

Sicat, Gerardo P.

Working Paper

Memoir: The founding of PIDS

UPSE Discussion Paper, No. 2017-02

Provided in Cooperation with:

University of the Philippines School of Economics (UPSE)

Suggested Citation: Sicat, Gerardo P. (2017) : Memoir: The founding of PIDS, UPSE Discussion Paper, No. 2017-02, University of the Philippines, School of Economics (UPSE), Quezon City

This Version is available at:

<https://hdl.handle.net/10419/162640>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



UP School of Economics Discussion Papers

Discussion Paper No. 2017-02

March 2017

Memoir: The founding of PIDS

by

Gerardo P. Sicat

Professor Emeritus, University of the Philippines (UP) School of Economics

UPSE Discussion Papers are preliminary versions circulated privately to elicit critical comments. They are protected by Republic Act No. 8293 and are not for quotation or reprinting without prior approval.

Memoir: The founding of PIDS

By

Gerardo P. Sicat

Abstract:

The Philippine Institute for Development Studies (PIDS), founded in 1977, has gained international recognition for useful research on development issues relevant to the nation's economic needs. In this memoir prepared for the 40th anniversary celebration of the institute's birth, the author recounts the unique circumstances, philosophy and other factors that led to the founding of the research institute.

Topics: Philippine economy, economic development, research institutions,

JEL Classification: A11, 021, 029, 053

Memoir: The founding of PIDS

By

Gerardo P. Sicat¹

1 – Introduction: origin of the idea

The Philippine Institute for Development Studies was founded on September 26, 1977, enabled by PD 1201. Through forty years of existence, it has gained national recognition for useful work on economic development issues and policies currently facing the nation or its future. This recognition extends beyond its borders especially in the Asia Pacific region. In Southeast Asia, it is considered the foremost government supported think tank. This is according to the annual review that the University of Pennsylvania undertakes to monitor think tanks worldwide.

The story of PIDS goes a few years back to the date of its founding. This success derives as much from its careful and auspicious beginnings and the manner in which its mission has been zealously carried forward by a succession of leadership imbibing in the core mission philosophy and process that gave birth to it. As in all endeavors, the PIDS had its fair share of challenges and constraints that hamper its ability to achieve. But it has succeeded in overcoming them to make a sizable impact.

The basic philosophy of its operating principles was carefully nurtured from the start. An essential part of that operational plan was to put up a high standard of research staff recruitment in the form of fellows that it would appoint and to start carefully and slowly but surely. A corollary principle, learned over time but nurtured at the beginning, was openness to outreach with the growing network of human resource network of development scholars and institutions that were emerging within the country.

2 Prelude to birth of PIDS

In 1970, I was appointed to the post of Chairman of the National Economic Council. The NEC chairman was an important cabinet position responsible for national economic planning in the country. Most departments were single-headed. Uniquely, this one had a policy council with the task of dealing with national economic planning and policy issues that required especially the coordination of other national and sectoral policies. The chairman of the council ran the department as executive and head of office. The chairman was the head of the office and was considered also an important economic adviser of the President.

¹ In writing this memoir, I had the good fortune of touching base with Dr. Filologo Pante, Jr., who became the first President of the PIDS. With him, I was able to recall many of the aspects of memory that I recount in this piece. All lapses are mine.

The position of NEC chairman was an office for which much was expected even before the birth of the republic, during the Commonwealth period. Reorganized in 1955 to reassert its importance and to define its powers more explicitly, by the time I was appointed to the position however, the NEC was a major office with waning influence. Economic planning was getting decentralized to the micro-level at the office of the president, where a Presidential Economic Staff (PES) had a very direct access to the president. If the NEC chairman was always thought of as the office for significant national issues, details of projects, new investments on development projects were often taken up and sorted right at the office of the president where the PES served as a direct staff office.

The NEC had important coordinative powers. It set standards for statistical bodies in the government. It estimated the national income accounts. Important to all during this fledgling period of independence, all major development assistance flowing into the country passed through its office for allocation and approval powers.

