

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.

Merely as a getting together of the representatives of the eleven member nations (Australia, China, France, India, Pakistan, the Netherlands, the Philippines, Siam, the Soviet Union, the United Kingdom, and the United States) and of the seven associate member nations or entities (Burma, Cambodia, Ceylon, Hongkong, Laos, the Malayan Union, and North Borneo), this meeting was supremely worth while. An international meeting of this kind could not have taken place before the establishment of the United Nations organization.

The first ECAFE meeting, held in Shanghai last June, was chiefly organizational, and the first week of the Baguio session was also devoted largely to dealing with questions of membership and organization. The establishment of the associate member category was a wise and propitious compromise. The delegates of rebellious Indonesia were refused seats (though a number of loyal Indonesians were members of the Netherlands delegation). The representatives of Siam, offended when their right to recognition was initially questioned because of the recent over-turn of the government there, walked out and refused to return. Apart from these episodes, the general friendly and cooperative spirit made evident was heartening. The two men who successively were the Chairmen, Dr. T. F. Tsiang, of China, and the Hon. Miguel Cuaderno, Philippine Secretary of Finance, deserve credit for their able leadership and skillful conduct of the meetings. Even the Russian delegation was not too obstructionistic, although it voted favorably on only two of the ten resolutions which were adopted, the delegation generally abstaining.

Of the two resolutions passed unanimously, one, presented by the French delegation, established a new department of statistics which is to engage in the collection and analysis of all regional economic data; the other, presented by the delegation from the United Kingdom, expressed thanks for the "great and generous hospitality extended to the Commission by the Government and people of the Philippine Republic".

The three most important resolutions concern food, industrial development, and trade promotion, respectively.

The first, introduced jointly by the American and Philippine delegations, recommends that the Food and Agriculture Organization of the United Nations formulate the 1948-49 food program for Asia as soon as practicable; that a regional committee on food and agriculture in Asia be set up in which ECAFE would be represented; that a working party be appointed which would visit food-producing and food-short areas in Asia with a view to advising on the food-programing; and that ECAFE, in cooperation with the FAO, invite the member and associate member countries to report more definitively on their reconstruction plans and programs on food and agriculture. The resolution also expresses support of the proposal to establish a Regional Fisheries Council.

A related resolution declared that an appeal should be made to the food-producing countries concerned and to the FAO to consider measures jointly and severally for bringing down to a "reasonable level" the prices of cereals exported to the countries within the regional scope of ECAFE "where such prices appear to be excessive".

The resolution concerning industrialization, introduced by the United Kingdom delegation, calls for the setting up of an ECAFE working party to prepare a report on existing plans for promoting the industrial development in each country of the region, with special reference to the availability of capital and the necessary technical skills, and to formulate proposals based thereon for the consideration of the Commission.

The resolution concerning trade promotion, introduced by the American delegation, recognizes that trade promotional efforts by member governments is an appropriate

activity to facilitate economic recovery and advance, and recommends that the Secretariat prepare a plan for the coordination of trade promotional work among the member governments to be presented at the third session of ECAFE to be held in India next May.

Each of these three leading resolutions was adopted by a vote of 9 to 0, with the Siamese delegation absent and only the Russian delegation abstaining.

Other resolutions adopted included one recommending to the Economic and Social Council the establishment of a Bureau of Flood Control, with particular reference to the great rivers of Asia, and another, addressed to the Food and Agriculture Organization, recommending that in view of the war-devastation and the pressing need for new housing, a Technical Conference on Timber in Asia and the Far East be called for the purpose of bringing about the fullest possible utilization of Asia's great timber resources; standardization of international timber terminology is also recommended.

The Baguio session was opened with an address by the President of the Philippines, and, as he said, —

"The formulation of blueprints for the economic development of our respective countries is a relatively easy task. The real difficulties will be found in the effectuation of these plans."

The chief obstacles, Mr. Roxas said, was the lack of capital, and he voiced an eloquent appeal to the nations "able to help others" not to overlook Asia in helping Europe. The President referred both to altruistic and materialistic or partly materialistic motives, and also to possible political motives in the extension of such aid.

It is to be observed that whatever the motive, there are limits to the ability to help on the part of even the wealthiest nations. It must not be overlooked that the ability to help and to continue to help can be based only on a return from the loans made or the capital invested. Help granted and received on a merely philanthropic basis, on the appallingly large scale "loans" are today being granted and received, would only and inevitably lead to the impoverishment of the more wealthy granting nations and the pauperization of the receiving nations.

In the consideration of these dreary facts, the efforts of ECAFE in promoting a degree of self-help in this part of the world, is vastly refreshing.

In view of the propaganda, chiefly political, still occasionally heard, concerning the alleged "continued exploitation" of the Philippines Re "Exploitation" by the United States through the Philippine Trade Act and the so-called "Parity" (which propaganda is sometimes coupled with demands for the amendment of the Trade Act), there is cause for some satirical chuckles in the recent developments at the conference in Havana of the United Nations International Trade Organization.

At Havana, this "exploitation" was considered "preferential treatment" objected to by some of the other nations represented, and as, for a time, the fear arose here that decisions might be taken at the Conference which might somehow alter the situation, the Philippine Government was quick to protest.

Later, the following press-release was issued at Malacañan, which we quote in full for the satisfaction of our readers:

STATEMENT OF THE PRESIDENT TO THE PRESS REGARDING THE PREFERENTIAL TRADE AGREEMENT BETWEEN THE UNITED STATES AND THE PHILIPPINES

The President expressed great satisfaction this afternoon when he read the statement made by President Truman at a press conference in Washington yesterday, giving assurances that the preferential trade agreement between the Philippines and the United States would not in any way be altered by any decisions which might be made at the ITO

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