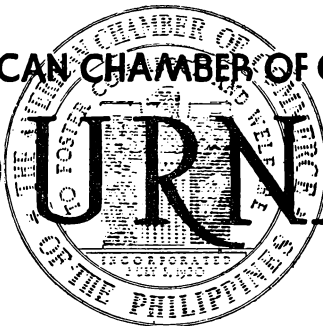


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## Editorials

It may seem odd, but it is true, that the earliest commerce was mainly a trade in luxuries. Primitive societies were everywhere, and of necessity, self-sufficient in so far as that sufficiency went. Men hunted and fished, pastured their herds and flocks, tilled their acres, and lived meagerly on what they themselves could find, catch, or produce. Inland people might trade with a coastal people for such a necessity as salt, but most early trade involved an exchange of luxuries, something over and above mere necessities on both sides, generally articles of personal adornment, such as beads, bracelets, necklaces. Much later in man's social and economic development, commerce was still based very largely on the trade in luxuries, — silks and furs, spices, tea. It was largely the search for luxuries which led to the geographic explorations and discoveries in the 15th and 16th centuries. Even today, international trade is normally a trade in what in former times would have been considered luxury goods. In a broad sense, everything brought in from foreign lands is a luxury.

By common definition, however, a luxury is anything which is pleasurable, but not necessary. More exactly, it is anything which pleases the senses, and is also costly, or difficult to obtain. By extension it is any convenience regarded as an indulgence rather than a necessity. As a manner of life, luxury is a free indulgence in costly food, dress, furniture, or anything expensive which gratifies the appetites or tastes. These latter definitions, suggestive of sensuality and voluptuousness, are somewhat repellent to the average plain man or woman, the definitions approaching those of a vice. "Riches expose a man to pride and luxury", wrote the impecunious *Spectator*.

Yet luxury, as a word, comes from the Latin word which means to *shine, light*, and from the Greek word meaning *bright*. The antonyms of *luxury* include not only *simplicity* and *plainness*, but *penury, poverty*, and *necessity* again. And all history is the story of the attempt of man to escape from stark necessity. Civilization is based on the development of luxuries. Every advance in living standards entails a broader and more general utilization of luxuries. Economics may be said to be the study of the "natural progress of opulence", to use Adam Smith's rich phrase.

What is merely necessary can be pared down to almost nothing at all, — a spoonful or two of watery offal, as many people who are alive today can testify from dire personal experience in enemy-occupied lands and in internment- and prison-camps. And the many unfortunate poor, even persons of average income, know from daily experience what deprivation is, whether of necessities or luxuries, so-called. Probably no normal man or woman is ever, by choice, an ascetic. Unnecessary abstention and self-mortification is a form of masochism.

The distinction between necessity and luxury is largely a matter of the economic level reached by an individual or a people, a matter of standards, what a man or a people are accustomed to. What is luxury to some, is practically a life necessity to others, — as tea in China. The need for some degree of luxury is also a matter of individual and personality development, sensitivity, taste, — broadly, culture. Luxury becomes the basis not only of contentment and happiness, but of confidence and self-respect, of the very worth of life and living.

It is therefore dangerous, indeed inimical, for a government to legislate on "necessities" and "luxuries", to arbitrarily draw a line between them, to make a hard and fast distinction which does not exist in fact. Every item in trade, domestic and international, is at once both a necessity and a luxury, be it a necessary luxury or a luxurious necessity, or simply just something we are determined to have. For every item normally imported into a country there must be a demand, a void, a want, a need. A government which unduly interferes in trade is tampering with the natural course of the national life and with the individual lives of the country's people. In so doing, even a well-meaning government can hardly make a move without making a mistake, minor or major.

The forbidding of so-called luxuries to the common people has from the beginning often been the policy of "aristocratic" and "plutocratic" and oppressive (and also Puritan) governments.

The Japanese, with the deliberate aim of lowering the Philippine standard of living even further than the war and the military occupation entailed (they considered that standard far too high in comparison with their own), and of holding down wages despite the inflation, — the

first thing these overlords did was to impose heavy taxes on what they ruled were "luxuries", and these included about everything the people had become accustomed to during the previous forty or fifty years of economic and cultural advancement, — even the taking of a scant meal in a cat-meat-serving restaurant!

It should be understood that during the seemingly interminable years of the enemy occupation, the people of the Philippines got enough and more than enough of all that! Even today, though we may still lack some of the "necessities", we want all the "luxuries" we can get. They are pitifully few for the most of us, as it is.

We may or we may not agree in theory with the proposal of the Joint Philippine-American Finance Commission that to develop the country's economy, — to bring about greater industrialization, it is desirable that we "use our foreign exchange for essential purposes" and "limit non-essential imports"; that we build up the country's "capital goods" for future production rather than spend too great a part of our exchange funds for "consumers' goods" which directly satisfy only some immediate want. It is, of course, in the category of consumers' goods that most luxuries fall. (Though in the end we may learn that, for instance, the talked-of steel-plant for the Philippines is the greatest and most expensive "luxury" of all.)

