

FREEDOM AND PLANNING: A BRIEF EXAMINATION

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Freedom is more than a word and as a word it has been much abused to the extent that authoritarians have even attempted to justify their outrageous acts in the name of freedom.¹ A marked tendency exists to regard freedom as an absolute, but everyday observations will bear out the fact that there are many kinds of freedom in different spheres and that the concept and extent of freedom vary from time to time. In our day and age, does liberty or freedom mean the same thing as it meant when John Stuart Mill wrote the passage, "The only freedom which deserves the name is that of pursuing our own good in our own way, so long as we do not deprive others of theirs or impede their efforts to obtain it"?² This sounds more of a *laissez-faire* tenet so that the individual must be left alone whenever his conduct does not interfere with a similar freedom of others. The extent by which a man's conduct does not injure others will not be definitely certain because of the changing concepts in the legal, political, social, economic, and all other spheres of human endeavor.

LIBERTY AND AUTHORITY

The pursuit of liberty was the dominant note in the politics and economics of the nineteenth century.³ Liberalism marked that century of reforms and political philosophers like Bentham, Mill, and Spencer expounded the idea of liberty—"the liberty of the subject from the tyranny of power."⁴ The greatest happiness of the greatest number was considered the proper goal of all legislations. Individual judgment was preferred to state authority and the best government then was one

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¹ With apologies to Marshall Field, who for want of an appropriate all-inclusive word refers to the foes of freedom as Fascists or authoritarians. To him, freedom is action and vigilance in order "to assure freedom to the free." See MARSHALL FIELD, *FREEDOM IS MORE THAN A WORD*, pp. x, 180 (1945).

² JOHN STUART MILL, *ESSAY ON LIBERTY*, as reprinted in LON L. FULLER, *PROBLEMS OF JURISPRUDENCE*, p. 531 (1949).

³ LEYTON RICHARDS, *PLANNING FOR FREEDOM*, p. 10 (1943).

⁴ Of course democracy is not merely confined to liberalism. As explained by Professor Louis Wasserman, "humanism, individualism, the scientific outlook, and the doctrine of equality are notable streams of thought which have been tributary to democracy." For these competing political and social philosophies, and of the political and economic systems of the world,—Democracy, Nazism, Utopianism, Anarchism, Marxism, Socialism, Fascism, Guild Socialism, Syndicalism, Christian Socialism, the Single Tax System, Fabian Socialism, Cooperative Movement, and Communism, refer to LOUIS WASSERMAN, *MODERN POLITICAL PHILOSOPHIES*, (1951).

which least interfered with human activity.⁵ Every one will agree that Mill's concept of liberty denotes one kind but not the only kind, nor is it the highest type of freedom. Thus when President Franklin D. Roosevelt some years ago mentioned the "Four Freedoms," he did not intend to give a full resumé of the types of liberties which people could cherish in a democratic society. Among these freedoms mentioned were the "freedom from fear" and "freedom from want" and neither of them is freedom in the foregoing sense of the term. On the contrary these freedoms denote the dependence of the individual on authority, and require the intervention of authority to make their enjoyment possible.⁶

An English economist, Mrs. Barbara Wootton, defined freedom as the ability to do what you want.⁷ It is therefore the right to make certain choices. In religion, freedom consists in the right to choose among the different churches or denominations, ceremonies, and forms of worship. In politics, the choice is among the various parties, leaders or forms of government. In education, the choice is among the different types of education and classes of schools. Freedom of occupation consists in the free choice among the varied professions, employments, with their different compensating returns. In consumption, the choice is among the different commodities which can be purchased by the income one has. But these and all the other freedoms are not unrestricted. A great deal of the same had been curtailed due to the increase of State power which was necessary for the preservation of order. Besides a new intensity of government control came with the adoption of economic and political planning.

PLANNING AND FREEDOM

Planning in society and freedom of the individual necessarily conflict with each other. A centralized control constitutes an "implicit danger to liberty" and there always lurks the fear that the remaining liberties will be totally absorbed by the planned state which knowingly or unknowingly is on the road to totalitarianism,⁸ and whose inhabitants, as von Hayek states, may be on "the road to serfdom." It is hard to combine freedom with order as the tendency is to solve problems by large scale planning. Freedom can coexist with planned economy only if we make freedom our primary concern.⁹ Liberty and control are not truly opposed with each other provided that control aims at the free and unimpaired development of man for one must consent to be restrained in order to be free. In reconciling freedom with central economic control, Professor Lon L. Fuller advises us to study not only

⁵ LORD RADCLIFFE, *THE PROBLEM OF POWER*, p. 88 (1952).

