

New National Economy

Chairman Roxas of the National Economic Council has practical ideas on the course future economy of the Commonwealth should follow.

Manuel Roxas with a good record made on the Mac-Murray joint Philippine-American commission whose formula for separating the Philippines and the United States without leaving the Islands flat will probably reach Congress, resigns from the Assembly and takes the chairmanship of the National Economic Council with ideas that are potentially practical. His offices are the former offices at the Legislative building of President Quezon when head of the oldtime senate; he has P7,000,000 for it, and has begun with a staff of seven men but will add part-time men from other offices until the staff is equipped more or less adequately for its vital undertakings.

The public receives the Roxas appointment favorably, thereby making it incumbent on the man to succeed. But the public should know, what Chairman Roxas has already learned, that the lack of reliable data as a basis of accurate study of most any project suggested is nothing short of astonishing. This makes it necessary to make haste slowly, in many instances; at least it is reassuring that this is Chairman Roxas's prudent attitude. The man searches for men, of knowledge, character, and stamina, and for basic facts. He will be materially accommodated by the new census, when that is available. One of his puzzles is Manila hemp, for example. An appropriation (not yet released) of P11,000,000 stands in the books to do something beneficial for hemp. The question is, just what will prove to be practical to be done. Can anyone assure Chairman Roxas that if hemp were bought above the market and warehoused, i. e., sterilized for the time being like a bulk of gold owned by the mint, that the market would rise and that this hemp could be fed back in it without a loss?

There might be no rise in the market, or very little, but more production; and in that case the experiment might fail of its purpose and the government might be left with an appreciable loss. (We discussed hemp last month, and in this issue the reader will find the 1937 report of the British North Borneo Company, where hemp is a recent item.)

A few posers to which Chairman Roxas seeks correct answers: 1) What is the current average wage in the

Commonwealth? 2) What is the current national income? 3) What is the actual population? 4) What is the average family income? 5) What is the actual production of any crop not an export commodity? 6) How much rice is really grown? 7) What is the yearly consumption of rice? 8) How large is the average field of rice cultivated by one family? 9) What is the production cost of a unit of any crop? 10) What is the cost of living here?

This list of ten pertinent economic inquiries gives only a hint of all the information, now lacking or dubiously accurate, that must be gathered, verified beyond doubt, classified and kept accessible.

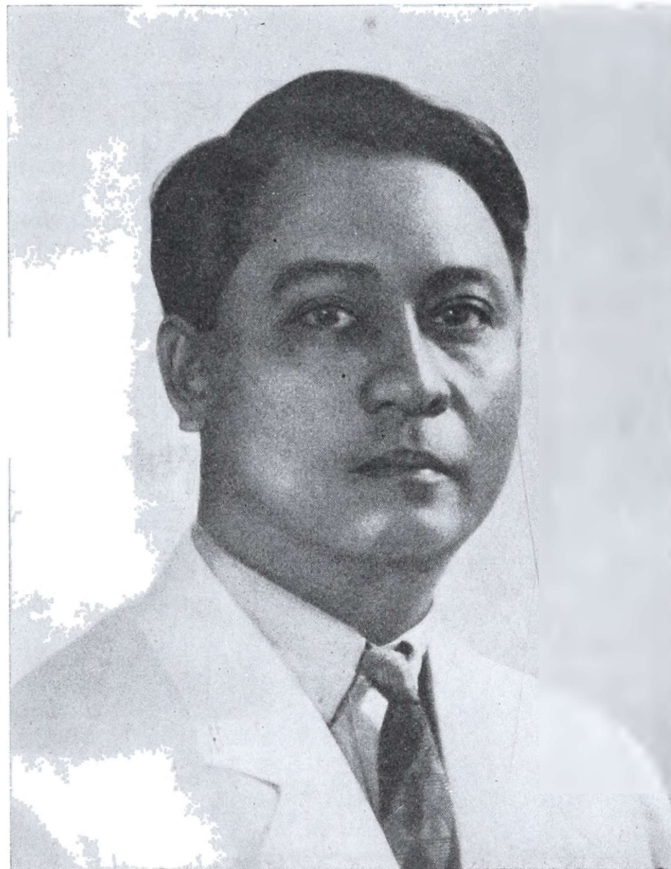
Some of the current assumptions may be given.

