

# Why We Need Economic Control

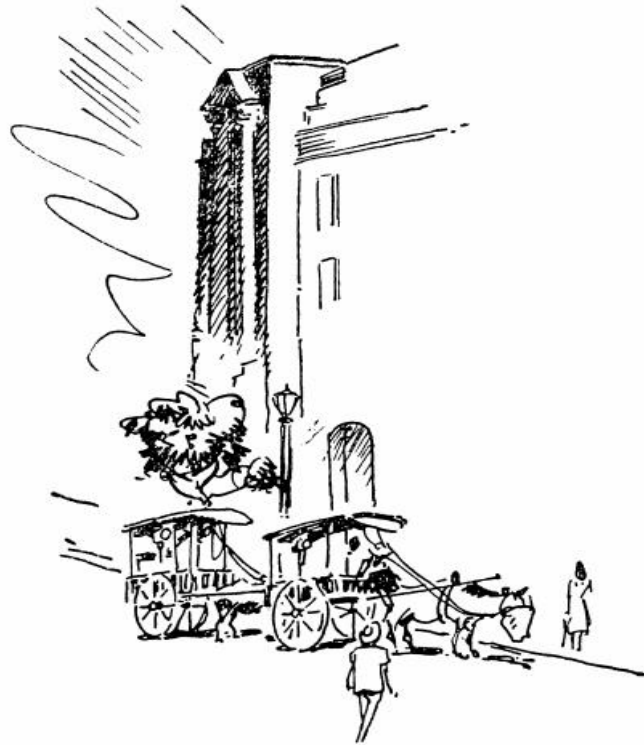
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THE present world-wide conflict has not spared any country whether belligerent or nonbelligerent from the disruption it has caused on economic life. Rich and bountiful natural resources that would ordinarily yield the comforts and embellishment of life are feverishly husbanded to help decide which way of life will prevail after the war. The Philippines has not been exempted from the far reaching economic consequences of the second World War the trends of which are slowly taking definite shape. The Philippines like the rest of the world is being ushered into a new era, new ways of life shaped by powerful social and economic forces which individual countries can, at best, only modify to suit their particular needs. An economic and social revolution is going on in every land, and the sooner we adopt our outlook and our points of view to the new situation and abandon our complacency the less pain will be the transition to the new order.

## Individualism Outmoded

Individualism as a guide in economic activity, which is one of the heritages of the nineteenth century and characteristically called *laissez faire*, has been abandoned almost everywhere and the present war will put this economic philosophy into the limbo of outmoded doctrines interesting only to the economic historian but offers no lessons, except what to avoid, in the solution of present problems. The *laissez faire* doctrine was the dominant economic principle in our economic life until the outbreak of the present war, and anybody who had the foresight, initiative and courage to embark in any undertaking dedicated to the pursuit of the profit motive was free to go his own way with the minimum of interference from the government. This doctrine is credited with making the great industrial nations of today powerful and opulent, and it was most natural for the businessmen that had become wealthy under its protecting wings and in search of more fields to conquer to preach it to other nations especially the undeveloped countries. Its high priests that preached and practiced it in the



Philippines waxed rich and took advantage of an unwary government to purloin the latent natural resources of this country while the great majority were merely contended to receive a very minor share of the product of industry. We were slow to curb the excesses of economic individualism, allowing its vices to corrupt the national character and create a sense of defeatism and frustration in the common man.

## Economic Control Old

THERE is nothing new in the present system of economic control. More stringent rules and regulations that fettered economic activity were enforced during the Mercantile Period, but accustomed as we have been to a carefree life, we are finding it hard to make the necessary adjustment to the new regime. The lack of any positive and direct regulations of economic life in the past has created great social inequalities that inceptively undermined national solidarity and unity. The shrewd and sharp practices that flourished under the old system caused the stratification of society which, if unchecked, would have become marked and would create a serious political and economic problem that would plague the country in the years to come. The advent of the new order has eliminated this tendency by substituting centralized for individual control of the economic system.

We complain of the present system of economic control but we never uttered a word when control emanated and was exercised by industrial barons and capitalists whose only guide to their activities was the amount of profits they could make. Almost everywhere and more especially in highly industrialized countries where combination and integration of industry have taken a deep root, industry and commerce are controlled in order to canalize the profits into the coffers of a few corporations. We have followed to a certain extent the example of other countries along this line but this progress was checked by the timely intervention of the government. Government corporations were organized to exploit the

natural resources of the country after realizing that private enterprise if left alone would prevent the attainment of maximum social welfare.

The former regime did not go far in establishing a complete system of control because the times did not demand it. But the present war has made inevitable the institution of a thorough and minute system of regulation of economic life as to affect directly not only the big fellows but the small men as well. Those who find fault in the present system or feel that their method of private exploitation is cramped by existing rules and regulations should make a prompt readjustment of their ideas and plans for their own good. Under any regime there would be need for some sort of economic control during the present emergency. But why, it might be asked, do we need economic control?

