States". The tax greatly increases prices and living costs and discourages outside capital investment.

As the Managing Director of the International Monetary Fund, Mr. Ivar Rooth, said at the annual meeting of the Fund and the International Bank in Mexico City last September:

"One point above all, is clear. The payments problem can not be solved by retreating behind a network of restrictions and discriminations. At best, they are a necessary evil; at worst, that are a costly burden both to the countries that use them and to the world economy. In accordance with the Fund Agreement, we are now consulting with members that retain restrictions under the provisions for a transitional period... Of course, we are not asking members to imperil their payments position by a premature removal of restrictions. We do ask them to shape their policies toward greater freedom in trade and payments."

Let us hope that the nine months' extension provided by the recent act will constitute such a transitional period as Mr. Rooth referred to.

While the President of the United States, with obvious reluctance, has agreed the extension, let us realize just what this tax means with respect to other considerations than convenience in increasing government revenues, and analyze the effects of this on both present and long-run economic programs.

The Philippine Role In American Policy

We wish to commend the "Sunday Feature Editorial" of the November 23 *Philippines Herald*, entitled, "The Philippines and the New American Policy in Asia."

The writer of the editorial, having concluded that certain facts as to the incoming Eisenhower Administration are clearly indicative of a greater emphasis to be placed on the importance of Asia in American global policy, advocated that the Philippines aid in the implementation of the new American policy and at the same time take the fullest advantage of it as an "inevitable beneficiary."

Concretely, he proposed (a) "increased use of the Philippines as a base of operations in the psychological and propaganda war"; (b) "increased attention to the country's economic needs to strengthen it for greater service to the common defense of the free world: encouragement of increased private capital investment, a continuing and possibly an enlarged American market for Philippine produce, and increased economic and financial and technical assistance in the form of MSA aid"; (c) "wider use of Philippine institutions and establishments in the promotion of educational, scientific, and medical training for peoples of Asia as well as more extensive employment of locally available facilities and resources,—human, material, and spiritual, for the job that has to be done in Asia"; (d) "development of bases of supply and possibly production centers for materials such as those that may be needed to facilitate energetic fulfillment of America's commitments"; and (e) stepped-up assistance to the Philippine armed forces and general strengthening of U. S. military bases within Philippine territory to prepare them for any eventuality."

While, frankly, in our opinion, these proposals lean somewhat to the side of the Philippines as a beneficiary, they are all constructive, and practical, too, and stand out in refreshing contrast to the timid neutralist policies advocated in some of the other East Asian countries which are still free.

The *Herald's* proposals would, however, be even more satisfactory if a little more stress were laid on (a) the country's possible economic contributions as well as on its economic needs; (b) on a continuing and possible enlarged Philippine market for American goods as well as on such an American market for Philippine produce; (c) on the possibility of decreasing MSA aid by seriously providing greater incentives to private American capital, and so on.

But, unquestionably, the *Herald's* thinking is in the right direction of at least some degree of reciprocity.

Foreign Investments in 1951—Less than the Withdrawals

A brief paragraph of only four lines stands out in the "Third Annual (1951) Report of the Central Bank of the Philippines" which came to hand during the month. It is to be found on page 105 in Chapter IX on the "Balance of Payments". It reads:

"New foreign investments during 1951 were small, amounting only to $891,000, of which $291,000 came in the form of machinery and $600,000 in liquid funds. Total amount of foreign investments withdrawn reached $2,300,000."

This, of course, as stated, refers to foreign investments, new investments,—not to profits made in the Philippines by foreign business entities and then reinvested here.

We do not have the comparable figures for the present year, but it is certainly to be hoped that they are not so bad as for last year, which showed an overall loss of ₱1,409,000. And if it were not for the control being exercised over the transfer of profits and dividends abroad, the loss would no doubt have been greater.

With this fact in mind, take the statement, recently published in the *New York Times* (November 2), that American private investment in less-developed foreign countries "will probably set a new record this year and amounted to almost $1,000,000,000 in the 18 months ended last June 30."

The subsequent statement of the *Times* is even more biting to a reader in the Philippines:

"This is obviously good news. The volume of private capital investment abroad is clearly one of our most sensitive indices regarding the confidence of Americans in the stability and good faith of countries in which such investment is made. The recent increase in this investment is therefore an important affirmation of confidence, made possible in large part by the actions of various under-developed countries in improving their domestic climates so that foreign investors feel welcome and have greater assurance about the security of their investments... Many under-developed countries do realize the importance of encouraging private foreign investment and are receiving the benefits thereof. Those who have been misled by false propaganda that such investment means 'enslavement' and 'loss of national sovereignty' are, in the last analysis, the chief losers from their own illusions."

If there should still be those among us who recognize the general facts in the situation, but are unaware of the underlying causes, we once again refer them to the article by Mr. Parrish, "Deterrents to Foreign Investment", published in the *Journal* just a year ago,—the issue of December, 1951.

To those political and business leaders who are aware of the facts and also of the causes, we would address the question: Isn't it time that we stop the hopeless task of trying to lift ourselves by our own bootstraps? Both internal and external dangers press the Philippines, and it would seem that we have little time at best for the exertion of every possible and sincere effort to strengthen the economy.

The New Philippine Tourist and Travel Association

The Chamber had a communication recently from the Philippine Tourist and Travel Association, Inc., the "National Civic Organization and Official Government Agency for the Promotion of Tourism and Travel in the Philippines," which told of some really constructive measures which have been taken to promote the tourist trade,—and what this can be is suggested by the fact that American tourists spend around $60,000,000 annually in Hawaii, largely because it has been made a pleasant place to visit.