The NEC retained all the major powers of the central planning agency of the government. It was the highest planning office where major problems of national policy were referred to. Lower planning bodies sought confirmation of their acts through it. Major policy decisions were referred to the council for approval prior to action by the president. The council was an elevated, august body composed of legislators and executive representation: four members from Congress (two each representing majority and minority parties in the Senate and the House), the two major financial institutions of the country (the heads of the central bank and the development bank), and three private members appointed by the president. It was presided over by the NEC Chairman who was the economic adviser of the president with a portfolio.

The NEC chairman was an important member of the network of programs involving major economic decisions of the executive branch on the running of the economy. Tax and investment incentives, tariff issues, development projects, and major sector issues in agriculture, industry, taxation, expenditure were part of those concerns. Budget allocations for the departments of government and for the development program of the country were involved in this. The president developed over time a strong reliance on the secretary of finance, the budget commissioner (for the budget expenditure of government), the NEC chairman, and the central bank governor. By the time I entered government, this set of advisers had been joined institutionally by the director-general of the Presidential Economic Staff.

Events moved swiftly after September, 1972 when martial law was instituted. A major reorganization of the national government took place. The first act of this reorganization was the establishment of the National Economic and Development Authority (NEDA). The NEC's structure was revamped entirely. The president of the country became chairman of the new planning body and the new head of office, the director-general, was given charge of directing the staff. The old NEC was abolished along with the PES and the staff was consolidated under the director-general, who remained a cabinet officer. The NEDA therefore took a central role in decision-making on economic and

social matters. Direct access of NEDA to the president was established institutionally and operationally. The board (or council) of the NEDA now also included the heads of the economic and social sector departments in the government.

I was appointed to continue work in the government to reorganize the new planning structure as the director general of NEDA. (Later, and only for protocol reasons because I got involved also in diplomatic work concerning the economic ministers cooperation meeting of the ASEAN, my position was given a simultaneous appointment, Minister of Economic Planning).

All this history is relevant because this immersion in the overall cross-section of economic issues brought to bear upon me the importance of conceiving the establishment of a think tank for development studies. Such a project would be a way of generating development research across a spectrum of issues on the economy. If it succeeded, then it would improve the understanding of important development ideas, thereby enhancing public wisdom by providing evidence-based economic and social development studies of importance to the nation. As an economist, these were questions that I had always felt were needed for organized thinking about economic development challenges. It was also a necessary component in filling the public domain with relevant and reliable, professionally written studies on the economy. That was part of the road toward improving the content of public debate on important economic development issues. One economist in the government, or several of them, cannot do it alone. But within the nation, unless we made sure the essential institutions were created, it would be difficult to achieve the growth and appreciation of such knowledge and information.

There were models of government-supported research institutes on development-oriented studies. At the time, the Korean Development Institute (KDI) came foremost to my attention. I visited South Korea in the early 1970s. It was one of the institutions that I took great interest in knowing more about. The government gave it a big boost, with large financial support and new and impressive building and physical facilities. American aid gave it a big push with a feasibility study undertaken by the Battelle Institute. It had a large big start.

I veered toward crafting a more modest start, more attuned to our special circumstances. I had trepidation that starting big and fast as in the Korean way was surely going to attract negative comment from the top of government. To start big with large funding could involve sizeable and disproportionate foreign support. One of the critical remarks I had often heard from high circles in the cabinet was that the South Korean economic planning office building was just side by side with an equally sizable USAID building, implying that the US was running economic policy in that country. In the rarefied, nationalistic setting of the Philippines of those days as the Laurel-Langley Agreement was about to end, there were likely to be strong emotions associated with crafting of domestic policies that took in many US-leaning economic policy lines along freer market economic principles.

What impressed me most about KDI was its dependence on a set of research fellows organized and working together along specific research sector thrusts. The KDI was staffed by research fellows who were all mostly PhDs in economics to be recruited from within the country.

The economic think tanks from the United States were mainly private sector supported and served as reference institutions to aspire for in terms of their achievements, long-run. They were well-endowed, with uniquely impressive histories that have enriched their contributions to American growth and economic policy. I was most interested in their respective missions. Of these, the New York-based National Bureau of Economic Research (NBER) and the Brookings Institution in Washington D.C. were outstanding.