### **Total War**

**T**HE answer to the question is found in the nature of war economy. Modern war, total war like the present, is not only a conflict of armies but also of resources, strategic raw materials and food. War is always characterized by economic scarcity, insufficient raw materials to feed new or expanded industries, and civilian needs for all sorts of consumers' goods must be subordinated to military requirements. The Philippines has never been self-sufficient in many prime necessities of life, a defect of the national economy which the past regime dedicated its efforts to remedy, but we have to continue to import them. The cutting of the supply of essential commodities from foreign sources compels us to substitute local products as best we could. But in the meantime something has to be done to meet the insistent demand, and the most logical step is to distribute the existing stock to the greatest number as equitably as possible. To do this, however, the control of the entire existing stock must be centralized so as to prevent its concentration in the hands of private monopolists and profiteers whose interests do not always coincide with those of society as a whole.

### **Four Phases of Control**

Economic control in the Philippines, as it is taking shape, may be divided into four broad phases, namely, control of production, consumption, prices and finance. Under a regime of free competition, production for the market is the rule, but it is not always the most desirable during wartime. Under a war economy, the profit motive is partly or entirely removed and enterprisers can not make their estimates as to the probable future demand for most commodities because what the public will consume is largely if not wholly determined by the government. Many essential raw materials needed by industries, especially those that produce necessities, have to be imported and substitutes have not yet been found to take their place, and if enterprisers are allowed to bid for them on a competitive basis it is likely that many of them would be employed in industries that turn out goods that

are not badly needed. Moreover, industries that do not produce essential articles may be expanded while those essential to social welfare may be neglected. To forestall all these eventualities, a system of priorities should be established.

To cite an example. Such necessities as soap and lard are simple goods which under normal conditions could be supplied in any quantity, but certain raw materials needed in their manufacture have to be imported. If the government should allow their production on a competitive basis, their supply would be so controlled by those who produce them as to permit them to charge fancy prices to the disadvantage of the great mass of the people. The prices of these articles have increased but they would be beyond the reach of most consumers if their manufacture were not controlled as they are now. Clothing is one of the necessities that make this country dependent on foreign factories; imports of cotton textiles have never been less than 30 million pesos for many years, but we have made little progress in producing both the raw materials and the finished products to meet the local demand. Our agronomists and plant experts have long told us that cotton could be grown profitably in various places, but the stimulus of profit derived from raising other crops prevented us from exercising the necessary foresight regarding future wants. Under the initiative of the Japanese Military Administration, this mistake is being gradually corrected by taking the initiative in growing cotton on a vast scale. The food production campaign as provided in an executive order which gives city and municipal mayors the power to turn over idle public or private lands to the unemployed to be cultivated in order to avert hunger and forestall famine is another manifestation of the control of production to promote social well-being during the present emergency.

### **For Equitable Distribution**

In order to assure equitable distribution of consumers' goods, the retailing of many articles especially necessities has to be controlled in order to satisfy at least minimum physiological requirements. All countries have instituted some system of regulating consumption directly or indirectly; directly by rationing the available supply according to the relative needs of different classes of consumers taking into consideration their occupation, sex, age and health, and indirectly by price discrimination, that is, by increasing the relative prices of luxuries or nonessential goods through increased sales taxes. So far we have largely resorted to indirect control of consumption in the Philippines by increasing the taxes on luxury articles, but with the exhaustion of existing stocks of most articles especially imported goods direct rationing may be employed on a larger scale. The rationing of rice was inaugurated during the past year not because there was not enough of the national cereal to go around but to prevent the concentration of the supply in the hands of profiteers at the expense of the public. The control of food, particularly protective

foods such as milk, fruits, and vegetables, is most essential to safeguard the public health. The deterioration of the standard of living must not be allowed even during these abnormal times.

Price controls of varying degrees of comprehensiveness have long been enforced by all countries. Prices are no longer determined by demand and supply but are arbitrarily fixed by regulative bodies that attempt to approximate what is best for both producers and consumers. A "price ceiling" or "price stop" is provided for most commodities to arrest the rapid rise in prices. Some system of price control has been established in the Philippines at the outbreak of the war in 1939 when the Emergency Control Board was set up to fix the prices of many essential articles especially imported goods, and it succeeded in preventing unjustified price increases. There was no urgent need for price control then, but the disruption of foreign trade at present requires the institution of a more strict system of price control to protect weak bargainers and those with limited purchasing power. Import figures for 1941 showed an increase over the previous year and it is very likely that we acquired a sufficient supply of many articles of prime necessity before the war. Under ordinary circumstances there would be only moderate increase in prices, so that the accumulation of speculative inventories and not real scarcity should explain chiefly the rapid rise in the prices of many goods. Maximum price regulations with the necessary penalties for violation are necessary to curb the orgy of speculation and profiteering and reduce if not eliminate entirely black markets that have rapidly sprung up.

