

"extensive". Nevertheless, he declared, he would still welcome and encourage the expansion of such companies because, in any case, "it would take a long time to develop our oil deposits".

The President also referred to the "Parity" amendment to the Philippine Constitution which provides that the development of the country's national resources as well as the operation of public utilities shall be open to American citizens and business enterprises until the year 1974. He said that he had asked Mr. Parrish just before the ceremonies whether his Company would not be able to take advantage of that amendment, but that Mr. Parrish had said that the "period was too short".

"Perhaps that is right," said the President. He added:

"But if we were ready to approve the Parity Law, it was because we wanted Americans to come as soon as possible and enjoy a common enterprise to develop this country..."

We do not know upon what information the President relied in making the statement that Philippine oil deposits are "extensive", and we doubt that authoritative data on this important point is as yet in existence. Exploratory work is still going on and no considerable oil flow has as yet been discovered to our knowledge. A STANVAC subsidiary organization has shared in this work of exploration in the past and there is every reason to believe that the presence of STANVAC in the Philippines, and the development of the distribution aspect of the oil industry here would tend to encourage rather than to discourage efforts to obtain oil locally. This would greatly reduce the cost of transportation and there are other markets for the oil now being imported here.

The real discouragement to American oil development is, as Mr. Parrish told the President, the fact that the privileges extended by the Parity Amendment will expire within little more than twenty years. There are, furthermore, other discouraging factors operative in the Philippines which were described in some detail,—as it happens by Mr. Parrish himself, in an article in the December issue of this *Journal* entitled "Deterrents to Foreign Investment".

If only there could be an effective implementation of the views of the President as he further expressed them in his remarks on this occasion,—that association with those willing to cooperate with us in the development of the country should be welcomed, that equal protection of the law must be assured, that past prejudices must be revised, that a more positive outlook must be adopted!

The distinguished American businessman and Chairman of the United States Council, International Chamber of Commerce, George A. Sloan, was recently quoted as stating the following on the subject of economic nationalism:

"Countries that practice economic nationalism, where attempted self-sufficiency reduces trade with other nations to a minimum, are directly inviting inefficient, unhealthy production and a low standard of living. Yet economic nationalism is often invoked as the only method of safeguarding feeble economies from international bankruptcy. Such invocations place the cart visibly before the horse. Thus it is reassuring to note the extent to which the principle of international cooperation has been translated into practical measures in the operation of the Organization for European Economic Cooperation (OEEC), the European Payments Union (EPU), and the North Atlantic Treaty Organization (NATO).

"Finally, and this is most intimately related to the activities of OEEC and EPU, there is the Economic Cooperation Administration (ECA) program. ECA, as administered at first by my distinguished colleague, Paul Hoffman, and more recently by his successor, William Foster, has been of tremendous aid in postwar reconstruction. But reconstruction in most of the war-ravaged countries is now coming to an end. Construction is a more appropriate term in describing the big job ahead.

"We must be prepared to give new life and new meaning to the doctrines of economic internationalism which will assure the support of fair-minded people everywhere..."

"Our unrelenting work for a free and expanding world economy will provide a better life for millions of peoples. Individuals want jobs, happy environments in which to live, and an opportunity to develop. Business leadership with realistic understanding and cooperation from government is needed for the attainment of these goals. To this end we must work with other businessmen; we must work with governments; we must work with labor and agriculture; we must work with educators.

"The way in which businessmen accept the challenge may well determine the fate of civilization and freedom for decades to come."

Can a government try to do too much?

In suggesting a cure for Great Britain's recurrent balance of payment difficulties, **Can a Government try to do too much?** the authoritative *Monthly Letter on Economic Conditions and Government Finance*, published by the National City Bank of

New York, the basis of the suggested cure is taken to be the diagnosis that—

"Like most other countries today, she [Britain] is trying to do too much. At the same time that the Government is superimposing rearmament upon an economy already operating at full employment, it is pouring out money for housing, and fostering high civilian consumption by food subsidies and other expenditures of the welfare state. The result is an inflationary boom, with its accompanying rise of wages and prices, which is reacting in the classical manner on the balance of payments by encouraging imports and discouraging exports."

The *Letter* referred to is that for the month of November, put out shortly after the elections in Britain, and a manifesto of the Conservative Party (which won the elections) is quoted as saying in part: "We do not believe in an egalitarian society centrally planned nor in an economy dominated [either] by state monopolies or private combines". In the same manifesto, the Party promised to "do everything possible to stimulate production at home and to expand exports". There may, therefore, be an improvement in the British position before long.

The National City Bank *Letter* stated:

"In seeking the cure... a first step is to analyze the nature of the disease. The very suddenness of the plunge into the red, coming just at a time when the dollar gap appeared to be closing and sterling area monetary reserves were recovering, calls particularly for explanation. As usual, several factors entered in.

Among these factors, the *Letter* points out were (1) the outbreak of the Korean war and the consequent speeding up of rearmament and the bulge in raw material prices forced up the volume and cost of British imports, and the volume of exports failed to keep pace; (2) bad timing of stock-piling purchases,—too late and at top prices (another example that government planners are by no means as infallible as they are sometimes represented to be); (3) the loss of Iranian oil increased the need to spend dollars; (4) the crisis and the accompanying apprehensions tended to accelerate the dollar drain...

"However," states the *Letter*,—

"with due allowance for these special and in some cases possibly temporary factors, it would seem that other and more fundamental factors must be sought. One of the lessons of economic history is that chronic balance of payments difficulties can almost invariably be traced back to inflation. With internal purchasing power expanded too rapidly, the natural effect is to attract more imports, while at the time increasing the demand in the home market for goods that might otherwise be exported. Indications are that Britain is another example." (*Italics ours*)

The remedy, concludes the *Letter*, is clear: "It is government and private retrenchment... Produce more, consume less."

All the foregoing is interesting as an aid to understanding Britain's position, but it is of greater importance to ourselves as an aid to understanding our own position. The Philippines, too, has for a long time suffered from inflation and from the Government trying to do too much.