The NBER was highly technical and had its origins as a private sector supported economic research institution to support a rapidly growing modern economy. Initially, the NBER focused its work on research on various statistical economic indicators which eventually led to the maintenance of economic statistics like national income accounts and leading business indicators. Such tasks could be undertaken by government statistical agencies. The growing list of technical studies that coordinated research interests of academics in the large network of universities for which it is known today was then only beginning to be a new direction of NBER. A local institute for development studies could not be based mainly on providing guidance on statistical indicators. Its resources would be consumed easily quickly by that effort. Other institutions would need to develop and dedicated for that type of task.

In the case of Brookings Institution, the research or studies being undertaken were always with a view toward influencing government decision-making. Eventually, I had hoped that research studies could be fostered that leaned on providing more options for the improvement of economic policy. Of the two American models, the thrust of Brookings Institution work would be one possibility for developing a government development think tank.

Within the country, the Economic Development Foundation (EDF) was prominent as an institution supporting private sector led research services. Established around the mid-60s a decade before with the USAID support and sponsored by the government, the EDF undertook management consultancy services to expand project feasibility studies and private sector initiated public-oriented business sponsored development initiatives. It was essentially run by MBA types whose work tended to lean on project studies on which income was generated. There was a high turnover of staff largely because it operated on a project basis. When I became chairman of the NEC, I discovered that its governing board reported directly to my office because of the role that my office played in development aid allocations. On close review of its operations, I found out that it was essentially propelled to generate income earning consultancies for the staff to sustaining its operations. Thus, it depended on generating demand for projects and project feasibility work to be undertaken for private projects. It gave me ideas of what not to do. Today, the EDF has essentially long ceased to operate.

When I became NEDA director-general, the Joint Legislative-Executive Tax Commission (JLETC), a research staff to study tax proposals and systems of taxes considered for study by Congress, was converted into the National Tax Research Center that was transferred to my supervision as an attached agency at NEDA. All its staff transferred integrally as one body from the Commission to this research center. Unlike the Tariff Commission, which was the body that administered the import tariff structure, NTRC was purely a study center for the study of taxes and tax systems.

Ideally, the NTRC could serve as the nucleus of a research institute on tax and fiscal studies. When it was the JLETC, its studies were helpful in providing Congress concerning tax reform proposals. In that sense, it was used mainly as an operational staff designed to support in the writing of tax laws. Its staff was peopled with professionals of diverse backgrounds and academic qualification. My idea of an economic development research center was that it would be dominated by a high level group of highly qualified economic researchers. It would have been unwieldy and problematic to reorganize a research outfit of such a wide staffing character into something that I had in mind. It was much better to build anew, a completely fresh start than be engrossed in reworking an old institution with a baggage of problems and personnel. Moreover, NTRC was more especially useful in supporting the Department of Finance for its specific work on improving the tax system.

Finally, the issue of where the locus of a research institute sponsored by the government ought to be. The main choice was to put it up in a university setting supported by public funds or simply to set it up as an institution that operated autonomously on the basis of its own mandate. At the beginning, I saw the advantages of locating in a university setting. In that venue, the supply of talent was already available. Another reason was that it could attract more potential staff on a range of economic development issues. The university has a natural advantage in attracting high caliber economic talent for research and for capacity building in research. Moreover, the university regenerates its own supply of talent. Indeed, it could reproduce its own manpower through the training program that it undertakes. Enlarging the prospects for more government financial support I thought would be a strong incentive for a university to redirect its focus toward important national development concerns rather than esoteric topics of intellectual curiosity.

I had in fact initiated early efforts to support the UP School of Economics through the signing of the presidential decree that established the Philippine Center for Economic Development in 1974. Through this effort, I was able to create a new channel of external support for the programs of the School. That program consisted of scholarships, training, in-house financial capacity and some form of income-equalizing support for faculty salaries. The PCED was thought of as a conduit for funneling more external money – governmental and outside development assistance – in order to encourage faculty to continue growing as a teaching and training unit of the university and also, hopefully, to do development-oriented research relevant to Philippine economic problems. Before the PCED was established, I had already brought in to the School ad hoc research funds to develop an econometric model for planning and to continue micro studies for analyzing the effects of liberalizing trade and industry policies.