⁶ Cf. BARBARA WOOTTON, *FREEDOM UNDER PLANNING*, pp. 5-6 (1945) in which she disapproves of the use of the terms in this manner.

⁷ WOOTTON, *op. cit.*, p. 4.

⁸ FRIEDRICH A. HAYEK, *THE ROAD TO SERFDOM*, pp. 194-195 (1944).

⁹ RICHARDS, *op. cit.*, p. 56.

the economic, but the legal and philosophical considerations as well.¹⁰ A perfect teamwork of central control and freedom has been envisaged by Bertrand Russell in a progressive society. Of the qualities found in a community, the static ones he recommends to be promoted by government control while the dynamic ones should be left to the initiative of the individuals or groups.¹¹

LOGICAL AND ECONOMIC-HISTORICAL CONCEPTS OF ECONOMIC PLANNING

Control is an indispensable element of planning and economic planning is in vogue nowadays. Planning has proved its best during wartime. Planners cling to the idea that it will thrive better in peacetime economy. Economic planning has two concepts—it may be (1) a logical conception or (2) an economic-historical category.¹² Planning as a logical conception consists of the making of schemes or of programs executed systematically and orderly, and on a large-scale generally. Thus there are plans for a military or political campaign, plans for urbanization and re-agrarianization, plans for reconstruction and revival, plans for social justice and amelioration. Economic planning in this sense, and also called *planning within the economy*, will mean the drafting of economic programs or schemes on a large scale, blueprints for economic development with a foresight relative to agriculture, housing, foreign trade, public finance, money and banking. This type of planning has existed since ancient times and the more there are at present due to the progress of science and invention. Science itself ceases to be pure and is now an applied and purposive study—channeling individual efforts through central directions and objectives.¹³ This hampers the spontaneous or self-coordination among scientists—which has proven to be the ideal order or form of organization in the pursuit of scientific discoveries.

Planning as an economic-historical category is a definite economic-historical phenomenon which covers a definite portion of economic history starting with the first World War.¹⁴ It is the planning of the national economy as a whole—and not the mere planning of urban areas, farms, foreign trade, currency and banking, or distinct sections of the national economy—but of the entire national economy. This is *planned economy* as differentiated from planning within the economy.

¹⁰ LON L. FULLER, Address on Freedom and Planning delivered before the Associated Harvard Clubs, Chicago, April 19, 1951, p. 8.

¹¹ BERTRAND RUSSELL, AUTHORITY AND THE INDIVIDUAL, pp. 88-89 (1949).

¹² FERDYNAND ZWIG, THE PLANNING OF FREE SOCIETIES, p. 11 (1942).

¹³ MICHAEL POLANYI, THE LOGIC OF LIBERTY, pp. 4, 36 (1951).

¹⁴ ZWIG, op. cit., p. 11.

¹⁵ G.D.H. COLE, ECONOMIC PLANNING, p. 132 (1935).

For outstanding examples the Russian Five-Year Plans¹⁶ of present-day Socialist plannings can be mentioned.¹⁶

However the present Five Year Plan of Philippine Economic Development, revised lately by the technical staff of the National Economic Council, properly falls under the category of planning within the Philippine economy rather than of a planned economy.¹⁷ Though the Philippines has adopted economic planning, yet it is a case of planning within a free society and the system of free enterprise prevails. The late President Roxas in releasing a revised version of the Beyster Report emphasized that the Philippines is a free country, that the development

¹⁶ Cf. Oskar Lange and Fred M. Taylor, *On the Economic Theory of Socialism*, p. 139 (1938) wherein socialism has been termed as the first phase of communism while the second phase is considered as communism *strictu sensu*.

¹⁷ It is interesting to note that the Philippine economic development program has been formulated and has been undergoing changes for the last two decades. Starting in 1937 for the purpose of effecting a transition from the colonial type of economy to that of an independent type, the Joint Preparatory Committee of Philippine and American experts submitted a Report but which recommendations had not been implemented due to the outbreak of World War II. To expedite the economic adjustments envisaged by the Philippine Rehabilitation Act and the Philippine Trade Act, both of 1946, the Joint Philippine American Finance Commission was established in December, 1946. Brought about by a request for substantial budgetary and rehabilitation loans from the U.S., the Commission concluded that no additional loans were needed by the Philippines and instead its existing resources must be utilized. However the Report and Recommendations of the said Joint Finance Commission was accompanied by a Memorandum entitled, "Philippine Economic Development—A Technical Memorandum" by Mr. Thomas Hibben of the U.S. Department of Commerce. This memorandum discussed the more technical phases of the future economic development programs. Mr. Hibben recommended a five year program of economic development. A ten to fifteen year program of industrial development has been prepared by H.E. Beyster Corporation of Detroit, Michigan, which supervised the technical staff of the Philippine government-owned National Development Company in the preparation of the Proposed Program of Industrial Rehabilitation and Development. Refer to SHIRLEY JENKINS, *Financial and Economic Planning in the Philippines*, XXI PACIFIC AFFAIRS, No. 1, p. 43 (1948).

