

battery recharged. Sometimes he overlooks the fact that he has his brakes set. Generally he is ignorant of how far his car will hurl itself before it can be brought to a stop by applying his brakes. If he is lucky he is only arrested a few times and fined. If he is unlucky, he finds himself in jail. If he is unluckier still, others find him smashed in a ditch.

WE will not end on such a calamitous note. Let us have faith in this country and the people. But let us pray.

Let us pray that the Exchange Control,—the most damaging form of control of all, will be lifted as soon as some degree of confidence has been gained through an immediate modification of the unnecessarily severe import control, with such control remaining only over true luxuries and non-essentials (certainly not foodstuffs), and changing from direct control to luxury taxes. Let us pray that unwise land and corporation laws and all other discriminatory legislation will be wiped off the board so as to offer outside capital real opportunity to develop both our export industries and such industries as will efficiently supply many of our local needs.

Let us pray that our financial and economic officials will not persist in attempting to gloss over the situation,—as they are doing, to make it appear other than the catastrophe that it is.

Let us pray that a lesson has been learned through the near-bankruptcy to which this fair land has been brought by wrong-headed policies persisted in until we have reached the very edge of the abyss of national failure.

Our economic and financial control officials have been quoted in the newspapers as asking the public and the

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business community not to be alarmed about the import and the exchange controls inasmuch as there are large stocks on hand of most goods under control,—enough for months and in some cases, they say, for two years(!)—and if any real needs develop, the goods will be allowed to come in; and inasmuch as dollars, too, will always be available to pay for what is allowed to come in.

In view of the continuing trade imbalance,—admittedly bad, this seems superficially sweet and reasonable, but do these good intentions of the control officials meet the situation which is being created and do they offset the basic objections to all government control of trade?

As to the first half of the question, government statistical services are inadequate, and dependable information as to trade details, distribution, turn-over, consumption, etc., is almost wholly lacking. Shortages therefore are very likely to become apparent suddenly and unexpectedly, and it might be months before the need (which in many cases could be dire) could be met, even if it is assumed that the importers looked to had not meanwhile been forced out of business.

Let it be understood that the government controllers are now, today, virtually wrecking our established import set-up.

This relates to the second half of the question. Under normal business conditions, hundreds and thousands of businessmen and business organizations, experienced in their fields and sufficiently capitalized, study the market constantly, and cautiously but adequately keep it supplied, while also slowly building up reserves to meet unforeseen contingencies.

To believe that a number of government officials, no matter how able, or even a large board of genuine government experts, can assume the role of these hundreds and thousands of practical businessmen, pooling as much knowledge and exercising as wise a judgment as all of them together, is to believe the impossible.

The control officials, by the way, evidently mean to have the present reserves of stocks used up, leaving the

people at the mercy of any untoward circumstances which may arise.

MERELY to require the licensing of orders for so many classes of imports, even if it is assumed that a license would nearly always be granted, places businessmen at a serious disadvantage because it forces them to submit their judgment to government functionaries who are bound to be much less experienced in their own fields of enterprise than the businessmen are and because it exposes to others their expert calculations and plans and makes impossible that promptness of action upon which success in competitive private business enterprise depends.

That is all apart from the practical difficulty, indeed the impossibility, of channeling a trade that in the aggregate runs to tens of thousands of transactions involving hundreds of millions of pesos, all through one small government office. Even if such an organization employed numerous section chiefs and thousands of clerks, it would still constitute the worst possible *bottleneck*.

Any such government control straps business in a straight-jacket, hampering every move. It reduced the ablest and most far-sighted business executive to the level of the most mediocre. All alike must "ask permission" and the permission can always and at any time be denied. Real business management becomes impossible. The business manager becomes the errand boy of the government functionary. The technical waste is obvious.

Mere friendly "kibitzing" is intolerable even in only a parlor game. What then is the forcing of government control on the conduct of a man's daily business?

The whole spirit and practice of individual free enterprise is outraged and vitiated by government control. There never could be any such fatal "restraint of trade" as that exercised by government control. It makes business as this is understood in democratic countries absolutely impossible.

With business under government control, the whole people are under control. Freedom and self-determination depart; citizens become subjects; stagnation and retrogression sets in; poverty takes the place of prosperity.

There is totalitarianism, where the State is total and the people count for nothing.

For the recent amendments to Executive Order No. 295, the reader is referred to Executive Order No. 297 which appears on page 32 of this *Journal*. The changes chiefly affect certain foodstuffs and are commented upon by Mr. C. G. Herdman in his column, "Food Products", page 28.

Among other things, the exchange control is causing business executives here worry about their credit standing with export firms in the United States and other countries. One business house received the following letter from one of its suppliers with whom its credit in the past has been practically unlimited:

"... Concerning future shipments, you can well understand that we, as well as practically all exporters to the Philippines, are quite concerned with the new Exchange Control and its repercussions on our future dealings. There is doubt in export circles about the future, and many believe that the trend of Philippine regulations would seem to emphasize letter-of-credit terms because until the present uncertainty is dispelled, few exporters would be likely to consent to draft terms.

"As far as we are concerned, we do not wish to make any decisions until we know more about the new regulations, how they will work out, and how long a delay there will be from the time the customer pays the draft in local currency until dollar remittance is authorized by the Central Bank. We would also like to know how quotas are to be assigned and whether there will be priorities in accordance with the type of merchandise.

"We are somewhat upset by the Exchange Control, which we fear is bound to curtail our sales in that market after the fine work you have been doing to improve our volume of sales, which has steadily increased during the last several months. . .

