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The Margin Act

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the Scriptures made by a group of Protestant scholars headed by J. M. Powis Smith and Edgar J. Goodspeed. It was entitled *The Bible, An American Translation*, and did not contain the *apocrypha.* However, in 1939, another edition appeared bearing the significant title *The Complete Bible, An American Translation*, which did contain them. In his preface to the section containing the *apocrypha*, Goodspeed points out that these books had always formed part of the traditional Christian Bible, and that it is only since 1827 that British and American Bible Societies have been omitting them.

The trend to put the deuterocanonical books back into their printed editions of the Scriptures does not mean however, that Protestants are beginning to accept them as part of the Bible in the same sense as Catholics do. For Catholics the seven books are inspired and canonical. Protestants resolutely deny both their inspiration and canonicity, and continue to regard them as *apocrypha.*

Nevertheless, the signs are encouraging.

The restoration of the so-called *apocrypha* to the Christian Bible may facilitate the publication of an edition which would be acceptable to both Protestants and Catholics alike; and that in turn might prove to be an initial, practical step towards the realization of the much-discussed and ardently desired Christian unity.

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The Margin Act

These comments will be confined to the immediate effects which can be expected to follow upon the law authorizing the Central Bank to establish a margin of not more than 40 per cent on sales of gold and foreign exchange for the purpose — as stated in the act — of curtailing "excessive demand upon the international reserve."

The problem underlined by this act is our chronic shortage of foreign exchange. The problem might conceivably be solved in two ways. First, we might attempt to get more foreign exchange: earn it, borrow it or attract it in the form of foreign investment. Second, we might try to use fewer dollars. This act follows the second line of endeavor rather than the first.

The law gives producers for export no new incentive to earn more foreign exchange. It still requires them to sell whatever dollars they earn at the sacrificial rate of 2 to 1.

Nor does the law strengthen our chances of getting large international loans. Under the imaginative direction of the Swedish banker, Per Jacobsson, the International Monetary Fund stands ready to relieve precisely the kind of foreign exchange shortage from which we suffer. But the Fund requires first that a country take steps to put its money in order, because uncorrected monetary disorders make futile the efforts of the IMF to be of help in stabilizing the economy. It is too bad that the Administration has not seen fit to make public the recommendations regarding monetary reform made several months ago by a team of IMF investigators. The object of such recommendations would be the eventual lifting of exchange controls and, therefore, full revaluation of the peso. The margin act does not at all conform with such an objective. Consequently we can look for no help from the Fund. Other foreign lending agencies tend more and more to follow its lead. Indeed, once Per Jacobsson is convinced that a country can make good use of a loan larger than the Fund can afford, he sees to it that the money is raised from other sources. In 1958 the Fund raised $358 millions for Argentina, $59 millions for Peru, $359 millions for Turkey, not to mention $655.25 millions for France. But in all cases the Fund required that the borrower take adequate measures to stabilize the internal value of its money by curbing inflation, and to move toward foreign exchange decontrol by the realistic revaluation of its currency. Help can be gotten; but we must dispose ourselves properly to get it.

The act does not help us, either, to attract foreign exchange in the form of foreign investments. On the contrary, the act has added to capital's insecurity and flight. It does not take a final step, only a preliminary one. Other steps will follow. The effective margin will be raised from 25 per cent to 40 per cent. Eventually, official acknowledgment of the true value of the peso in international markets is inevitable, — full devaluation. If there were no other discouragements to foreign investment, this postponement of the final adjustment of the peso would be enough to persuade foreign capital to stay away.

Though the margin law will not get us additional foreign exchange, will it perhaps solve our problem by making foreign exchange dearer and forcing us to use fewer dollars? (The direct effect of the 25 per cent margin is to raise the purchase price of the dollar to ₱2.50 to $1.) Obviously, our economic well being cannot be gotten by using less foreign exchange. One necessary condition for the continued growth and economic development of the Republic is the expenditure annually of larger and larger sums of foreign exchange. It is impossible to think of a single business which can be operated here entirely without imported goods: equipment, fuel, spare parts, material. Therefore, the effort to solve our problem by using less foreign exchange is foredoomed to failure. Indeed, the mere endeavor to hold expenditures of foreign exchange at present levels—without reducing them—develops into a vicious circle. Because dollars are scarce, allocations are not increased, e.g., for the importation of petroleum or of means of transport. Yet the population of the country and its labor force continue to grow at a rapid rate; every year there are more mouths to feed, more hands to employ. But business is kept from growing apace; it is held in rein. All business is retarded, including such dollar earning businesses as mining, lumbering, the processing of coconuts and the canning of pineapples. These can earn more dollars only by spending more dollars. The vicious circle tightens around us: shortage of dollars, rigid allocations, straitened business, shortage of dollars. The margin law is certainly not the way out of these choking restraints.

Meanwhile the dollar remains a big bargain for all who manage to get exchange allocations: despite the shortage of dollars, we continue the "give-away". As a result the pressure on the reserve is not reduced. Barter continues to offer gains not held out by dollar trading. Ingenious traders take infinite pains to invent legal ways to circumvent the use of dollars and manifest infinite patience in awaiting the approval of bureaucrats. Smuggling continues to be as lucrative as ever. Filipinos earn a large but uncalculated number of dollars which never find their way into the reserve. Exports are systematically undervalued, imports overvalued, and dollars—in the phrase of the day—salted away abroad. (As a result our official statistics misrepresent the terms of trade.) The illegal market in dollars is active and so well organized that an informer's murder in Manila is decided in Hongkong. The handsomest rewards go to wrongdoers while conscientious businessmen struggle for survival. Capital in countless illicit ways, big and little, gets out of the country and stays out. These are all effects of the uncorrected overvaluation of the peso.

Some rises in costs and prices are to be expected as a result of the higher price of the dollar, yet there appears to be no danger of a cost-push inflation. These rises are not accompanied by a corresponding increase in the supply of money.

On the positive side one can evaluate the law as a means of raising government revenue. Really, it is a revenue measure skimpily dressed up as a monetary law. The government is in sore need of funds; its budget is out of balance and it can no longer finance its deficits by floating bonds. Temporarily the Central Bank can retire from circulation the funds collected through the 25 per cent margin. But early in 1960 the revenues will start to flow into the public treasury—and out again. Nonetheless, the revenue from the margin tax will be more than enough to balance the budget and thus dry up our chief source of inflation. Too bad this good end was not gained by a good means.

MICHAEL MCPHELIN