Financial independence is also a goal; however the Philippines has asked for loans from the World Bank and the U.S. Export-Import Bank in order to meet the needs for further capital investment in industrialization projects. While the Philippines was seeking a loan, in 1948, from the World Bank for the development of hydroelectric power, the Cuaderno Plan was prepared through the National Economic Council. As the first detailed blue print of economic development, this 1948 Plan was followed by subsequent Plans of 1950, 1953, and 1955—this latest version or revision having been prepared by the technical staff of the National Economic Council. In 1950, upon request of the Philippine government, a U.S. Economic Survey Mission or the Bell Mission came over and studied Philippine conditions and submitted a report with recommendations for economic reforms. The Philippine Economic Survey Mission—the counterpart of the U.S. Economic Survey Mission—submitted an Agricultural and Industrial Development Program, Revised, 1950—which program superseded the Cuaderno Plan of 1948. The revised 1950 program together with the Bell Mission Report constitute the basis for the U.S. aid extended to the Philippines under the Foreign Operations Administration (FOA) later to become the International Cooperation Administration (ICA) and implementation of the same being made through the Philippine Council for United States Aid (PHILCUSA). Recommendations in the Report of the Rural Community Survey Joint Mutual Security Administration—Philippine Council for United States Aid Report on Rural Life in the Philippines, known in short as the Mac-Millan-Rivers Report confined to the phase of rural economy, are in conformity with the recommendations of the Bell Report "towards putting the Philippine economic and political house in order." Besides the aforementioned article of SHIRLEY JENKINS, *Financial and Economic Planning in the Philippines*, XXI PACIFIC AF-

program is based on a free enterprise, and that there will be no regimentation of business.¹⁸

FUNCTIONING OF A PLANNED ECONOMY

Planning has been defined as "the conscious and deliberate choice of economic priorities by some public authority."¹⁹ The functions of public authorities are extended to the organization and utilization of economic resources. The country's productive resources must be used as a whole and for the welfare of the whole, so that a central control of the national economy is therefore necessary. Planning eventually results into centralization of the national economy which in turn means concentration in the State of ownership, or of production, or of control.

There is always a substitute for the market system whenever there is a control of the national economy. The market mechanism is taken over by the Central Planning Authority or Board and by the imputation method or by economic calculation or accounting determines the rational allocation of resources as in a socialist economy. The theoretical solution of the problem of equilibrium in a competitive market is by the trial and error method considering the so-called *parametric* function of prices.²⁰ Professor Hayek believes that private ownership of means of production and the actual market for the goods are necessary for the determining of economic equilibrium.²¹ A prevailing tendency among economists is to employ the hypothetical state of perfect competition as a norm of the well-run economy. The director of every enterprise must act in the way he would under a perfect competition, namely, "to offer his output for sale at a price equal to its marginal cost of production and in such a quantity that with this pricing arrangement, total supply will be equal to the demand."²²

Planners attribute to the pricing process three imperfections, namely, liability to monetary disturbances, great inequalities of income, and antagonism between partners in production. Other defects mentioned by enemies of capitalism are that it is tending to monopoly and that there is lack of foresight.²³ In an economy where there is no central control

FAIRS, No. 1, p. 43 (1948), the following articles on Philippine economic development are also enlightening: SALVADOR ARANETA, *Basic Problems of Philippine Economic Development*, XXI PACIFIC AFFAIRS, No. 3, pp. 281ff. (1948); ANDRES V. CASTILLO, *Central Banking in the Philippines*, XXI PACIFIC AFFAIRS, No. 4, pp. 371ff. (1948); AMANDO DALISAY, *Our Development Program*, series of articles starting May 17, 1955 issue of MANILA TIMES; and ROBERT P. STEPHENS, *The Prospect for Social Progress in the Philippines*, XXIII PACIFIC AFFAIRS, No. 2 pp. 139ff. (1950).

¹⁸ NEW YORK TIMES, October 21, 1947 cited in JENKINS, op. cit., p. 45. See note 17, as regards the Beyster Report.

¹⁹ WOOTTON, op. cit., p. 6.

²⁰ LANGE AND TAYLOR, *supra*, pp. 50, 59, 70.

²¹ HAYEK, op. cit., pp. 49-50.