#### ***For Efficiency and Economy***

**P**PRICE control, although undertaken to protect consumers primarily, is also exercised in order to increase efficiency and economy in production. In the Philippines the problem of price control must not only be to prevent price increases but also to check a fall in the prices of export commodities that have lost their foreign markets. The government must fix minimum prices or absorb surplus stocks or stimulate local demand for many export products upon which a large segment of the population depends for its livelihood.

As soon as foreign trade is resumed, the prices of imported goods especially foodstuffs must be kept down by some system of government subsidy as a measure of bringing down the cost of living in the face of small or rapidly dwindling individual incomes. This may mean the sacrifice of the public revenues but the loss can be easily made up from other sources of government income.

What is probably difficult to comprehend in the present system of economic control in the Philippines is the regulation of the production and distribution of goods that could be produced in unlimited quantities. The only tenable explanation is that any system of economic control in order to succeed must be com-

plete and should include all those commodities that have a wide demand and would in some way influence market prices. The price of one commodity is to some extent determined by the prices of all the other commodities, for the income of those engaged in the production of one commodity constitutes their purchasing power that will be spent on other goods that they need but do not produce. Moreover, the trip of a commodity from the primary producer to the final consumer is long and tortuous, and unless it is controlled a long line of middlemen will handle the commodity and exact a high price for their services to the disadvantage of the public. Those who fear that there are too many commodities that are controlled at present need perhaps to be reminded that the price control system in Japan includes the fixing of 100,000 prices of individual commodities.

#### ***Two Sides of Price Problem***

The price problem has two sides, the goods side and the money side. The money side is less understood and harder to control. Monopolization, commodity hoarding and speculation have always developed when inflation, or rapidly increasing prices, is in progress. It is useless to fix prices unless we check demand; but we can not check demand unless we control purchasing power. Wage control, limitation of profits, compulsory saving, anti-inflationary measures and all sorts of devices to check general monetary expansion have been resorted to in most countries. The policy to control demand in this country has not yet been made clear, but definite steps should be taken to regulate the financial and monetary system of the Philippines as a preliminary measure to grapple with this delicate problem. The connection between the quantity of money and the level of prices during war time when conditions of scarcity exist is indeed very close, but the undeveloped state of the banking and monetary system of the country makes it difficult to establish an adequate system of control and should give ground for some concern to the authorities who are in a position to remedy the situation. If we be permitted to utilize this occasion to drop a little suggestion, we would reiterate our advocacy of the establishment of a central bank, the institution that has performed and is performing for all civilized countries the delicate and important function of managing the currency and credit system not for private, but for national, ends.

#### ***Philippines Within Yen Bloc***

**T**HE incorporation of the Philippines into the Greater East Asia Co-Prosperity Sphere and its system of war economy necessitates the synchronization of economic control in this country with the rest of the sister nations with a view to achieving unified action on common objectives. Many countries in the Co-Prosperity Sphere produce similar goods and are endowed with complementary natural resources. Any economic control that may be instituted in the Philippines should take into consideration the

broad point of view of the Co-Prosperity Sphere as a whole so as to avoid unnecessary duplication of effort and competition for the limited productive factors available. Membership in the Co-Prosperity Sphere means also that the Philippines now belongs to the Yen Bloc, so that the Philippines is now on what is known as the Yen Exchange Standard. The Philippine peso is now linked to the yen as it was linked to the dollar and we necessarily have to depend upon the leadership of the financial system of Japan to direct the flow of capital into different industries that are chronically in need of more funds. With the simplification of exchange problems between the different countries of the Co-Prosperity Sphere, our foreign trade will flow more freely into regions that were partly closed to Philippine products before.

Economic control in the Philippines, as I see it, is a part of a new adventure in national discipline in which every body is an active participant for it concerns and shapes our ways of life. It calls for a radical revision of our outlook and attitude towards the material things of life, new patterns of community life, new standards, and new forms of economic activity. We have been accustomed to an economy of relative abundance, a condition that has not always

been conducive to simple ways of life, economy in resources, hard work and efficiency in production. We are now confronted with an economy of scarcity in which many of the necessities of life are barely enough to preserve the minimum of health. Economic scarcity is a condition most favorable for effecting fundamental social reforms for it removes at once the basis of status and social parasitism. For the first time, many of us know definitely the value of saving, the necessity of hard work and the dignity of manual labor, all to the good in the upbuilding of the New Philippines. The stark truth should be impressed on all that after this war each and every one of us has to face a new social order, new ways of doing things with emphasis on group or cooperative rather than individual activity under the leadership of a socially minded government. While the emergency lasts, there is need for economic control to protect the weak against the strong, to forestall commercial exploitation of the masses, fraud and malpractice, to avert hunger and want by a more equitable distribution of the products of industry, to prepare us to live not as a self-sufficient nation but as a useful member imbued with the idea of working towards a common goal of the Greater East Asia Co-Prosperity Sphere.

