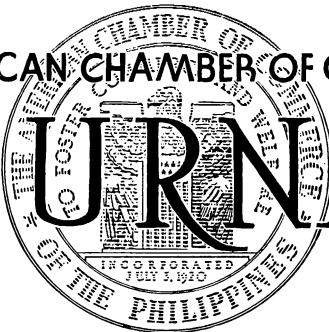


# THE AMERICAN CHAMBER OF COMMERCE

# JOURNAL



## Editorials

*"... to promote the general welfare"*

President Quirino's proposal that the citizens band themselves together for their own protection against the

### President Quirino's Vigilance Committee Proposal

Huks, could, in the form of this bare statement, be easily interpreted as an admission that the Government can not protect them, that it has failed in the

first duty of any government, to provide protection and to maintain law and order. But in the brave and touching appeal which citizens heard over the radio on the night of August 30 and read in their newspapers the next day, the President said very much more than that and indeed sounded the clear, true note of pure democracy.

Delivered within a week after the new outbreak of Huk outrages in a number of provinces, including the foul massacre at Camp Makabulos in Tarlac, citizens heard in this brief and straight-forward address an appeal of the Government to them; they heard a proposal that they organize to help the Government.

As there have always been so many appeals from the citizens that the Government help them, as if the Government's power were absolute and its abilities unlimited, and as the Government has generally grandly pretended that this was indeed so, and the people have therefore come to rely entirely too heavily upon the Government rather than upon themselves,—the address denotes possibly an auspicious beginning of a notable change in direction in the flow of the relations between the people and the Government.

As the present democratic forms of government here were imposed largely from above, the tendency has been to develop too great a centralization of government power, too much dictation from the Government, too much of a paternalism which has, on the Government's side, promoted authoritarianism, and on the people's side, dependence and weakness.

It is wholly salutary that the men in the Government should learn that the Government is nothing without the people's backing, and that the people should learn that the Government is theirs and is what they make it. The Government is an instrument of the people, weak if they are weak, strong if they are strong. The Government has no resources, either in power or in finances, other than are

bestowed on it by the people. Merely arbitrary government is inevitable weak and vicious and inherently bankrupt.

President Quirino said in part:

"My beloved countrymen, I appeal to you and for you. Rally to your Government, which is yourselves. Give the necessary civilian assistance and encouragement. I ask you to organize. Whether the forces of the Government are large or small, they can do little to meet the menace of the Red Hand unless you, the people, you and I, rally behind them. Stand with them where they are strong. Step in to support them where they are weak.

"I do not ask you to protect the Government, or this or that government official. I call on you to protect those things which are above government. Your homes, your families, the schools for your children, the hospitals for your sick, the churches in which you worship.

"Our good people, unite. Citizens of this free land, form yourselves into battalions of peace. Form your community assemblies, your neighborhood associations, your *barangays* for peace. Call on the civic organizations. Even the charitable institutions, religious institutions, the Boy Scouts, the Girl Scouts, Parent-Teacher Associations, and other civic and charitable institutions and our labor unions in every municipality. I ask you to call on them and all the prominent citizens in each community. Go on the alert. The enemy is around you, so learn of the enemy. Information is security. Unite to get the information. Relay it immediately to the nearest peace officers.

"You have heard the Civilian Guards condemned. This, because their loyalty was to the man or the group that hired them. Take over the civilian guards. Form your community chests. Many there are who are contributing for less patriotic purposes. Our Government is poor, but our individual citizenry is not poor. Everyone can afford to contribute to a common peace fund. Fill those chests with your contributions. Name your own trusted men to disburse them, and make the civilian guards your guards, loyal to the people.

"I do not call you to a campaign of war. I summon you to a campaign for peace. Unite, my dear friends, to keep the dread Red Hand of murder from your doorsteps. This is our fight to preserve the Philippines."

The President did not go into any details as to the local organizations he proposes, and it would perhaps be better if he did not, but leaves this to the people themselves and their "own trusted men".

Much of the Philippines is still, or is again, virtually frontier country, with the people naturally thrown largely upon their own resources. The vigilance committees of the American frontier in the old days are still well remembered. This form of voluntary organization is the natural answer to certain conditions of lawlessness, and the Government is wise in recognizing this and encouraging it at least in those regions at present seriously menaced.

It will, of course, be necessary to modify the laws and regulations covering the licensing of fire-arms in these areas because the arming of small groups of chosen volunteers in the various localities must necessarily be permitted. It would be murder to encourage men armed only with bolos and clubs to make a stand before armed outlaws. The best weapon for local patrol purposes probably would be double-barreled or repeating shot-gun.