The PCED concept could have led further to the setting up of a development research institution on a grander scale at least for the university. In the end, this did not mature. Dr. Jose Encarnacion, Jr., the dean of the School, had strong reservations against the idea. He felt that a government-driven research institute would adversely intrude into the freedom of the faculty to undertake their own research activities. Deep down, I thought that he was afraid that faculty's research directions (whether as a group or individually) would be distorted by the presence of a continuous chunk of research resources flowing from the government. That, in a way, would create an incentive problem for the faculty. In truth, he was hopeful that university faculty salaries could be uplifted so that underpaid faculty would not go shopping for consultancies and research grants to raise family income. He was clear that faculty time was to have some room for research that could help enhance expertise and career.

This discussion helped to clear my mind that a government supported research institution would best thrive outside the university. It became clear to me that the university and its faculty would always have its preferences as well as constraints and limitations to deal with. Besides, at the time, the School had its Institute of Economic Development and Research (IEDR), which by its right could define its own program of research. The IEDR itself, as a unit of the School, could be strengthened through budgetary support from the new PCED under an enhanced program. It was founded in 1956 and, for this reason, had a mandate for directed research on development issues. The School, at its founding, was composed of the Department of Economics (the teaching branch) and the IEDR (the research branch). The idea that emerged at the time of founding was that the research of the faculty would be credited, as output, under the IEDR. I felt that with more resources going to research much more directly and with a more focused research leadership, it was possible to expand that development research toward topics of direct national importance. As time would later prove, the IEDR would not survive to assert its individuality as a research institute within the School.

As far as the relationship with NEDA was concerned, I thought that the best arrangement was to shield the new research body from just becoming an extension of the NEDA staff. It would be easily tempting to use a research institute as an adjunct to deal with day-to-day operational concerns. I was hoping to avoid this pitfall. My solution to this problem was to have for the new institute a separate governing board that would be able to define its research priorities and link it to national planning and development needs. To be sure that those priorities were indeed linked to national development, the director-general of NEDA would serve as ex-officio chairman. The members of the Board would have specific terms, with their term in office staggered so that it would not be subject to any sudden shock in board oversight of the long-term research objectives. In practical terms, the main idea was that the research institute would be operationally undertaking its mission at arm's length from the demands of NEDA. In this way, the research institute was not to serve as an extension of the staff, to be bothered by the day to day concerns of the government. The research priorities however would have to take into account guidance from NEDA. An arm's length relationship between NEDA and the research institute would

foster in time a sense of independence for the research body while it was mindful that its output would be relevant to NEDA's long term mission.

A research institute that undertakes reliable evidence-based research would immensely help improve the content of public discourse on national economic development policy. This would also help to facilitate the reform process move forward, hopefully, in the right direction. It is a fact that the political economy of reforms is essentially a contentious struggle among opposing interests in the nation. Dominant stakeholders must be put to an honest test of their control over policy adopted by the government through a better understanding of the best development prospects and options for change. Evidence-based research studies would definitely open greater awareness about the relevant and better ways of resolving development issues.

The increase in the amount of development studies would definitely help to alter the quality of the development discussion in the country. It could also eclipse the dominant and noisy voices always heard and referred to in this debate in favor of professional researchers and economists who have a better understanding of the issues and the options for change. Public dialogue on development issues then was dominated by politicians, businessmen, lawyers and writers whose knowledge of economics was either meager or absent, if not simply ignorant. There were few economists who were in the fray of debate and public discourse. Prominent businessmen posing as development advocates often had suspect motives of self-interest. Good research studies would produce allies by coalescing disparate voices and improve the issues for discussion.

Throughout most of the 1960s and the 1970s, dominant economic policies were still industrial protectionism, import substitution policies controlled by domestic enterprises, and the reactive nationalism that was inherently directed against the economic special relations inherent in the Laurel-Langley Agreement that exemplified bilateral relations with the United States. It was important that the country look at these important policies from the viewpoint of a higher concern for economic efficiency, the application of sound economic principles such as comparative advantage in production and overall improvement of the country's standard of living through the eradication of poverty.

