Were some of our higher officials to see for themselves how such measures are and must be carried out by the functional personnel, and how they are taken by those who are the victims of them, they would quickly see how seriously the dignity of the Government is impaired by them and how seriously they affect the attitude of these people to the Government and even to the country and people the Government represents.

In rallying the nation and calling for the employment of every ounce of energy and the exertion of every effort, let us bear in mind another one of Merriam's statements:

> "The skills of government when successfully used produce what we call morale — meaning good morale, good feeling, a sense of satisfaction with the ends of the community and with the ways and means of achieving these ends, in so far as this is within the purview of the political. In ordinary times, all this is taken for granted, but, *when the skills fail*, the road becomes rougher and rougher. . ."

The Marsman Agreement with the Government

While we have had no opportunity to study its terms in detail, we consider that the contract recently concluded between the Government and Mr. J. H. Marsman for the development of a large-scale abaca project on the public lands reservation of the National Abaca and Other Fibers Corporation (a government company) in Davao, is a most significant and promising development in the relations between the Government and private enterprise.

The project involves the utilization of a maximum of 7,500 hectares of land for a period of 15 years, but the agreement does not constitute a lease, as the present land laws do not permit the lease of such a large tract; it is, instead, an operating agreement "for and under the administration and control of the NAFCO". Whether the terms which are summarized, as announced by Malacañan, elsewhere in this issue of the *Journal*, will prove practicable in all points, is a matter as to which we shall not hazard an opinion, but the venture is in line with the large-scale agricultural development which this *Journal* has been advocating.

One point which might appear to make the contract less significant than it would otherwise be, is the fact that Mr. Marsman, a Hollander by birth, is a naturalized Philippine citizen, but under the "Parity agreement", which provides for equal rights between Americans and Filipinos in the development of the natural resources and the public utilities of the country, the same opportunity given Mr. Marsman would presumably be open to Americans, and similar agreements might be worked out by them with the Government if the terms were found to be mutually acceptable.

Reply to Governor Cuaderno

In reply to that part of the address of the Governor of the Central Bank before the Rotary Club last month,* in which he referred to the attitude of the American Chamber of Commerce and of this *Journal* to the present government controls over imports, credit, and exchange, we could do no better than to quote a paragraph taken from the Annual Report of the past President of the Chamber. Mr. Stevens said:

> "I wish to make it clear that we can no longer question and do no longer question that certain controls have become necessary. At the present time we are only fighting to keep them down to a minimum and to have them well administered. We have continued, however, to call attention to the point of *why* these controls have become necessary. We believe that they would not have become necessary if the proper basic policies had been adopted and followed with respect to bringing in outside capital to develop our local production and our export trade more rapidly so that our imports and exports would naturally have come into better balance."

This, it seems to us, is clear enough.

*Printed in full elsewhere in this issue of the *Journal*.

With respect to Governor Cuaderno's statements concerning the alleged necessity of "government intervention in the economic life of the people", in which connection he referred to the "events of the last thirty years" and to the "social and economic planning of the United Kingdom and the 'New Deal' ", he touches on a great controversy which continues to rage between government and business everywhere and upon which whole libraries of books have been written.

The writer will only say that while Adam Smith's "assumptions have been called into question", as Governor Cuaderno says, so have the theories of the late Lord Keynes, the one economist chiefly responsible for the present almost universal government interference in industry, trade, and finance, which is, to some extent, only a revival of the discredited old policies of the Mercantile System following the close of the Middle Ages. Keynes' ideas are not infrequently referred to as "Keynesian poison".

We can not possibly review all the arguments here, but an analogy may be useful. A national economy under the strict government control now conceived by many bureaucrats the world over may be compared to a body which is continuously being dosed with various glandular extracts. Physicians rightly use this therapy when the bodily balance has been disturbed, but a physician who would keep a patient under the influence of endocrinous drugs all the time would go to jail for malpractice.

It is easy enough to produce certain economic results, stimulative or depressive, by tampering with, especially, the financial system of a country at certain points, affecting credit, for instance, and this may at times be beneficial, but the benefit depends largely upon how little of it is done. It is only rarely that the economic system needs or can be benefited by economic doctoring.

Take the recent European currency devaluations, first hailed as skilful doctoring. Henry Hazlitt, writing in *Newsweek*, said recently:

> "Even those responsible for the devaluation of some 30 currencies since September admit that the results have been disappointing. Devaluation was, in fact, the wrong remedy. What was called for was not continued exchange control with lower fiat rates, but the restoration of free exchanges. This is a necessary transitional step to eventual return to a full international gold standard. Gold means real stability based on freedom. Exchange control means a fictitious stability based on coercion. Exchange control subordinates the citizen to the bureaucrat. Free exchange rates subordinate the bureaucrat to the citizen."

The whole article is well worth reading,—*Newsweek*, January 9.

No one talks anymore about the old *laissez-faire*. The National Foreign Trade Council in one of its publications issued some months ago, drew some clear distinctions as follows:

> "The American system of free, private, competitive enterprise is not pure laissez-faire, since it operates within a framework which combines enlightened self-discipline with a substantial measure of intelligent and purposive *regulation* by government. Legislation enacted by democratic process to promote the general welfare and to assure public order and safety, to eliminate unfair business practice, or to regulate public service enterprises which are natural monopolies—all these are fully consistent with this thesis; but while private enterprise readily adapts itself to an intelligent system of law and regulation designed to enhance the social purpose, stability, and security of the national economy, it can not willingly accede to *arbitrary governmental intervention* in the processes of production, investment, and trade. Such intervention is the antithesis of economic freedom and is in essential conflict with the fundamental tenets underlying the private enterprise system."