²² WILLIAM J. BAUMOL, *WELFARE ECONOMICS AND THEORY OF THE STATE*, p. 83 (1952 citing Schumpeter, *Capitalism, Socialism, and Democracy*, Chap. VIII).

²³ SIR WILLIAM H. BEVERIDGE, *PLANNING UNDER SOCIALISM*, p. 10 (1936).

as to the division of labor, organization is by reciprocity or exchange.²⁴ Each is determined to get the best out of the exchange, and planners in advocating socialism decry the "wastefulness of competition." But we should note that the Soviet economy has also been using competition through so-called "Stakhanovite methods" by which certain workers are rewarded in form of bonuses for exceptional proficiency while others are punished for shortcomings.²⁵

The primary functions therefore of the Central Planning Authority will be to establish through the foregoing schemes, an equilibrium in production and consumption, imports and exports, and to regulate distribution of the factors of production among different forms of industry, and allocation of national income between consumption and investment, and others—in short to fix prices and quantities. Thus the choice of the individual is therefore restricted to conform with the plan, and the essential choice is taken over by the Planning Authority. The principal choices in economics are: choice of production, choice of profession and occupation, choice of terms of exchange, choice of savings and investment, and the choice of consumption. If all these choices are suppressed, there is an absolute control of the national economy, but such is rarely resorted to. Some of the choices may be left to the individual, and some of them may be partially or totally suppressed. Thus in the control of the choice of production, the right to decide what and how much to produce, at what cost, and what productive factors to utilize, can be curtailed partially or totally. Prices, wages, rates of interest, rents, fees, may be fixed and these involve control of the terms of exchange.²⁶

OBJECTIVES OF ECONOMIC PLANNING

Planned economy must always have definite objectives so that in the planned society there will be principal goals to achieve. A corporate, hierarchial order results from planning as opposed to the spontaneous order or organization in an unplanned economy.²⁷ The goals of the planned economies have been partly political and partly social in nature. Principal aim is for national defense either in an aggressive or defensive war, and for power politics. The Soviet Constitution of 1936 enumerated as purposes of the State plan of national economy—"The increasing of public wealth, of steadily raising the material and cultural level of the workers, and of strengthening the independence of the Union of the Socialist Soviet Republics and its power of defense."²⁸ Another objective is development of backward areas. Another goal may be full employment, that is, to give employment opportunities for all

²⁴ Cf. LON L. FULLER, *PROBLEMS OF JURISPRUDENCE* (1949) Supplementary Readings, Chap. V, pp. 9 ff. (1952) regarding "organization by reciprocity" and "organization by common ends."

²⁵ RUSSELL, *op. cit.*, pp. 71-72.

²⁶ ZWISLO, *op. cit.*, pp. 18, 81, 82.

²⁷ POLANYI, *op. cit.*, pp. 112-122.

²⁸ Cited in ZWISLO, *op. cit.*, p. 67.

workers. This was the main objective of the attempted economic planning under the New Deal, and this Roosevelt experiment has been referred to by the British economist, G. D. H. Cole as an attempt at a sort of Planned Capitalism.²⁹ Social and economic security may be an objective to attain fair wages, fair profits, full employment, fair prices, rents, rates of interest, exchange rates. Social equality or social justice is also another aim—although the measure of social equality varies or is relative. Lastly, post-war reconstruction and planning for peace may also be objectives of a planned economy.³⁰

²⁹ COLE, *op. cit.*, p. 132.

³⁰ ZWIERO, *op. cit.*, pp. 67-76.

Rehabilitation, economic security, and social justice have been mentioned as the principal objectives of Philippine economic planning. The Philippines will therefore continue implementing its economic program until said objectives have been fully attained irrespective of whether the swing of the pendulum be towards more controls or not. More countries may follow the trend of the times by joining the ranks of those with planned national economy. However some may revert to the system of a totally free enterprise. England has proved that nationalization of medicine could be a success to the extent that doctors learned to like it. Yugoslavia has admitted that economic progress depends upon the unhampered operation of economic laws and the independence of commercial enterprises. She has therefore decided to do away with the traditional Communistic practices of collectivization of farms and rigid planning of production in industries. President Eisenhower is not enthusiastic as regards the recommendation of the Adviser to Presidents, Mr. Bernard M. Baruch, for the establishment of a stand-by mechanism upon the lifting of price and wage controls—that is a stand-by authority and machinery to invoke the price, wage, and other economic controls which would be needed urgently upon the outbreak of another war. Cf. NEW YORK TIMES issues of March 23, 1953 pp. 1 and 10; and March 24, 1953, p. 1.

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