But the Philippine market appears already to be over-saturated with certain classes of consumers' goods and, as consumers' wants are satisfied, less money will be spent for such goods. With due encouragement and the establishment of proper conditions, this matter will take care of itself over a period of time, and progressively more capital will naturally be devoted to production.

And it must be remembered that capital goods include a wide variety of goods which at first thought may be considered consumers' goods and "luxuries". To quote from a book on economics:

"Capital goods include the following: (1) improvements on land, such as fences and drains; (2) means of transportation, such as roads, railroads, and canals; (3) buildings, such as barns, factories, and stores; (4) auxiliary material, such as coal and oil, which do not appear in the finished product; (5) raw materials, such as wool, iron, and lumber, which do appear in the finished product; (6) tools and machines; (7) domestic animals, such as cows and truck horses; (8) commercial stocks of finished goods. They all must be used in the production of goods that will satisfy human wants in order to be classified as capital goods. Sometimes it is difficult to distinguish between consumers' goods and capital goods, for many economic goods fall in both categories. A building, for example, may be used to provide shelter as well as to further the production of other goods. A boat may directly satisfy a want or it may be used as a means of transporting freight. Thus it is the purpose of a good rather than its form which determines whether or not it is to be called a capital good."

The purpose. And how is a government "import control board" to determine with any adequacy the purposes for which hundreds of millions of pesos worth of imports, in tens of thousands of various items, would ultimately be used? The questions, the forms, the records, the files, the clerks and the chiefs, the expense, the delay, the irritation, the nonsense, and the loss and waste of energy and time!

And all for worse than nothing at all. For an unnecessary and burdensome system of regulation, inherently vicious in its effects, of what is normally self-regulatory in the general interest and to the satisfaction of all. This is, of course, not to argue against all government regulation of trade; especially following a great war this is undoubtedly necessary; but the constant aim should be to keep it at a minimum, and it should be exercised when possible in the form of guidance rather than of control.

The foregoing are the natural objections to governmental attempts at the elimination or partial elimination of "luxuries" and to governmental attempts at the regulation of imports with that object in view.

There are other objections on the basis of policy in so far as the Philippines is specifically concerned.

Through various legislative enactments and through agreements mutually ratified, and for value received, the Philippine Government is enjoined from imposing duties on imports from the United States up to July 4, 1954. The imposition of excise taxes on goods coming principally (and in many cases, in fact exclusively) from the United States, is a very near equivalent to what the Philippine Government has expressly agreed not to do.

If such excise taxes, practically equivalent to import duties, were deliberately imposed, — for no matter what high-sounding reasons, what if the American Congress should decide in turn to impose a prohibitive tax of Philippine copra on the ground that copra is a foreign luxury and the American people should get along on their own tallow and cotton-seed oil? What if Philippine sugar should be ruled out as an unnecessary tropical dainty?

This is ludicrous and is not seriously advanced. But automobiles are not superfluous luxuries either, nor are California oranges (our babies need them), nor is there any sense in the fact that under present Philippine law an electric stove is taxed 5% and an electric refrigerator 10%, apparently on the notion that the refrigerator is more of a luxury than the stove\*. Is a refrigerator just twice as "luxurious" as a stove? Is it not as "necessary" to keep food from spoiling before and after cooking, as is the cooking itself?

The experts of the Joint Philippine-American Finance Commission have boldly recommended that items now taxed 10% be taxed 30%, and items now taxed 20% be taxed 50%. Such high taxes would be enormously burdensome to the people of a relatively poor country, a people who, most of them, lost everything during the war and who are now faced with the necessity of buying anew everything they need for decent living.

A luxury tax violates almost all of the tenets which taxation experts consider it necessary to observe in framing good tax legislation. It is unequal, it is arbitrary, it is inconvenient, it is discouraging to established enterprise; it is ill-adjusted to the present legal, political, and social conditions of the country (a country which is aspiring to better standards of living, and but recently in ruins); it will be largely shifted, it will be largely concealed.

A luxury tax would not keep luxuries from the rich; they can pay whatever they must to get what they want. But such a tax would keep the simpler luxuries, now within their reach, from people of more modest means. It would depress the general standard of living, widen the difference between rich and poor, and increase irritation and discontent.

It would do very little toward promoting industrialization, which requires large capital funds, not generally drawn from what people have to spend to live as well as they can. And as for expecting them to buy government bonds with the money they need to lead a tolerable existence, vain, vain are such imaginings.

The second session of ECAFE (Economic Commission for Asia and the Far East which functions under the United Nations Economic and Social Council), held in Baguio from November 24 to December 6, may be considered to have been outstandingly successful within its sphere of reference. Various decisions as to its own operation were arrived at, and definite measures were outlined and recommended both to the United Nations and to the member Governments. If adopted and carried out, these will do much to promote the economic recovery and advance in this part of the world which is the general objective of the ECAFE organization. To outline such measures and to make such recommendations is all that ECAFE can do, as it is not a governing or executive body; what it can do and has done is nevertheless highly important.

\*This is under the so called percentage tax on sales. (Republic Act No. 41) which being graded, is in effect partially a luxury tax.