

country would probably tire very quickly of import control if it is not actually opposed to it already. There never was any public demand for the measure, and the artificial shortages and the further rises in prices to which it would lead, would certainly not be popular. The people's feeling in regard to this might make itself felt in the elections.

Even if we thought the best of import control, what would be the sense in setting up intricate and expensive bureaucratic machinery for the purpose of this control, for the sake of what little if any good that might come of it within the brief period of a year?

However, this Journal and the business community as a whole has held from the first that no good would come of such control and that, on the contrary, it would do the Philippines much harm. This is all the more true as the terms "luxury" and "non-essential" are not defined in the law and as it developed that the advisory Import Control Board included under these heads many articles which are not generally regarded as luxury or non-essential goods.

Our accepted system of economic enterprise is a dynamic and self-regulating system to which extensive government controls are unnatural and abnormal. Import controls are generally resorted to only in exceptional times, if then, as a physician resorts to glandular therapy when a dangerous imbalance exists in a patient. As Mr. Most said in his article in last month's Journal: "Import control is strong medicine and one taken only by a sick country".

There is no real lack of balance in our foreign trade and the fact that our visible imports have exceeded our exports since the war is entirely natural, even fortunate, as we have pointed out in past issues of the Journal. Equally natural and satisfactory is the fact that our exports have been rapidly increasing and our imports proportionately decreasing. A more even balance as between the visible imports and exports will come of itself in due time. An arbitrary reduction in certain imports is neither necessary nor would it be healthful. The Philippines is not a sick country, at least in this respect, but the import control medicine would make it sick.

The projected import control would be most unwise for various reasons which we have pointed out from time to time, but principally so because it is always dangerous to tamper with the great and powerful and beneficial economic laws of supply and demand which give our system of individual free enterprise its dynamic impulsion.

The whole of the economic energies of a country are normally devoted to increasing production and increasing domestic and foreign trade. It is from that that advancement and prosperity spring. How truly mad it is to seek to retard, check, and block this energy and impetus in any way instead of giving it every encouragement. Checking exports is like holding a man back from his work. Checking imports, even so-called luxuries and non-essentials (rarely really so), is like reducing a man's diet and taking away from him other things he needs for his work and living.

The whole "idea" of economic enterprise is more, more of every good thing; not less.

Dr. Frank Waring, Chairman of the War Damage Commission, recently returned from a visit to the

United States, delivered his remarks to the Advertising Club of the Philippines too late, unfortunately, for their publication in this issue of the Journal. We wish, therefore, to call our readers' attention to their publication in full in the Manila Daily Bulletin for December 7 and also to an editorial in the same issue, commenting on Dr. Waring's remarks, entitled "Fair Warning".

Among other things Dr. Waring said, was the following:

"While in the United States, I talked with officials of three large reputable and responsible American firms. Independently, these officials told me that their firms had considered the possibility of establishing sizeable branch plants in the Philippines with the intention of not only serving the domestic market, but also of utilizing Manila as a distributing center for the Far East. In each case these firms have decided against the proposal, and, although I argued to the best of my ability, pointing out the economic opportunities, they remained obdurate."

Earlier in his speech, Dr. Waring had said:

"In a previous talk referring to American investors, I said, 'these bankers and business men believed that, in addition to favorable opportunities, investors would require a favorable political climate in which the seeds that they sow could prosper and yield a mutually beneficial harvest'.

"And what is the political climate today? Upon my recent return from the United States I found public statements by three friends of mine which have caused me concern and given me food for thought. One spoke of the necessity of 'economic self-sufficiency'. Another referred in complimentary terms to the encouragement of 'economic protectionism'. A third stated that 'we are determined to wrest the bulk of our trade from alien hands'. And in the October issue of the journal of the Chamber of Commerce of the Philippines there appears an editorial and an extensive article urging the revival of the National Economic Protectionism Association...

"Economic protectionism has an unfortunate connotation to those who might consider investments abroad. It usually means uneconomic interference with the normal and profitable channels of trade..."

Dr. Waring stated that he concurs with the views on import control which the Advertising Club recently expressed in a letter to the Secretary of Commerce. "It would seem", he said—

"that it would be unnecessary to impose quota restraints upon imports if attention were given to the expansion of exports and the establishment of industries for domestic consumption which, if soundly conceived, would reduce the demand for imports. Should it nevertheless be deemed wise and expedient to reduce the volume of imports of luxury goods, this could be accomplished by the imposition of internal excise taxes. If this were done, imports would be decreased because of the higher costs and, to the extent that these luxury goods were sold, government revenues would be enhanced. Moreover, the advantages of free competition would still be maintained and the government would not be placed in the embarrassing position of attempting to determine what firms would be permitted to remain in business under a quota system. You may be interested to know that your views are shared by the members of the Philippine Committee of the San Francisco Chamber of Commerce before whom I spoke last month..."

