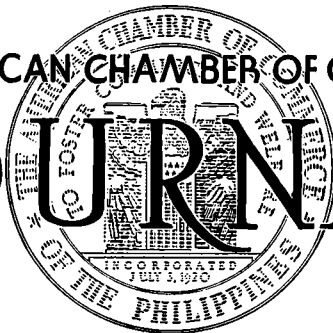


THE AMERICAN CHAMBER OF COMMERCE

JOURNAL



Editorials

“... to promote the general welfare”

HERE on this spot was born a nation that will be adept in all the humanities. Spreading in circles, as when

A pebble is thrown into a morning lake,
Its concepts will cover a continent with a vision of dignity

At last made real. Here a race of men will evolve
That will instruct the world in justice and in love.

A race of men to whom the entire world is a religion,
Whose vessels, laden with much more than cargoes.

Will pass through the seven oceans, bearing with them
The beliefs of all our countries, all our hearts.

From *The Poem on Bunker Hill*
by HARRY BROWN

The American Chamber of Commerce of the Philippines extends its felicitations to the people and Government of the Republic of the Philippines on the occasion of the third anniversary of the establishment of Philippine independence, — on which same day Americans in all parts of the world celebrate the 173rd anniversary of the independence of the Motherland, the United States of America.

The Fourth anniversary of the establishment of Philippine independence, — on which same day Americans in all parts of the world celebrate the 173rd anniversary of the independence of the Motherland, the United States of America.

When the February issue of *Fortune* came out with the article by Dr. Claude A. Buss entitled “Nationalization in the Philippines”, in which he said that “some things are going on there that have U. S. businessmen worried”, the American Chamber of Commerce Journal withheld comment.

The Fortune and Wall Street Journal Articles

Recently (June 17) an article appeared in the *Wall Street Journal* which was more or less the same in the upshot, but bit deeper and therefore created a greater furore.

We realize that readers both here and in the United States would be surprised and would possibly misinterpret the Journal again remaining silent.

In our opinion, both the *Fortune* and the *Wall Street Journal* articles should be considered by us in the Philippines not on the basis of whether the various statements made are the whole truth and nothing but the truth, but on the basis that they are made at all. We should recognize that these two articles embody definite American opinion on matters of transcendent importance to this country involving its entire future development and welfare.

If American officials, though unnamed, and American businessmen are authoritatively reported to be “worried”, then we can not argue about that but must accept it as a fact. What we should do is to look about us to find out (if we do not know this well enough already) what they are worried about and do something about that. We can not remove the worry, the doubt, the mistrust except by going to the roots of these feelings and removing their cause.

The *Wall Street Journal* article was published under the following headlines on the right-hand column of the first page, top of the column, being the leading article in the issue:

**Baby Marshall Plan
ECA-Type Plan to Put
Philippine Islands on
Their Feet is Failing**

**First of Big U.S. Foreign
Rehabilitation Programs is
Now Three Years Old**

Nearly \$1,500 Million Spent

We can maintain that the rehabilitation plan is not failing, we can argue about the exact amount

best, but even the best and the most hopeful friends of the country must accept the truth of the statement made in the text of the article that there is a "bog-down" in the Philippines.

While considerable progress has been achieved, it must be admitted that production and trade still run far below the pre-war norms and that the recovery is not as far advanced as it might and should have been because American capital, other than government funds, has not come into the country in the volume required and this is because. . . .

The Wall Street Journal sums up the causes under the following headings:

The natural "growing pains" or difficulties of a country trying to recover from a serious war and to adjust itself to the exercise of national sovereignty at the same time.

The belief of the Filipinos that if they get into "dollar difficulties", "Uncle Sam will bail them out".

Government "indecision" as to its economic policies and American fear of "nationalization" and a "big government hand in business."

"Over-ambitious" government plans.

We may argue about the relative importance of the causes listed and some may argue about their actual existence, but we can not argue away the American feeling about these aspects of the situation in the Philippines; that feeling exists. And certainly no one conversant with Philippine developments can say there is no warrant whatever for such a feeling.

This Journal has for several years been very frank in stating what we believe to be the American view of the economic policies being pursued and the various legislative measures adopted to implement them. These various policies and laws were and are not all wrong; some of them were and are wise. But there have been some aspects of policy and a number of legislative acts which have created the feeling in United States official and financial circles which both *Fortune* and the *Wall Street Journal*, two of the most authoritative business publications in the world, have now described in terms which can not be misunderstood. And their analyses are backed by the material fact that capital has not come to the Philippines in the volume hoped for and so desperately needed.

The National Foreign Trade Council of New York was recently quoted in the press as stating that the United States "must give 'much more' than its already substantial assistance to the Philippines" and that "the Governments and business committees in both countries can and must cooperate in 'developing a vigorous program for Philippine economic recovery and growth.'"

The Council went on to say:

"Over the years, American enterprises in the Islands have made noteworthy contributions to economic stability and progress there. Changed conditions now exist, but the continuance and expansion of American enterprise in the Philippines would contribute to economic stability and progress there. The efforts of Philippine enterprise would be enhanced. . . ."

"The starting point for development of the Philippine-American program should be intensive consideration of reasons why American capital is not now going into the Philippines. . . ."

"Firm intention to take the steps thereafter required by the Philippine and United States Governments is essential to provide inducements for American private capital investment in the Philippines. . . ."

"Prompt action by the Governments of the Philippines and the United States should remove obstacles to private investment and trade so that Philippine exports and increased

investment of domestic and foreign capital can cover Philippine requirements for imports and economic development."

There we have the answer: Expansion, not limitation, restriction, and discrimination.

Industrialization has become a word to conjure with. Too often we are tempted to think that the industrialization of the economy "Industrialization" will end poverty, solve all our economic and even many of our social problems, and make the country great and powerful.

Grandiose schemes are conceived, and if outside private capital can not be convinced of their soundness, why, then the Government itself will undertake the projects. There has already been an "ear-marking" of hundreds of millions of pesos of the people's money for the purpose, mostly from the currency reserve, and it is planned to borrow hundreds of millions more, — from abroad, if possible, or else from the people here. . . . But have we got it?

Let us remember that a government is actually only what might be called a committee of the people, and that the limits of what a people can do are the limits of what a government can do. If a people are poor, the government must needs be poor. Government borrowing from abroad is generally possible only under special circumstances and under guarantees that the loans will be productive and will ultimately be repaid.

Even when government bonds are successfully marketed, this is, of course, not the end of the matter; they must be serviced and eventually redeemed with money that comes from the people, the tax-payers.

Though government aid is often valuable in initiating new economic enterprise, — in a manner which is likened to "pump-priming" (one throws a little water into a pump to start the suction which will draw the water from the well, but there must be water in the well), the money which a government borrows and then loans or invests ultimately comes from the people. And to paraphrase a statement in the last annual report of the President of the International Bank of Reconstruction and Development. —

Sound investment over the long pull must be based on the willing assets of the saving public, rather than on the power of the tax collector.

The actual long-range effect of a government going into business is not to encourage private enterprise, — as is said to be the aim here, but to discourage it. And government-in-business brings in its train all the evils inherent in political control over what are essentially non-political activities, — the usual inefficiency and wastefulness of bureaucratic organization, and often also graft and corruption; most serious of all, if government-in-business becomes general, it leads swiftly to the destruction of democratic government and the establishment of totalitarianism.

The topic, however, is not government-in-business, but industrialization, whether by government or private enterprise.

As a matter of fact, the Philippines has been industrializing for many years and this movement has in the main been very sound. According to the census reports, there were only some 2000 manufacturing establishments in 1903, with a total investment of