

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

around P36,000,000. In 1918 there were over 4000 of such establishments, with a total investment of P165,000,000. In 1938 there were nearly 140,000 manufacturing establishments (individual and corporate), with an investment of over P356,000,000. Not so much,—but a start.

Our lumber and sugar and oil mills, desiccated coconut factories, distilleries, cigar and cigarette factories, cement factories, gold and copper mines and mills, pearl-button factories,—all these are sound enterprises, established mainly by private capital which carefully felt its way and advanced only with due caution and generally operated economically and efficiently.

These enterprises are all in line with the country's natural products and raw-material resources; therefore they have been successful and are paying off. These industries are not pleading for any extensive government aid, money to be taken ultimately from the people. They are paying their own way. With the exception of the cement factories, they are producing largely for export and are not dependent on local tariffs and other forms of protection for their success. All they ask for is government understanding of their position and that they be not unnecessarily interfered with or taxed to death.

We should understand that the Philippines is primarily an agricultural and raw materials country and that this is our great good fortune. The country is inestimably rich in natural resources,—fertile farmlands, great forests, rich mineral areas. And the country is not over-populated. That means that we are not inescapably compelled to import vast quantities of food, in exchange for which we are driven to manufacture all sorts of factory goods.

If we can be said to be driven at all, we are driven to export, but only from our great abundance, and in exchange only for what in some respects may be looked upon as the superfluities of living. That we are not making the best of our resources,—getting as much out of them as we might for a good life, is another matter.

Our economic status is not a "colonial status" in the disparaging sense. The Philippines is inherently far more independent, economically,—or could be, than many industrialized countries which are small and over-populated and poor in natural resources.

Our position is that which was also, and in a way still is, the position of the United States of America, which remains a great agricultural country though it has also become the greatest industrial country of the world. And American industrialization is based on its agricultural and mineral and raw-material resources,—just as ours here must be if we hope for a sound industrialization.

* President Elpidio Quirino said recently:

"In fundamental terms, our Government, like all other governments in the post-war world, has for its main objective the attainment of self-sufficiency in foodstuffs and a balanced foreign trade wherein the value of imports is roughly covered at least by the value of exports. But, given the structure of our present economy, and the character of our international commitments, we can not and should not, for the time being, depart radically from our accustomed groove of production. It is the pre-war export industries,—sugar, copra, hemp, tobacco, lumber, gold, and base metals, pineapples, and ramie, that we have for the present to depend on. We have to continue rehabilitating these as rapidly and as intensively as our means will allow in order to get the wherewithal to diversify our agriculture, and to establish the light industries that will meet our needs in consumption goods. Under the tested principle of first things first, these export industries for which we have a ready market and existing equipment, or for which we can readily provide capital, labor, and know-how, should receive top priority in our rehabilitation because these industries are the ones capable of giving us immediate national income as well as opportunities for gainful work to our laboring class."

Industrialization should and will proceed here, but it should be allowed to follow the natural lines laid down by the country's own resources. Some of the government projects are sound enough,—especially the Luzon hydro-electric power and the fertilizer-plant projects.

For the present, however, the greater emphasis should be laid on increased production of our established world-staples, rather than on industrialization*.

The easiest, simplest, safest, most natural, and most economical way to prosperity is to increase our production of rice, sugar, copra, hemp, rope, lumber, coconut oil, etc.—not the production of products which can be cheaper and better manufactured elsewhere. The sale of such imported goods here is what enables foreign nations to buy our products. If they could not sell their manufactures here, they could not buy from us what we produce best.

The local market for locally manufactured goods would be small, and it will probably be many years, if ever, before we could compete successfully on an even basis with the United States, the European countries, Japan, China, and India in manufacturing enterprise which would call for large capital investment, highly developed technology, and an exceptionally frugal, industrious, and efficient laboring class.

Our greatest immediate opportunity lies simply in fully supplying the quotas granted us under the Bell Act. In 1948 we were able to fill only one-third of our pearl-button quota and even only one-third of our coconut-oil quota; less than one-third of our sugar quota; only one-fifth of our cordage quota; only one-thirtieth of our tobacco quota, and only one two-hundredth ($1/2$ of $1/4$) of our cigar quota!

Truly, there is no pressing need for a "liberalization" of the Bell Act quotas. What we need is more production under the granted quotas. Greater production will mean a greater volume of exports, which will mean more money coming in, which will mean a better living for all of us, and money left over which will naturally seek investment. Let us look after this type of production and worry about the local manufacture of knick-knacks later, some other time.

Let business attend to business, and let the Government go back to governing. Let our Government tend to what governments are organized to do,—maintain peace and order, administer justice to every man, and provide those few but basic public services which are important to all,—health and sanitation, education, ports and harbors and roads, an honest postal service. All that is enough for any government to be responsible for. Let it regulate, but not seek to direct and control business or go into business for itself, thus competing with and destroying the ultimate source of its revenues.

Let business itself use its brains and energy and capital in those fields in which these may, for the present, be best applied.

And let us give furlough to those few pseudo-businessmen among us who would use political influence and governmental power to establish themselves in protected positions to push uneconomic schemes that would do nothing but harm to the country.