As for Governor Cuaderno's statement that the *Journal* is in some part "responsible for creating abroad an unfavorable climate" for foreign investment here, he might as well have said that a barometer is responsible for the weather.

All the "boosting" the *Journal* and the Chamber itself and all the chambers of commerce here together could conceivably do, and what all of us would so gladly do if we could, would be offset by the facts created by the policies and measures the *Journal* referred to in the editorial. last month entitled "The Vicious Circle Full-turn".

Our criticism has at all times been constructive. We have tried to point out just *why* outside capital is not coming in, *why* the economic development of the country is being retarded, and we have done this to help and for the benefit of us all.

The New Chamber Board

At the 1950 annual meeting of the American Chamber of Commerce of the Philippines, held on the Chamber premises on January 27, and very well attended, the election of members to the Board of Directors resulted in the reelection of the entire 1949 Board with the exception of two men who had asked to have their names taken off the list of nominees. These two were Mr. Frederic H. Stevens, who served as President of the Chamber for three successive terms, and Mr. F. C. Bennett, of the Atlantic, Gulf, and Pacific Company, who will be away for a large part of the year. The two new members elected are Mr. Paul H. Wood and Mr. Paul T. Millikin.

A special resolution expressing the Chamber's appreciation of the outstanding services of Mr. Stevens was unanimously adopted and is printed elsewhere in this issue of the *Journal*.

At the organization meeting, held on February 30, Mr. Wood was elected President. Mr. R. J. Newton, who was Vice-President, Mr. C. R. Leaber, who was Treasurer, and Mr. I. T. Salmo, who was Secretary, were all reelected.

Mr. Wood, the new President of the Chamber, is the Vice-President of the International Harvester Company of Philippines. Formerly he was the Assistant Manager of the Motor Truck Department, in the International Harvester Company's "Foreign Operations" division, traveling widely in Europe, the Middle East, India, and Southeast Asia. Just prior to the war he was Branch Manager of the Baltimore Motor Truck Branch, one of the ten largest in the United States. During the war he spent four years in the Army as a major and lieutenant colonel in an Armored Division, and since the war he has spent most of his time outside the United States in reconstituting his Company's pre-war organization.

Mr. Millikin, the other new member of the Board, is Director of Sales of the Philippine Manufacturing Company. Born in Columbus, Ohio, and a graduate of the Harvard Business School (M.B.A.), he was with the Procter & Gamble Company in Boston and Syracuse, New York. He joined the Overseas Division of that Company in 1948, spending some time in Cincinnati and then going to Cuba. In August, 1948, he came to Manila, to take the position he now occupies.

The business connections of the reelected members of the Board are as follows:

Mr. R. J. Newton, Vice-President and Manager, Williams Equipment Co., Ltd.

Mr. C. R. Leaber, Manager, National City Bank of New York.

J. H. Carpenter, General Manager, Colgate-Palmolive-Peet Company.

C. H. Hirst, Vice-President and General Manager, American Factors (Philippines), Inc.

Nathan Most, General Manager, Getz Bros. & Company, Inc.

J. A. Parrish, General Manager, Standard-Vacuum Oil Company.

E. A. Perkins, President and Director, Lepanto Consolidated Mining Company.

Address to the Seattle Chamber of Commerce World Trade Group*

By Paul H. Wood

President, American Chamber of Commerce of the Philippines

It is a great privilege and pleasure to the American business community to have with us this distinguished group from Seattle whose interests so closely parallel our own.

We are sure their visit to this country is proving interesting and informative.

Undoubtedly they have heard a lot about Import and Export Controls and the difficulties with which many of us doing business here are faced today. For that reason perhaps we may be excused for examining the reason why these controls are so widely in effect not only here but throughout the world except in the United States.

We all agree that *foreign trade is a two-way street.*

The world is running out of dollars because United States business is selling and exporting a great deal of goods and buying and importing comparatively little. This world dollar deficiency is being financed by loans, grants, payments, and plans.

Before the first World War the United States was far from self-sufficient and imported and paid for great quantities of raw materials and finished goods from abroad that are now produced within the United States, often synthetically.

In the years preceding the last War, the Philippines enjoyed a favorable trade balance. Goods exported returned more foreign exchange than was necessary for the payment of imports. Today that condition is totally reversed.

The great question is, When and how will and can we return to our pre-war trade position?

In the Philippines our exportable goods have not yet reached the saturation point of export to the United States. We have yet to become self-sufficient in the basic foodstuffs we can produce, or to supply from our mines, forests, and factories the demands upon us.

But we have a reason to be concerned that the day will come when our great and good friends abroad will not want all we can supply. We are looking to these friends to seek here the things they can use that we can supply and to buy them from us.

In that way alone can we have here a healthy economy, for to buy we must sell.

We are certain that our visitors have looked into our great potentialities to supply and sell to them the production of the Philippines.

We expect they are also investigating the favorable opportunity for American capital investment here in the Philippines.

It is a great pleasure to be allowed to display the wonderful possibilities of this country and to know that we have the friendly interests of such people as our guests and our first speaker.

This gentleman is a member of the Board of Trustees of the Seattle Chamber of Commerce—Past President of that Chamber—President of Star Machinery Co. of Seattle—*80%* of whose exports come to this country.

His last previous visit to the Philippines was in *1932* and he is an interested friend of this country—Mr. Victor E. Rabel.

Following Mr. Wood's introductory address, Mr. Rabel spoke briefly of the purpose of the Seattle Chamber of Commerce World Trade Tour and introduced each member of the group.

*At a luncheon tendered the Group by the American Chamber of Commerce of the Philippines at the Manila Hotel, February 3.