3 -A government research think tank at "arms length" from the core and instituting the philosophy and process

With the above thoughts and principles dominating my ideas at that time – around late 1976 – I asked NEDA's legal staff to prepare the decree. Roque Sorioso, my legal director at NEDA, came up, with several iterations, from the most grandiose but eventually whittling it down toward great simplicity. He was probably surprised by my instructions to keep on simplifying the proposed decree. Not only were we going to have few demands on financial resources from the government but we were to keep the institution relatively small. The most important was the statement of purpose and the simple structure of governance. What I felt we needed was a vehicle for starting an institute that could do many things to expand research, but not to hamper it with structure and anticipation of bureaucracy. (One of the important decisions some years afterward was that, when Roque

Sorioso finally retired from his tasks at NEDA, he was hired to serve as legal adviser of PIDS. It must have helped immensely to have as legal adviser the man who understood the principles that had guided the creation of PIDS.)

Though I had abandoned the idea of the research institute to have a direct link with the UP School of Economics, there was still an important connection – as a user of economic talent available and produced by the School. Definitely, getting a senior staff from the School to run PIDS or to staff it with research fellows was out of the question. That would have been easy to do. I had wanted to preserve the School fully intact as a community so that it would continue to effectively play its important role of producing the bulk supply of economists for the nation. To hire some of the faculty occasionally on a project basis without disturbing their place of work was possible. Hence, some of them could be given temporary consultancies. The other was to provide a link of their research efforts with what the PIDS would do, for instance involving them to undertake short-term or specific research activities that might be supported by PIDS.

A different focus on the supply of new graduates was critical for PIDS– the PhD graduate students. This was not a large output of graduates, but in the mid-1970s, the School's academic and training programs was producing a good trickle, the result of a combination of forces that led to the expansion of the graduate training programs of MAs and fewer PhDs and certificates in development studies for government trainees who were brought into a special government training program. In a way, the creation of PIDS was a boon to the supply of economists being produced by the School. The rest of the economy would have to compete for such a market. Indeed, there was a growing need for more economists in the private sector, in the government – especially in those agencies where an economic team was almost always needed – the NEDA, finance, budget, central bank, the sector departments. In addition, the international development community was also a source of demand, namely, the international banks and the bilateral development assistance agencies. Just as PhDs might be considered for research fellows, all research efforts also would need a supporting element of other assisting researchers. It was natural then that as one opened to the possibility of attracting some PhD graduates, a supporting chain of other graduates would still be needed to complete research activities.

Just before the draft of the decree was finalized, we also got clear on the idea of what PIDS would stand for. One of the critical aspects of the problem was whether the PIDS was going to be an institute “of” development studies or “for.” Eventually, I ended up adopting the word “for” to accept the idea that it would allow for more decentralized suggestions of encouraging more development studies from other research institutions and academic departments in economics engaged in studies within the nation. This thought I think came especially from the suggestion of Manny Alba, who suggested that PIDS might be made a fulcrum for encouraging the growth of other research institutes in the nation and being an important agent and to some extent facilitator and coordinator of such growth. I thought this was a good idea. PIDS would in time become an important facilitator of research efforts by other institutions across the country. I had kept counsel with my deputies at NEDA on the PIDS concept, especially Jaime Laya, Manuel Alba, Antonio Locsin, Tito Mijares, and

Filologo Pante on issues that might arise. In this group I also included Armand Fabella, the reorganization guru of the day.

President Marcos was very supportive of efforts to improve the management of the economy and of the NEDA. There were no problems in persuading him on the creation of the PIDS. It was an easy issue, for the decree itself did not ask for any heavy financial burden on the government to set it up. There were no major documents to pave the way for such as a feasibility or project study, only persuasive arguments and a simple draft decree that declared the objectives of the new research institute and which provided for the governance structure. It was essentially an internal matter to improve the capacity of the NEDA to influence future development strategies through the expansion of research capabilities within that would be undertaken by a new conduit for information improvement.

