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# Editorials

*"... to promote the general welfare"*

**World Assembly President — Romulo**

The almost unanimous election of Ambassador Carlos P. Romulo to the Presidency of the fourth annual session of the General Assembly of the United Nations, is an honor both to the man and the nation which he represents.

He received the votes of the representatives of all of the fifty-nine nations, great and small, except those of Russia and its satellites who gave five votes to the Czeck Foreign Minister, one other, unidentified vote, possibly Yugoslavia's being declared invalid.

Mr. Romulo's election may be interpreted as showing both the esteem in which he is personally held and the respect and goodwill internationally entertained toward the Republic of the Philippines. It greatly enchances this nation's prestige.

May the Philippines hold the respect it has won and go on from victory to victory.

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**The European Currency Devaluation**

The British Government's devaluation of the pound sterling by 30% has met with general approval as a realistic measure which it is hoped and believed will improve the British position in international trade, but no one should suppose that the act resulted from anything else than a bleak recognition of a desperate situation which required desperate resort.

The British action has prompted some irresponsible talk in Manila, — not in official quarters, to the effect that devaluaton of the peso might be a means to meet the situation created by the dollar shortage with would result here if our imports continue greatly to exceed our exports. While the peso is "tied" to the dollar at the ratio of 2 to 1 by treaty agreement and while there are other legal obstacles to arbitrary devaluation, this nevertheless, could be done and would, in fact, be inevitable under certain circumstances, but it must be emphasized that it would be a desperate resort to which a government turns only in extremity.

The devaluation of the British pound was not a matter of choice except within margins of time and the precise degree of the devaluation. It was forced on the British Government by the untenable position in which Britain finds itself economically despite the assistance it has been receiving from the United States since the war. The fact is that though British production has greatly increased of recent years, the total production still runs far below the nation's needs, the position having been worsened by the efforts of the British Government, controlled by the Labor Party, to attempt through various socialistic measures to improve the condition of the British masses to an extent not justified by the present production. This has cost money, — other people's money, and the nation was on the verge of bankruptcy. The situation of Britain has once again shown that a people's general welfare, whatever the will of the government, must depend and can only depend in the long run on their production and not on what they can borrow. Britain *has* to increase its production still further and *has* to increase its exports to pay for its imports. If total collapse is to be averted, the nation *has* eventually to live within its income. And, true enough, this holds true for us in the Philippines also.

The situation being what it was, the British Government resorted to devaluation of the British currency. This means, first of all, and in effect, partial repudiation. People in Britain itself and elsewhere in the world who held pounds or who had investments in pounds suddenly found the dollar value of these assets reduced by a third. It means, furthermore, a reduction in real wages and, in the standard of living in Britain. Costs of production will be lessened and that was one of the effects aimed at because this will make it possible to offer British goods at lower prices and to sell more of them abroad. These lower production costs, however, will be partly offset by the higher costs of many imports used in production and the higher cost of imports generally will also further affect the cost of living.

Devaluation results in still further consequences and complications which reduces its usefulness even as an expedient. Other nations vieing for foreign markets and faced with threatened severer competition from a nation which thus seeks to reduce its production costs and the prices of its exportable goods, follow suit in devaluing their own currencies, and each time this happens the advantage temporarily gained by the nation which first devalues its currency is diminished. As every newspaper-reader knows, the British devaluation was followed by the devaluation of the currencies of a score of other countries. In the present case, however, Britain expected this and even wanted it because its policy is aimed at improving the situation of all the countries within its economic orbit with respect to the United States.

Another consequence and complication which diminishes the temporary advantage gained by devaluation, is the likelihood that the workers of the country or countries affected will demand wage and salary increases to compensate for the decreased purchasing power of their pay and to meet the higher prices of the foreign goods they are dependent upon. There is already evidence that such demands will be made by the British workers.

So, before long, the temporary advantage gained by devaluation may be entirely wiped out and the position will be worse than it was in the beginning unless, in the meantime, production costs have been reduced through greater efficiency of methods and exported goods sell well because they are better adapted to foreign demand.

IT is of the most basic importance in the economic life of a nation and indeed of the whole world, to have a stable currency — stable currencies, affected only by the great time-trends which follow advancing technology and increased production, trade, and consumption and to have also stable rates of exchange of currencies among nations based on the price of gold and the cost of shipping it back and forth between countries as required by their trade balances.