Since the President outlined his plan, we have noted that various bureaucracies in the Government are preparing to take over the organization of the movement. This, we believe, is contrary to the President's original conception, the value of which lies precisely in the local, private, and voluntary nature of the proposed citizens' groups led by "their own trusted men." All that is necessary on the part of the national, provincial, and municipal officials is for them to adopt such enabling measures as may be required, always recognizing that the plan rests basically on the people's elemental right to organize for self-defense. Otherwise we will see a repetition of the same old story, —over-centralization and over-regulation killing the spirit of a promising development.

When a committee of the Philippine Association called on President Quirino one day last month, the President

### The Philippine National Business is International

noted, with interest, that the committee included men of various nationalities,—Filipino, Spanish, Chinese, and American.

The international make-up of the Philippine Association is indeed considered one of the best features of the organization, perhaps its strongest feature.

Though the oldest chamber of commerce in Manila, the Manila Chamber of Commerce, and is remains international in its membership, national chambers were organized in later years,—the Philippine, the American, the Spanish, the Chinese, the French, etc., and this was for good and sufficient reasons since national interests play a not inconsiderable part in most business relations, affecting organization, agencies, sources of supply, principal markets, etc.

However, this division of Philippine business into national entities has to an extent tended toward a certain narrowness of view which has not always been conducive to an understanding of the fact that the interests of business as a whole are not so much national as communal. It has, in fact, at times tended to weaken the position of business and has made it possible to play one element against another when a united front was most desirable.

In this situation, the organization of the Philippine Association may serve as a very necessary corrective, and opportunities will no doubt arise in which the Association will be able to appear for Philippine business as a whole, because the national business of the Philippines is, in fact, international in make-up. In this fact, indeed, lies its greatest strength. Business nowhere is wholly native, parochial, or domestic. Everywhere business is strengthened by the foreign elements it absorbs.

The Philippine Association may assist in bringing about a keener realization of the fact that all of our present business is the national business, no element of which may be wantonly or deliberately injured without damaging the Philippine itself.

In the August, 1949, issue of this *Journal*, we published a letter from Secretary of Finance Pio Pedrosa in reply to a letter from the *Journal* requesting information as to what the qualifications were of those industries entitled to the benefits of Republic Act No. 35 which provides for tax exemption for four years of "new and necessary" industries.

The answer was helpful, although it was necessarily phrased in broad terms.

A more detailed answer to this question is now available in Executive Order No. 341, signed by President Quirino on August 9, which establishes the "rules and regulations for the qualification of industries for tax exemption under Republic Act No. 35".

It is published in full elsewhere in this number of the *Journal*.

Among the statements made by Secretary of Finance Pio Pedrosa at a luncheon meeting of the Philippine Chamber of Commerce late last month, there is one statement especially which, at least as it was reported in the press, cries for comment.

The following is taken from the *Manila Daily Bulletin*:

"Touching on the broader aspects of the Philippines' economic problems, he pointed out that the new tax rates were aimed not only at wiping out the Government's budgetary deficits, but at coping with the threat of inflation arising from controls and large investments by private enterprises as well as by the Government.

"These new taxes, he explained, would 'syphon off excess purchasing power, excess profits'."

If it is indeed true that the aim of the Government in increasing certain tax rates is what the Secretary said it was, that aim, and the rates, are all wrong.

Among the so-called agents of production, of which there are five (the entrepreneur, the landowner, the laborer, the capitalist, and the community), the remuneration of the community, as represented by the government, is paid in the form of taxes. Taxes constitute the rightful share of the government in the fruits of production as they are paid for the protection and the regulation which is the function of the government to supply in the productive process.

The entrepreneurs, who organize, direct, and bear the risks in production, earn their profits (if they succeed); the landowners, who furnish sites, raw material, and power, earn their rents; the laborers who perform the work, earn their wages; the capitalists, who furnish buildings and machinery, tools, implements, and materials for work (capital goods), earn their interest; and so also, the government, which protects and regulates, is entitled to taxes.

The proportionate amounts of these various forms of remuneration drawn by the five agents in the production process, are delicately balanced and are basically determined through the operation of the law of supply and demand as it applies in each case. The operation of this law automatically adjusts excesses if these temporarily occur for one cause or another. When profits are too high, they are soon reduced by increased competition; when rents are too high, lands are left idle; when wages are too high, unemployment sets in; when interest is too high, no loans are contracted.

If a government arbitrarily demands too large a share in the fruits of production, the other elements in the process suffer accordingly, as their shares must inevitably decrease. Arbitrary action by the government, however, can only go so far. It, too, is checked, the penalty being a general retardation of production; the final penalty, flight of capital from the country.

A tax program, therefore, aimed at "the threat of inflation" or at anything else than to obtain the funds to support the legitimate functions of government, is most unsound. Furthermore, inflation and deflation represent only the ebb and flow of an economy; they are temporary conditions. How unwise, therefore, it is to deal with in-