As I had planned at the start, the PIDS was not going to be a demanding new institution in terms of financial requirements. It was expected that it would start with a small skeleton staff of research fellows, who would, in earlier years be themselves busy acquiring additional expertise as they got engaged in their work. For this reason, the institute needed only a relatively small amount of financial commitment for funding. A small capital fund was needed to take care of administrative sustenance. For this, I asked for an allocation of US PL 480 resources (amounting to ten million pesos) that were generated from food aid sales given by the US. As head of NEDA, this needed the consent of the USAID director, who was the custodian for the funds which were technically owned by the Philippines, the proceeds from the sale of food aid to be used for Philippine development needs. (I used the same method to finance the PCED capital fund that was used to initiate its resources). Also, I allocated a multi-year UNDP funding of external resources to PIDS for its initial training programs to enable post-graduate work by fellows studying in the United States and for the hiring of consultancy services from abroad. These were critical inputs at the beginning of the existence of PIDS.

The first act of the new PIDS was to have its president appointed. I thought that we would need one with operational experience with the economic policies constantly encountered in government. Filologo Pante, Jr., who was at the time my assistant director general at NEDA's policy end, fitted that job description. His exposure to many of the policy issues would provide a panorama of the various researchable topics for a new institute. He was one of my most able deputies. I took him in government (initially as consultant at NEC) when he was already at work on his PhD thesis at the UP School of Economics. From a strict standard concerning my requisites for major research staff, he would still need to hurdle one recruitment issue: the PhD. However, he had an advantage in the experience and development policy exposure. He would however undertake research management responsibilities, a different skill that might be needed. Besides his degree was a matter of final effort, and I had hoped he was easily capable of hurdling that obstacle. Thus, I also gave him time to finish the PhD degree so that he could deal with research fellows as intellectual equals. It took some time for me to convince Filo Pante that I needed him for an important task. To be in the frontline of policy debates was more attractive for ambitious

young men than to run a research outfit that would certainly have a serene atmosphere of work. He could almost think of transfer to PIDS as a demotion because it took him off the center of the operational storm on policy issues.

For me, however, his involvement at the center of such government work was invaluable experience that an economist purely in an academic setting would not have. Thus, I tried to tell him that it would be a challenge to set up a new institution and nourish it to grow. Besides, I had another card to play. I wanted him finally to finish his PhD studies as I had wished for those young men and women whom I brought into the government who were in such program hiatus in their studies when I hauled them into government work. I thought that the last enticement might have clinched the argument, for it had some future value for him to complete his studies. Nothing was as good as having the ultimate union card – the card of survival in self-disciplined study, holding a PhD ticket to ride on.

Filo Pante finally accepted the job. We were not in a hurry to start the ground running. We had to build from point zero. Though there were some administrative matters to deal with, the first thing I did was to send him to a six-month study detail at the UP School of Economics. He would make use of this time to accelerate his study requirements. In that time, Filo was able to get some of our prospects for filling up the research fellows post at UP to tell them about the challenges and opportunities at PIDS. Filo (who was a graduate of the Philippine Military Academy and was actively involved in the armed forces when he enlisted to study at the School's graduate program) finished his doctoral requirements without delay, supervised by Drs. Jose Encarnacion Jr., Harry Oshima and Romeo Bautista. Two years later, when much groundwork at PIDS had already been accomplished, I also made sure that Filo Pante was rewarded with a year's post-doctoral at the Yale Economic Growth Center, which was then headed by Hugh Patrick. Gustav Ranis who led the team of experts and wrote the so-called Ranis Report on the employment issues of Philippine development was on the faculty of Yale. During that interim when Filo Pante took a year's leave for further academic enhancement, I appointed Romeo Bautista (a PhD from Yale) as acting president to oversee PIDS (in addition to his duties as Deputy Director General of NEDA).

In passing, this period was one of very high turnover of my deputies in view of major developments in the economy. President Marcos had relied specially heavily on NEDA. People whom I had brought into the NEDA were fed to help other government agencies. Deputy director general Jaime Laya (a PhD from Stanford) was first appointed into the Central Bank as deputy governor in a simultaneous capacity with his NEDA post, then he was elevated to Budget Minister. Manuel Alba (a PhD from Northwestern), whom I had gotten to replace Laya, became Minister of the Budget to succeed Laya, when the latter was appointed to the post of governor of the Central Bank after Gregorio Licaros resigned unexpectedly. It was at that point that I got Romy Bautista from UP School of Economics to serve as deputy director general.