The International Monetary Fund was established after the war principally to stabilize currencies and exchange in so far as this is possible at present, but though the Fund exercises great authority, still even this powerful international body can not fly into the face of economic law. Due to the state of British finances and the trade imbalance, the true value of the pound sterling — in terms of the relationship of domestic cost-price levels in Britain and the United States — had fallen to about its present level long before the British Government took the action it did, and the Fund, in approving the course the British Government took, only endorsed the inevitable. The brutal fact is that the British pound wasn't actually worth what was being asked for it, and that couldn't go on.

These are the facts in broad outline, if somewhat over-simplified, and they should serve to show that we must not talk recklessly of devaluation as a course which may be lightly adopted as an easy, pleasant, and satisfactory remedy for economic and financial trouble.

GREAT Britain did it. Many other nations did it. Why not we? Why not have four pesos instead of only two for the dollar? Wouldn't that double the value of our reserves? Such talk is imbecile.

If the Philippines should ever have to face a peso devaluation, that would not be merely a maneuver on the part of the gentlemen in the Central Bank of the Philippines. It would mean that the country was teetering on the edge of financial ruin. It would mean that the present constructive planning had failed. It would mean a poorer life for all of us for perhaps a long long time.

When the step must be taken, as in the case of Britain and some of the other European countries, we may say that devaluation is good because it clarifies the actual situation, bad as it may be, and because, though at no small cost, it offers a "breathing-spell" and an opportunity for a new start. But let us recognize devaluation for what it is,—a desperate effort to avert a financial and economic, and sometimes a political, collapse.

We should understand that forced devaluation is a natural consequence of a depreciation in the real value of a currency, but that an artificial revaluation, either upward or downward, merely to influence costs and prices and wages and debts, is an attempt at contorting the real function of the currency, which is to "facilitate the exchange of goods and the flow of capital on the most stable basis". Such manipulations are only one manifestation of the belief current in some government circles throughout the world that natural economic laws may safely be twisted to obtain certain ends. The result of this error is seen in Europe today, where the multitudinous government controls of all kinds have only worsened the economies of all the countries affected and made confusion worse confounded.

AS for the possible effects of the present devaluations on Philippine trade, the consensus is that these will be minor, as most of our trade is with the United States and not with the countries in the sterling or "soft-currency" areas. Trade with Britain and other countries which have devalued their currencies may be expected to pick up in so far as our imports from them are concerned; our exports to them, however, may not, for a time, hold their own because of the higher prices buyers there will have to pay for our products in terms of their own devalued currencies. Our export trade with the United States may also suffer somewhat in such commodities as copra, in price if not in volume, because of the lower prices, in dollars, at which such products will be or may become available in the world market. It will take time, however, for those countries whose products compete with ours, to expand their production.

IT is true, in general, that all countries which do not now devalue their currencies are likely to lose sales to the countries which have devalued them, but that is not sufficient reason for them even to consider a like devaluation. For countries which *do not have to* devalue, countries which are relatively prosperous and whose currencies are stable with respect to the U. S. dollar, it would be madness to devalue simply because some other countries have done so and because they may face some export decreases. Such countries are in a position to absorb whatever losses may be entailed in the interest of saving the countries which are in extremity and whose recovery, as in the case of Britain and other European nations, is so necessary to the re-establishment of general world prosperity.

That is why the United States Government scouts all talk of dollar devaluation. The dollar is today the international standard of value and it is important to the highest degree to keep that standard stable, free from even a breath of impairment. If the dollar were devalued, then the only sense there is in the devaluation of some of the other currencies would immediately disappear.

From the shorter point of view, the more prosperous nations are, in a sense, making a sacrifice in thus submitting voluntarily to a more intensive competition from the less fortunate countries. But that is today the price of civilization. It is also proof that in the "high finance" of so-called "capitalism", considerations of sympathy and humanity do enter as well as what has been called "enlightened self-interest". The United States Government is very soundly encouraging the British and the others to sell more to America because, in the long run, that is the only way the United States could sell more to Europe. And when we think of "selling" (and buying), let us think of what that really means: an exchange of needed are desirable goods to the mutual advantage and enrichment.

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**The Dead Hand of Government Control**

Members of the American Chamber of Commerce and businessmen generally, we believe, will be very much pleased with a statement by Mr. Aurelio Periquet, who was recently elected President of the Chamber of Commerce of the Philippines, succeeding Mr. Gil J. Puyat, in the August issue of *Philippine Commerce,* the monthly organ of the Philippine Chamber.

