industrialization and economic planning and proposed “limited” free trade. The government had not lent support to the nationalist campaign. The Philippine presidency had served as a potent medium of neocolonial programs, which thwarted the industrialization efforts of the country.

4. CONCLUSION

The Philippines continued to be under the influence and control of the United States after the Pacific War as evinced by the economic policies it had dictated on the Philippine government. The American encroachment on our national sovereignty and the economic life of the nation brought about the resurgence of



Filipino nationalism. The ideas of Alexander Hamilton, the economic history of other countries like the United States and England and the nationalist struggle against the American intervention must have given the impulse to Araneta's nationalism. Propelled by his nationalist conviction, Salvador Araneta joined the nationalist struggle, fighting for economic independence and urging heavy industrialization, "limited free trade" and economic planning. The government paid no heed to his nationalist campaign. The Philippine presidency had become a witting tool of the United States in implementing its neocolonial programs designed to prevent the industrialization of the Philippines

5. REFERENCES

- Agoncillo, T. (1967). The Development of Filipino Nationalism. In L.V. Teodoro, Jr., J. Sison, & R. Arcilla. *Movement for the Advancement of Nationalism: Basic Documents and Speeches of the FOUNDING CONGRESS*. Quezon City: Movement for the Advancement of Nationalism.
- Agoncillo, T. (1974). *Filipino Nationalism, 1872-1970*. Quezon City: R.P. Garcia Pub. Co.
- Agoncillo, T. (1975). *A short history of the Philippines*. New York and Toronto: The New American Library.
- Araneta, S. (2000). *Economic Re-examination of the Philippines: A review of economic policies dictated by Washington*. N.p.: Sahara Heritage Foundation.
- Araneta, S. (1967). *Economic Nationalism and Capitalism for all in a Directed Economy*. Rizal: Araneta University Press.
- Araneta, Salvador. (1999). *America's Double-Cross of the Philippines*. N.p.: Sahara Heritage Foundation.
- Araneta, S. (1965). *Economic nationalism and capitalism for all in a directed economy*. Rizal: Araneta University Press.
- Constantino, R. & Constantino, L. (1978). *The Philippines: The Continuing Past*. Quezon City: Foundation for Nationalist Studies.
- Constantino, Renato. (ed). (1965). *Recto Reader: Excerpts from the speeches of Claro M. Recto*. Manila: Recto Memorial Foundation.
- Fernandez, L. (1977). *The Philippines and the United States: The Forging of New Relations*. Quezon City: NSDB-UP Integrated Research Program.
- For independence from empire: the spirit of '76 and Pan-Asian nationalism. Retrieved from <https://outofpurgatory.wordpress.com/2012/07/10/for-independence-from-empire-the-spirit-of-76-and-pan-asian-nationalism/>
- June 12, 1898 and related documents. (1972). Manila: National Historical Institute.
- Lemon, M. C. (2003). *Philosophy of History: A Guide for Students*. London: Routledge.
- Lichauco, A. (1973). The National Situation: A Nationalist Interpretation. In Lichauco, A. *The Lichauco Paper: Imperialism in the Philippines*. New York and London: Monthly Review Press.
- Lichauco, A. (1968). *Nationalism, Economic Development and Social Justice. In The Role of Nationalism in Economic Development and Social Justice*. N.p.: n.p.
- Lichauco, A. (2005). *Hunger, Corruption and Betrayal: a primer on U.S. neocolonialism and the Philippine Crisis*. Manila: Citizen's Committee on the National Crisis.
- Morris, J. (2009). The FDR Tradition in the Philippines. Retrieved from <https://archive.schillerinstitute.com/educ/hist/araneta.html>
- Philippines "Prophet of Disaster": Salvador Araneta. Retrieved



Presented at the DLSU Research Congress 2019
De La Salle University, Manila, Philippines
June 19 to 21, 2019

From
<https://fvdb.wordpress.com/2012/07/17/philippines-prophet-of-disaster-salvador-araneta/>

Schirmer, D. & Shalom S. (1987). *The Philippines Reader: a history of colonialism, neocolonialism, dictatorship and resistance*. Boston: South End Press.

Shalom, S. (1981). *The United States and the Philippines: a study of neocolonialism*. Philadelphia: Institute for the Study of Human Issues.

Why extremist, atheistic, capitalist ideologues are just as evil as extremist, atheistic, communist ones.

Retrieved from
<https://outofpurgatory.wordpress.com/2012/08/31/why-extremist-atheistic-capitalist-ideologues-are-just-as-evil-as-extremist-atheistic-communist-ideologues/>