The requirement of a PhD degree was valuable, it turned out, in the search for research fellows. It was an effective screen against making serious errors in appointment. It

was a good defense against the recommendations of those in powerful positions should it ever occur. One who has experienced working in a disciplined focus of finishing an accepted research product – the doctoral dissertation – especially if earned in a reputable school was an assurance of technical ability. We would tap the new PhD graduates from the UP School of Economics as a first strategy, of course open always to the possibility of new PhDs trained abroad. This was an age when training scholarships and study grants were no longer as plentiful for study abroad. The School's program in training economists was a unique situation that produced good output of highly qualified graduates, in part because of the concentration of support for visiting professors and local scholarships made by both the Rockefeller and Ford Foundation during this period and mainly because that generation of students were highly selected from competitive scholarships that were awarded full time, with funds initially provided by the foundations. In due time, we could attract other graduates from other schools, including returning PhD Filipino graduates of universities from abroad. There was a trickle arriving from other universities, and the PIDS would be, in due time, in a position to attract them once it was a going concern.

The first fellows appointed to PIDS were Rosario (Chat) Manasan and Erlinda Medalla. Chat Manasan studied public economics. There were major issues in public expenditure programs of government as well as in the reform of taxation. Specially, one of the major problems of government was resource generation in the public sector, that is, improving the overall level of tax and revenue effort. Linda Medalla was one of John Power's students who worked on studies of trade and industrial reform issues. She would be involved in the economic liberalization issues affecting the economy. I remember the pleasantly great surprise that greeted them when I called them to see me together at NEDA. I told them that both of them would start their work by first taking up post-PhD studies abroad a year each. I arranged that Manasan spend her post-graduate at MIT and Erlinda Medalla at Yale University.

The other research fellows, mostly recent PhD products of UP, would join soon. Among them were Mario Lamberte, Edna Reyes, Ann de los Angeles, and Celia Reyes. Of these fellows, Celia Reyes was a PhD from the University of Pennsylvania. Much later, other graduates of the PhD program of UP would join the ranks of research fellows. Josef Yap and Gilbert Llanto (who, together with Lamberte and Pons Intal (Yale PhD) would serve as presidents of PIDS). Also, with PIDS getting established, it would begin to attract PhD graduates from other universities abroad, especially the United States, Europe and Australia. In due time, such universities as Stanford, University of Pennsylvania, and Harvard University would welcome postdoctoral studies of newly acquired staff, especially those with their degrees earned from UP.

It was not an accident that the Board of Trustees of the PIDS was composed only of five members. I made sure, through the decree creating it, that the director-general of NEDA would chair the board. Through the chairmanship of the board of trustees, NEDA could help guide research directions. However, he would have no direct operational control of the research program. The president of the Institute was to be a member of the board. In

addition, there would be three board members appointed by the director-general. The first members of the board of trustees were appointed by the president of the Philippines.

The members of the first PIDS board consisted of Filo Pante, Jaime C. Laya, Manuel S. Alba, and Armand V. Fabella. Jimmy Laya and Manny Alba who were my cohorts as young faculty at UP when we were fresh graduates were both my deputy directors general at NEDA, in succession. Jimmy Laya would move on to become the head the Budget ministry and later the governor of the Central Bank. Manny Alba, whom I had hired from the EastWest Center Hawaii, was director of one institutes there. Armand Fabella was the country's most experienced planner, dating back to the Macapagal administration and was, in addition, head of government reorganization.

The nature of the research agenda to be fostered was very much on my mind. Under Filo Pante's guidance, I was sure that the long-term connection to NEDA's needs would be advanced. I also thought it wise to have an external panel of advisers so that we could develop ideas and even gain support for certain initiatives of importance. I therefore organized my institutional contacts from a variety of sources. Early in its infancy, I thought that an advisory external research panel would help a lot in mobilizing not only our institutional contacts but also contribute toward a sound initial direction. This panel was organized and consisted of Drs. Louis Emmerij (of the Institute of Social Studies at the Hague), Hugh Patrick (Economic Growth Center at Yale), Richard Jolly (Institute of Development Studies at Sussex, England) and Stephen Lewis (Center for Development Economics, Williams College).