A chart in Chairman Roxas's office says current wages average 85 centavos a day, there is not much to back it up. It is hoped to get wages up to the average of P1.20 a day by 1949, and level them off at that point. If this is done, basic living costs can not be much disturbed. Really, the question of the common diet needs going into; simple and often skimpy, there seem to be hidden inadequacies in it in certain of the provinces at least—else how do a million persons persist in living in Cebu.

The Roxas commission will step up all necessary scientific work of this sort: how things are produced, at what value and profit if any, how the producers live, and their prospects for keeping old markets or getting new ones.

There is a chart at Chairman Roxas's office relating to production of natural wealth. No accuracy is claimed for it, put it down at best as an approximation. It says that farm products next year will have a value of P425,000,000, a value of P775,000,000 in 1960. Manufactures next year will run to P326,000,000, and up to P452,000,000 in 1960. The moderate spread during 20 years is to be noted in connection with Chairman Roxas's determination to do nothing very detrimental to American imports or to raw-products markets overseas, as in the United States. He feels that agrarian prosperity is at the base of a sound national economy for the country. In the same chart, forestry products

(Continued on page 15)



HON. MANUEL ROXAS

The Manila office of the Chartered Bank now occupies the first storey of the new S. J. Wilson building on Juan Luna. The premises are imposing, and compare favorably with offices of the Chartered Bank anywhere else in the world.

New National . . .

(cont. from page 7)

next year have a value of P112,000,000, a value of P150,000,000 in 1960. Aquatic products have a value of P102,000,000 next year, a value of P144,000,000 in 1960. Mineral products have a value next year of P75,000,000, a value of P320,000,000 in 1960. Keep it in mind that all these values are tentative; the valuation of minerals no doubt anticipates a rapidly expanding gold production together with expanding production of base metals led by iron.

Coal is a possibility among the minerals. Iron exports hinge materially on Japan's keeping hold of iron ore regions of China, since Japan is the sole buyer of Philippine iron ore.

Chairman Roxas approves the textile mill founded by the National Development Corporation. It can turn out cotton yarns, and might make cotton staples such as crude muslins not competing decisively with textiles from the United States. We gather that Chairman Roxas would not oppose a temporary customs duty giving such an industry reasonable protection, but that existing duties may be high enough for that; on the other hand, he would look askance at outright and permanent protection, eliminating a necessity for the highest efficiency. Similarly, he approves the Development company's fish cannery at Guagua, Bulacan. In connection with cotton milling and spinning, he thinks it possible that farmers might grow such cotton as the mill requires.

Diversification of crops and common-sense subsistence farming are projects very much to the fore in Chairman Roxas's studies. For this reason, the religious estates engage his attention.

First plans were for the Commonwealth to buy the religious estates and parcel them out to tenants at prices paid slowly, in annual installments. This was changed in the Assembly, at President Quezon's suggestion. There is now authority from the Assembly to lease the estates for 25 years, with option to purchase at an agreed price. Influence of Chairman Roxas is visible here, in that he thinks that what the estates most lack is experienced management and a degree of cooperation among the tenants. He finds that rice employs the land less than 4 months in the year, he hopes to introduce other crops during the remaining 8 months, through cooperation.

Management is the first concern relative to the estates. Next comes credit to tenants such as a planter gets, say at 5% or 6%. Cooperative warehousing is associated with this, there is no reason why the estates should not have common stor-

age places, and rice stored as paddy at such places is a sound basis of credit. Chairman Roxas hopes that cooperation will prove practical to the point where a family will handle 10 hectares, instead of some 2-1/2 hectares as a present, and with the larger tract, better farmed, will really gain a decent living. If good plowing can be introduced, for instance, a power plow can be bought cooperatively that single farmers can not afford; and if a tenant is indisposed at the season for plowing, still his plowing can be done for him and he can be charged with it if the fault is his. It is much the same with threshing, a threshing rig may be cooperatively owned and kept up at a charge of 1% of the crop, a saving of 6%.

A rice mill adequate to the uses of an estate is another step, that the tenants shall have the bran as well as the lowest milling cost. The bran should be useful for poultry and swine, and a crop of corn to fatten both hogs and chickens might fit into the seasons, on some of the land at least, while a cooperative dairy, the milk from carabao cows used on the estate, is not wholly out of the question. All this hinges on the resourcefulness of the management. Through the agency of the National Economic Council, the Commonwealth is out to discover first rate men to be in charge of such projects.

Without capable men, the projects are visionary; with capable men they are entirely practical.

But if land that has been employing four families falls to one family only, the three families displaced present a problem.