As to Dr. Waring's speech, the Bulletin stated, in part:

"It was not a political speech. It contained no platitudes, no flowery and meaningless compliments, and was not intended to gain wide popular approval. But it would take a purposeful twisting of the presented facts and a deliberate misrepresentation of the speaker's attitude to interpret it as

anything but a fair, sound, and friendly warning to the people and the Government, in their own best interest... These things require serious thought. Something is obviously wrong with a policy of inviting sorely-needed development capital with one hand and repelling it with the other."

It is a far cry from Abyssinia to the Philippines, and we would not wish to argue that what may be good for the Abyssinians would necessarily be good for us here, yet a Reuters' dispatch we recently read gives one to think.

Abyssinia, faced with growing economic and financial difficulties since the close of the war, may, according to the report, shortly accept an offer by a private group of American financiers to invest around \$100,000,000 in developing the industries and agriculture of the country. The offer was made in June of this year by the so-called Stettinius Financial Group, a body sponsored by Mr. Edward Stettinius, former U.S. Secretary of State, after a mission of experts had toured the country for nearly two months. The mission was invited to Addis Ababa by the Abyssinian Vice-Minister of Finance when he visited the United States last year in the hope of obtaining an American government loan.

Details of the report have not been made public, but, says Reuters', are understood to include the following points:

"(1) The Stettinius group is ready to invest about \$100,000,000 to develop the country's agriculture, industries, animal husbandry, mining prospecting, etc;

"(2) The group will recruit its technical and administrative personnel, estimated to number 2,500, from the United States;

"(3) The group is to have complete control over its program;

"(4) The group is to be exempt from the provisions of the Abyssinian law prohibiting the acquisition of any landed property by foreign nations;

"(5) The group is to receive adequate facilities and protection for its investments, these facilities to include:

"(a) Its own armed protection so that its work, especially in the interior of the country, is not hampered by the activities of native tribes; and

"(b) Management and complete control, with American personnel, of the Abyssinian customs and revenue."

"It is not known whether the plan has a time limit, but the fact that the Mission is reported to have turned down a proposal by the Abyssinian Government to allow it landed property on the basis of a 99-year lease instead of buying it, indicates that it is a long-term plan.

"For the past few months, the Government has been studying the report and considering the offer. At the same time, the Stettinius Group in New York is known to be considering certain Abyssinian counter-proposals."

These requirements, if they are correctly given, are pretty stringent, but \$100,000,000 is a lot of some

people's money. The members of the group probably think that the inherent risks are already so high as not to warrant the taking on of political risks in addition,—at least, such political risks as may perhaps be avoided.

One may deduce that the money must be pretty badly needed, and one may conclude, also, that a great deal of good might come to Abyssinia as a result of its investment even on such terms. Both the group and the Abyssinian Government would or should be interested not only in expending and in receiving the money, but in securing its expert, honest, and mutually profitable investment, and the offer may outline the only feasible way to insure this.

But that such terms can still be proposed in certain parts of the world shows, too, what we in the Philippines are up against in "attracting" necessary capital. It is something that can not just be done with a genial smile.

It seems that America is through, for some time to come, with easy investment bank loans, with bonds insouciantly shifted to a gullible public which, in the end, bears the heavy losses of money recklessly or crookedly passed out. Investors want to make sure that their capital is *invested*,—not misused, wasted, or stolen.

As we and all the people of the world tensely watch the great drama unfolding in Europe,—centered for a time in Berlin and now in Paris, it is very necessary for us to understand and to hold ever in mind that the conflict is not basically between any of the following:

- The World Issue**
- (1) Democratic and communist ideologies;
  - (2) The capitalist and communist economic systems;
  - (3) Russia and its satellites and the United States and its Allies;
  - (4) American and Russian imperialism.

The conflict is neither basically philosophical nor materialistic; neither geographic nor strategic; neither national nor imperialistic.

Such aspects present themselves, but the conflict is basically *political*,—political in a practical and real sense, very close to all of us; closer, perhaps, than the next elections.

It is a conflict between human freedom, its spirit and institutions, and despotism and all its iron machinery; between two systems, the one representing democratic liberty and the other totalitarian tyranny.

As such it is a world conflict, — in which the security and happiness of all mankind is at stake.

—O—

"The coldest of all cold monsters. And coldly it lieth; and this lie creepeth out of its mouth: 'I, the State, am the people.'"

Nietzsche

"The willing surrender to the State of prerogatives of a free citizenry constitutes one of the most serious threats to human progress and achievement since the Industrial Revolution."

National Foreign Trade Council (New York)