There was a serendipitous development during the period. It was imperative that I find a building to house the growing staff of the United Nations Development Programme (UNDP). I also found a way to locate PIDS away operationally from the NEDA's main offices. (I also found a large chunk of office space for NEDA's statistical coordination offices in the same building.) The government helped NEDA to purchase one multi-story building in the Salcedo area of Makati when an over-building cycle caused property prices to fall. Visiting UN experts would also need temporary office housing. The UNICEF and the UNFPA had some programs to administer and they were housed with UNDP. Initially, the PIDS was able to get meager direct space allocation but with access to a wider set of common space used by NEDA (which was much larger space allocated to the statistical coordination group, including the office dealing with national income estimation). Eventually, PIDS was to get two floors of the new building allocated to it. We gave a name to this office building, "NEDA sa Makati Building" to emphasize ownership. With Makati far away, it was just as fitting that PIDS would find a location here. It was far enough not to be bothered by day-to-day concerns of NEDA.

5 – Helping from outside – sustaining the future

Since the years 1981 (when I left the NEDA) to the present, I have followed developments at PIDS closely as an observer as it tried to fulfill its mandate as a research institution. As the years passed, I observed its progress, never ever trying to press my views or my presence unless asked. There were only a few occasions exceptions.

The first of this was in 1982 when I was writing my textbook, *Economics*. I did ask PIDS to let me undertake a review of teaching materials ever used for instruction of elementary economics in the country. That little work gave me some perspective about the content of elementary economics teaching that was essential toward improving the quality of textbooks used for Philippine economics.

In 1997, PIDS set up a conference program honoring together former Dr. Jose Encarnacion and me. The conference involved the presentation of many technical papers on development and planning issues presented by many PIDS and Philippine development practitioners. For that I was uniquely and proudly delighted.

In 2003, Dr. Mario Lamberte, then PIDS President, asked me to prepare a paper for the 25th anniversary of the PIDS. I finished this paper, *The Political Economy of Philippine Reforms*, and presented it before that forum. However, though I had it reported as a discussion paper in the UP School of Economics, I cautioned against publishing it then because I had wanted to add a few more thoughts. I wish I had allowed it for publication when I finished it, for sadly, I was overtaken by other work in trying to improve on it. That paper can stand on its own.

Sometime in 2010, PIDS arranged a seminar on labor policies in the country featuring my studies on that topic. It has been my contention that one of the country's main problems has been the excessive attention that is paid to labor welfare issues to the detriment of the task of raising employment, which is critical to the eradication of poverty and the enhancement of labor welfare and living standards.

Aside from these brief episodes of active participation in PIDS concerns, I was essentially a bystander, but a very interested one on how PIDS was doing its job. Throughout the thirteen years that I spent in Washington DC from 1965 to the end of 1997, while working at the World Bank, my contacts with PIDS were minimal. After my return to the country again, by 1997, I would attend occasions to which PIDS would invite me, during affairs commemorating research results discussion and only on two occasions that I mentioned above.

There is one area however where I might say I did participate actively in sustaining PIDS. I was asked by a succession of boards of PIDS, headed by its chairman (the current Director-General of NEDA), to head the search committee to recommend the new President of PIDS at those turns when a new leader was up for appointment. This happened on four major occasions. With the collegial help of a panel of distinguished members of that committee that was convened for the purpose, we made recommendations for the appointment of the new leader of PIDS. The choice of president of PIDS -- the leader to steer the work program of research for a new term of leadership -- is critical. I felt it a call to duty when asked to chair the committee and make a recommendation based on the available candidates that the board committee evaluated. It was a duty that I took very seriously, along with the other members of the committee, appointed for the purpose.

In a small way, therefore, I have had some proud moments to share in the history of PIDS. I hope that it continues to be a valuable institution in the progress of the nation.

March 15, 2017