To this problem the rich public lands of Mindanao are the adequate answer. Chairman Roxas has his keen eye on them. It is his idea that Mindanao can be settled with subsistence farmers, but not haphazardly. The effort must be cooperative,

with direction given it by the Commonwealth. Communities must be founded, rather than individual farms; and in much the same way as a discouraged estate on Luzon is revived, through credit to tenants and by means of cooperation among them in tasks and undertakings individually impracticable, cooperatively feasible, immigrant communities will be settled in Mindanao. All of which enters into the anticipated increase of value year by year of agricultural production. One plan integrates with another. Beyond is the anticipated growth of population, with everything heading up to 1960, under the MacMurray commission plan, when the country goes on a basis entirely independent of the United States.

Plain sailing for the Roxas commission can not of course be expected, unforeseen difficulties are bound to appear. But there is surely little to criticize in the conservatism with which Chairman Roxas begins his work, and the common sense with which he tries to inform the commission's judgment. It is favorable that the population grows rapidly. The commission puts it at 15 million now, and 20 million in 1960. We still wager that a correct census will make it 20 million now, or very near that, and that the steady gain of approximately 2% a year will add 8 million during the next 20 years. This means that domestic markets will be increasingly significant in the country's commerce, while production for overseas markets may also rise, and that additional plans for domestic manufacture for domestic needs will become feasible.

The scope of the National Economic Council's interest embraces all public works, such for example as new road systems in Mindanao. Chairman Roxas speaks of economic roads. These he opposes to highways merely connecting one

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town with another, one region with another, and defines as little roads built for the cheaper transportation of products to the highroads whence they will finally wend their way to central markets or seaports. He embraces such roads in his cooperative plans for the estates, and for new communities in such an island as Mindanao. If you have ever been in Lipa, Batangas, you know what he means. You reach Lipa from Manila by an excellent interprovincial national highway, but you see at Lipa's market men on ponies, with ponies led behind them, the ponies burdened with bundles of hemp stripped in the mountains of distant villages: there has been no other way to bring this hemp to market, and this is an expensive way.

Well, where is all the money to come from? There will be enough, but it is hoped to effect many projects in cooperation with private investors, or even that private initiative will undertake the projects alone. However, if our impression is correct, there will be no delay for private capital to move once the commission is convinced that a project is sound. The source of funds is the excise-tax returns from Commonwealth products sold in the United States: the tax on tobacco and tobacco products, alcoholic products, the 1/2 cent per lb. on sugar, the 3 cents a lb. on coconut

HE CHOSE HIS OWN COUNTRY

President Pedro Campos of the Bank of the Philippine Islands has his bank on a 6% a year basis.

The oldest chartered bank operating in the Far East, Bank of the Philippine Islands dates eighty years ago and was born of a royal Spanish charter under which when America took over from Spain it enjoyed the exclusive right of issuing money. Without this power, it has since been regularly rechartered by succeeding governments as terms of older charters expired. It has weathered bad times, profited during good times, and an unbroken history of banking

oil and oil content of copra. All this makes an ample fund. A chart covers it, but is only an estimate at best and could readily be misleading if quoted in detail. Besides, such arrangements are peculiarly subject to changes by Congress. But the prospect is for money enough, the graver question is sound projects based on sound data, and capable men.

usefulness has long been assured it. Pedro Campos was made its president at the annual meeting in February 1932, and has since that time been reelected annually. In 1933 he upped dividends at the bank, paying 3% for the year, 2% in 1934, 4% in 1935, 4-1/2% in 1936, 6% in 1937, and 3% for the first half of 1938.

Earlier in his service with Bank of the Philippine Islands Campos managed its Iloilo branch, and had been in charge of its foreign department at Manila after that. His banking career began with one of the foreign banks, and when a young man he changed over in order to reach executiveship if he could. Thus he threw his lot in with his country's at a period when the country was very much under-capitalized and local banking was by no means easy-going.

From the beginning of the American period, however, Bank of the Philippine Islands' potential importance was well recognized by the central government. Under Taft's encouragement it was reorganized and its resources amplified with public deposits with the direct aim of reviving the then much depressed sugar industry, and its charter made provision for agricultural loans to effect this objective.

Bank of the Philippine Islands has kept along the same course ever since, its business in sugar remaining important. It is also the bank that facilitated reorganization and refinancing of Benguet Consolidated 28 years ago, a notable feather in its cap because of the subsequent miraculous earnings of that gold property at Baguio.