"We are quite certain that there will not be any delays on the part of the . . . [deleted] . . . Company in paying our drafts in local currency, but the question is how long the Central Bank would take

to grant permits for dollar remittances. In the event of long delays from the time drafts are paid in pesos, to the time dollars are actually remitted, our understandings in that market might grow out of proportion and we are sure that our Treasurer would not approve more shipments after a certain limit has been set for that particular market... "Please let us hear from you by return air-mail..."

This letter is from a firm which does not deal in "luxuries" and "non-essentials". The letter concerns supplies which are highly necessary and in constant demand.

Everybody knows that prices are determined by the conditions of supply and demand, and that therefore prices must go up when the supply is reduced and the demand continues. **Rising Prices, Unemployment, Black-marketing** Everybody knows that business organizations can operate successfully only if they are efficiently and economically conducted and that, therefore, personnel must be laid off if the volume of business is cut.

Under the present import, credit, and exchange controls, therefore, which have arbitrarily reduced business in many lines of goods as much as 90 percent, producing a very real, though artificial scarcity, prices are inevitably going up and hundreds, perhaps thousands, of workers are losing their jobs.

These controls have been instituted by the Government over the protests of the business elements, and with the controls in force business can not possibly maintain prices and employment at the pre-control levels.

How unfair it is, therefore, when certain government officials and newspaper writers, and even editors who should know better, blame business for the inevitable consequences of the present government policies!

Business itself is as much a victim of these policies as are the consumers and the workers who are losing their jobs.

And unless the basic policies of the Government are changed, neither can the Government do anything to prevent the rise of prices by price-controls or the rise in unemployment by court decisions which would attempt to force the retention of unneeded personnel.

Some newspaper writers have tried to make the point that since certain reserve stocks exist, brought in before the controls were instituted, selling-prices now should not rise until these stocks have been consumed. But that, too, is a most unsound argument because business does not and could not operate successfully on the basis of wholly disparate transactions or with a view to immediately current conditions. Business must look ahead with a view to keeping itself going in the future as well as for the present. Otherwise ultimate bankruptcy is certain.

A leading Manila importer of foodstuffs, an American, told us the other day that he believes that it is worth while maintaining his footing in the Philippines,—in the hope of better times, and that therefore he does not plan to close his business though the controls have cut his volume to only a third of what it has been. To meet the situation he plans to cut his general overhead expenses, reducing his staff, etc., by around a third and, to make up for the remainder of the loss, by increasing his price markup from ten percent to twenty percent.

It is plain in his case that either he has at least to cut down the running cost of his whole organization by a full two-thirds, or cut it part of the way and make up for the rest by raising his prices moderately. He chose this latter course and he told us that he came to that decision not only in his own and his employees' interests, but in that of his customers:

The foregoing is a concrete example of why and how prices are justifiably being raised.

There is, of course, also the so-called "black market", which, for the first time since the Japanese occupation and the first months after the Liberation, is now reappearing.

It should, however, be clearly understood that black-marketing goes on outside the sphere of legitimate business. Business, as such, has no control over black-marketing, and neither can the Government exercise any real control over it. Black-marketing is generally carried on through direct and clandestine bargaining between a few men who have managed in some way to obtain small stocks and those immediate consumers who do not care what they pay if they can get what they want. A small boy slinks along and offers a likely-looking customer a pack of cigarettes for a peso. There may be hundreds of such boys on the streets. If one of them is caught by the government price-control agents, he may lead them to some little jobber who has a small stock of cigarettes. He may be arrested and charged and put out of business. But there may be hundreds of such small jobbers, and the black-marketing goes on. And let no one believe that established business surreptitiously encourage this thing. Legitimate business, far from profiting from black-marketing, is further harmed by it.

But, let it be repeated, there is nothing that can be done about black-marketing in any effective way, either by business or the Government, unless the scarcity which calls it forth is replaced by normal supply.

We were very happily impressed by a recent article by Mr. Placido M. Mapa, Secretary of Agriculture and Natural Resources, in which he called attention to the fact that the present rice production now exceeds the pre-war production, despite the losses in farm animals and the continuing conditions of unrest in a number of the principal rice-raising provinces. This is most creditable.

Secretary Mapa stated that during the five-year period just before the war, the country was producing an average of 51,000,000 cavans of palay annually, but that since consumption during that time averaged 53,000,000 cavans, some 2,000,000 cavans had to be imported.

Compared with this, the 1945-46 crop, the first after liberation, was 37,000,000 cavans;

The 1946-47 crop was 47,000,000 cavans;

The 1947-48 crop was 51,000,000 cavans;

The 1948-49 crop was 56,620,000 cavans; and

The latest estimate of the coming crop for 1949-50 is 58,000,000 cavans.

However, meanwhile consumption has mounted to an annual 61,000,000 cavans, which accounts for the fact, said the Secretary, "that we still have to import rice in large quantities,—P45,800,000 in 1948, despite the rapid increase in production since the end of the war."

To reduce the gap between production and consumption, the Government has various projects under way from which an initial harvest of 600,000 cavans is expected by the end of 1950, the production being expected to reach 15,000,000 cavans annually by 1954. Other developmental work is being done in extending irrigation systems, establishing tractor pools, providing improved seed stocks for farmers, stock-breeding stations, fertilizers at cost, credit facilities, technological advice, etc.

Large sums are being spent for these purposes, and the Secretary stated that if the full production-goal is to be reached, still larger sums will have to be made available, which he listed as follows:

For tractor pools, P20,000,000; experiment stations and seed farms, P5,000,000; irrigation pumps (including installation costs) P20,000,000; revolving fund for fertilizers, P10,000,000; revolving fund for credit facilities, P10,000,000; for breeding and work animal importation, P10,000,000; stock farms and breeding stations, P5,000,000; pest and disease-research centers and control work, P5,000,000; and irrigation works, P50,000,000.

The mention of such large sums diminished somewhat