

bility is the one thing of most crucial importance, not only in the maintenance of industry and trade but of the inflow of outside capital, and, finally, in the maintenance of confidence not only in the currency, but in the whole economy of a country and in the wisdom of its management.

As has been noted, Philippine currency is backed not only by the total assets of the Central Bank, whatever these may be, but is "fully guaranteed by the Government of the Republic of the Philippines". This could be a very strong guarantee, just as the American Dollar enjoys all the world's confidence though it has a metal backing of only 25 per cent. But if conditions arise which cause a loss of confidence in a government, in its political and financial stability, then there is a corresponding loss of confidence in the paper currency guaranteed by that government.

As is well known, the Philippine Government has spent sums greatly in excess of its revenues,—partly from necessity, partly in extravagance. The country as a whole, also, partly from necessity and partly in extravagance, has bought far more (in the form of imports) than it has been able to pay for (in the form of exports). As results: loan funds are being exhausted and the International Reserve is, or was, rapidly dwindling.

Under these circumstances, we must accept the no doubt unhappy interpretation that the disappearance of the country's silver coins is one symptom of a loss of confidence in the Peso, not so much, in this case, a loss of confidence on the part of aliens, but on the part of the people of the country, the common people, themselves. They are coming to think that silver money is at least better than the paper peso, so, whenever they can, they are holding on to the coins. It is an example of Gresham's law at work,—the tendency of money of lesser intrinsic or imputed value to remain in circulation while that of some higher value is hoarded.

For people to hold on to their silver is a rather pitiful thing for at best this gives them only little protection, coins constituting only around one-eighth of the total currency and the silver in the silver coins being ordinarily valued at much less than their monetary value.

And the drain on the silver coins could be stopped quickly enough by issuing paper notes in small denominations, as is generally done in war-time, but even if this were done, it would still be to deal only with a symptom and not the disease.

The coin shortage should be taken by the Government as a grave warning-signal. It is a manifestation of a local reaction among the people themselves which, in a sense, is more serious than any reaction, outside of the Philippines, in foreign countries. It is a warning far more spontaneous, far deeper, far more unmistakable (if we only do not try to explain it away falsely) than a popular vote at an election.

We may take it for granted that the Government will want to take every possible measure to restore the people's waning confidence in the currency. It would not be enough merely to issue appeals against hoarding, and we say this although certain members of the American Chamber of Commerce very creditably took the initiative in organizing the Philippine and Chinese Chambers and the Philippine Media Association for the purpose of instituting, in cooperation with the Central Bank, a publicity campaign against hoarding. That is a good thing, but neither such appeals nor the passing of laws punishing hoarders can result in anything but a mitigation of a symptom.

To treat the basic cause, some such legislation as Senator Sumulong's proposed bill should be adopted. The Government also should take even the most radical measures necessary to balance the budget. At the same time the Government should seize upon every available means to promote the rapidest possible increase in the national production and in the country's exports.

In such an all-out effort, the American Chamber of Commerce, as an organization and through its membership, will do everything possible to assist, and so, we are sure, will all the foreign business elements in the country, for certainly it is not to their interest to do anything else.

MEMBERS of the American Chamber of Commerce of the Philippines who had an opportunity to see it, read with interest the 1949 Annual Report of the Board of Directors of the Philippine-American Chamber of Commerce (New York), presented by Mr. E. F. Koch, the Vice-President. For those who

did not have the opportunity, we shall quote a few paragraphs to show "how others see us":

In speaking of the economic situation in the Philippines, the Report states:

"The Philippine economic situation progressively deteriorated during 1949. At the close of the year, the outlook for 1950 was far from bright. Relatively mild import controls, mainly on luxury goods, were imposed January 1, 1949. These were followed by more drastic controls toward the end of the year. To these import controls were added, in November and December, first selective credit control and then exchange control. The latter suspended the free convertibility of pesos into dollars, the maintenance of which it had been expected would be insured to the mutual benefit of the Philippines and the United States, under the provisions of the Philippine Trade Act of 1946....

"The underlying factors that brought about the predicament in which the Philippine Government now finds itself are varied and complex, but they are water under the bridge. Regardless of the causes, we are all facing an extremely confused situation which has for the present at least undermined confidence in the Philippines as an attractive field for the investment of capital and for other commercial operations. The mere removal of recently invoked controls will not be the cure, but the efficient and equitable administration of these controls and a flexible attitude on the part of the Philippine Government toward such liberal modifications as may be justified, will be of some temporary help. The basic need is further constructive long-range planning in which both the Philippines and the United States should participate, including representatives of business from both countries. A more favorable climate should be created in the Philippines to attract the investment of private capital...."

Commenting on the Chamber's relations with the Philippine and American Governments, the Report declares:

"As in the past, the Chamber has maintained friendly relations with the elected as well as the appointed leaders of the Philippine Government and with its diplomatic and consular representatives in the United States. The same applies to the government departments in Washington that deal with Philippine affairs. We have at all times found the representatives of both governments accessible and prepared to discuss Philippine problems frankly. In cases where we had constructive suggestions to offer that were within the scope of established governmental policies or regulations, there has generally been a disposition to be helpful to business interests. This has been especially true with respect to the Chamber's day-to-day dealings with the Philippine Consulate General in New York."

With respect to the American Chamber of Commerce here, the Report remarks:

"The closest possible contact has also been maintained with the National Foreign Trade Council and with the American Chamber of Commerce in Manila, with a view toward coordinating policies, complementing each other's activities, and thus avoiding working at cross-purposes...."

In commenting on the fact that "with a less promising outlook for the Philippine economy shaping up during the course of the last year, it was expected that some firms with only a marginal or transitory interest in the Philippines would drop their membership", the Report expresses the hope that there will be no further loss, and concludes:

"While the immediate outlook for the Philippines is clouded, the return of better days is hoped for, and it is precisely during a period like now that the Chamber can best serve its members by being of assistance in accelerating the arrival of these better days."