John S. Hord was the president of this bank whose administration 1910 to 1918 made it sound and modern. (Carl G. Clifford, now the secretary of the Chamber of Commerce, was then secretary at the bank). Mr. Hord was succeeded by Eliseo Sendres, 1918 to 1922. Sendres now lives in France, retired from business, retaining however his Philippine investments, including stock of the bank. After Juan de Ormaechea, 1922-1923, William T. Nolting became the bank's president, and stayed on to August 1925 when, for a short time, J. F. Marias took his place, as acting president. Fulgencio Borromeo was then elected president, 1906, and during six years gave the bank excellent administration. This brings the record abreast of the Campos period and current times. The important trust de

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A Timely . . .*(cont. from page 19)*

basis. As matters stand, he is unable, in many cases, even to liquidate some of his holdings.

This is neither an isolated nor an occasional case. It is a characteristic of security trading which happens daily. Undoubtedly, in any one person's investment list are securities approaching insolvency. There is no time like the present to weed these out and to replace them with vigorous expanding issues. A study of the many securities listed on the local exchanges will reveal a number of issues that are selling at what appear to be bargain levels. Whether or not they will suffer temporary market rises or declines is impossible to foretell but for a long pull they are to be considered as good mining investments.

Another point to remember in planning an investment program or in shifting an existing investment list is the stock market axiom, "Never buy price". Price is always a relative proposition. Many holders of securities have found that a stock selling at .002 is much more expensive than a stock selling at P10.00. It is true that one can buy more shares at .002 than at P10.00, but this fact alone should never influence a buyer or seller of securities. Another important point is to forget what is commonly called, "The market". All security markets have witnessed certain individual issues drop to a new all time low upon the advance of averages. The reverse is seen when in a downward market some issues advance.

If an investor is working for the prime single requisite that governs stock investments he should reappraise his portfolio continually. His motto might well be, "Look for the dead wood and cut it out."

He chose his . . .*(cont. from page 16)*

partment was first proposed by Judge Hord but dates only some twelve years back.

The property occupied by this bank is its own, very valuable, in the heart of the city's financial and wholesale district, and plans for a modern bank building on it will no doubt be carried out within a few years.

Church funds are decisive in the stock and management of this bank. Vice presidents are Santiago Freizas and Rafael Moreno, who is also the secretary. Directors are Luis Ablaza, José Araneta, E. J. Deymek, Manuel Elizalde, Adrian Got, Leopoldo Kahn, Eusebio Orense, and Manuel Perez Rosales. These are all potent names in Philippine business. Bank of the Philippine Islands assets are 41 million pesos.

Phil. National's . . .*(cont. from page 8)*

Bank's patrons. Not very far off is the possibility of farm tenant credit, a question the Bank is studying carefully. So the Bank extends its usefulness. We checked on the small-loans department at the National Anti-Usury Board, where real effort against usury is measurably successful and where it was reported the Bank had been repeatedly willing to grant credits to clients the board recommended, able to offer surety.

As the *Journal* has recently remarked, this cheaper popular credit will in time induce a large volume of buying power by diverting into channels of active general commerce large sums, in the aggregate, that have heretofore gone into a few usurious fortunes; and more than that, it will found a small-capital business class beneficial to the city.

The older activities of the Bank, general banking and exchange, and agricultural banking, are well known among our readers. President Carmona's report of June 30 gives assets of P186,870,549.41 of which cash on hand or due from banks was P70,259,056.61 and P14,551,006.40 was U. S. government securities and P12,120,583.75 were Philippine government securities. Loans were just short of P60,000,000. The capital is P10,000,000, the surplus the same amount, reserves P6,717,334.25 (and for taxes, interest, unearned discounts and uncollected interest, P5,118,000.98). Individual deposits were just under 40 million, government deposits just under 60 million, semi-government deposits just under 38 million, bank deposits P2,200,985.84.

President Quezon voting the Bank stock (practically all of it is owned by the Commonwealth) created two vice presidencies recently, Dalmacio Pekson long in charge of the loans department, and Primitivo Lovina were promoted to these higher staff positions on grounds of merit. Chairman of the board is José Yulo, secretary of justice while Carmona is vice chairman. Other directors are Eulogio Rodriguez, secretary agriculture & Commerce, Jorge B. Vargas, secretary to President Quezon, Guillermo Gomez, under-secretary of finance, Salvador Lagda-meo, head of the National Loan & Investment Board, Victor Buencamino, manager of the rice & corn cartel, Mayor Juan Posadas of Manila, and Rafael R. Alunan, with Eulogio Reyes the secretary.

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