The statement is contained in an article outlining an 11-point program which Mr. Periquet has set for himself as the new head of his Chamber, and comes under Point 7. It runs:

"*Anything that impedes free enterprise is objectionable.* Government intervention has been decreed time and again, whether in this country, in the United States, or elsewhere. One such measure is *import control.* I recall that *we endorsed for approval the law establishing import control as a temporary measure.* While I do not argue on the beneficial effects of the import control, such as the conservation of our dollar reserves, by canalizing the import trade to essential commodities and capital goods and restricting the importation of luxuries and non-essential goods, *the fact of the matter is that we favored it as a temporary measure.* I shall suggest to the Board that we send a referendum to the members asking them to give their opinion as to the *continuation or repeal* of the import control so that we may arrive at a definite stand on the matter."

"Anything that impedes free enterprise is objectionable." That is as sound as it is emphatic. That is the authentic note.

As for import control, Secretary of Commerce and Industry Balmaceda has again announced that further cuts in the imports of "luxuries and non-essentials" are due and will be "substantial enough" to necessitate the observance of "greater austerity" here.

A section of the press having stated that the "American community" now "supports" import control, the American Chamber of Commerce last month deemed it necessary to issue a press statement denying this in so far as the Chamber's representation of the American community is concerned. The statement ran substantially as follows:

"The problems confronting an American businessman here are the same as those which beset the Filipino businessman. Their interests are very much the same. Both are interested in the establishment of a sound Philippine economy.

"Any criticism we may voice is offered as constructive criticism and in a desire to help.

"We are convinced that import restrictions are not a cure and can be only a temporary palliative of the exchange difficulties of this or any other country.

"When import control was first being considered here, considerable opposition was expressed both by Filipino and American businessmen. There was a general belief among them that the problem offered by the excess of imports over exports could best be solved by:

"1. Increasing local food production so that less food need be imported;
"2. Increasing our exports;
"3. Increasing the manufacture of all products which may be manufactured from local raw materials.

"Most businessmen at that time were not convinced that import control was necessary if a properly planned program of increased production were immediately and energetically put in operation.

"The Philippine Government, however, decided that import control was necessary and such controls were imposed. Since that time all American business houses here have faithfully cooperated in the attempt to make these controls work.

"If the situation today is indeed such that it has become urgent that even stricter controls be imposed as a temporary means to conserve our dollar-balance, then no right-thinking businessman, American or Filipino, would oppose them.

"However, even if this were so, there might still be considerable criticism of the methods used, and general criticism of the whole policy will no doubt continue unless all other possible means of balancing our imports and exports are diligently pursued so that the control may be terminated as soon as possible.

"There are two ways in which a country may balance its exports and imports,—one is right and the other is wrong.

"One is to lower the standard of living,—and import control is one means for bring that about. The other and right way is to produce more and to export more in exchange for what is imported, utilizing all possible natural resources and, in our case, especially increasing food production.

"The American Chamber of Commerce always has been and still is opposed to import control in principle. However, the Chamber is as deeply concerned in the financial stability of this country as any other organization, and would cooperate wholeheartedly in the execution of any necessary policies adopted toward that end.

The foregoing was a more or less generalized statement for the Manila newspapers. In this Journal we should like to point out that while, under the present control, whether necessary or not, and with more lines coming under control all the time and with progressively larger cuts, the volume of imports has indeed been reduced, but this "success" has been accompanied by much damage. One of the most untoward effects is that it has become virtually impossible for businessmen to plan ahead except, in general, for still poorer business. The businesses of many importers have already been seriously curtailed, and it would appear that they have nothing to look forward to than still further curtailment.

What normally constitutes around half of the business of this country engaged in foreign trade,—the import business, has been most seriously affected and most deeply discouraged. All thought of expansion has been given up; stability, confidence, much of business incentive,—all this has already been sacrificed to the policy of import control.

In the "Real Estate" column of this Journal last month, the statement was made that "office space shows a growing percentage of vacancies in new buildings, and warehouse space is more readily available than at any time since 1945." And the editor of the column added: *"Office and warehousing space appears to be feeling the effects of import control."*

The policy has reduced imports, and if it is persisted in it will certainly reduce imports still further, but this will be at the cost of the failure of many businesses and the loss of their jobs by thousands of our workers.