

Murphy's Financial Administration of the Philippines

Savings effected by practiced and consistent economy from towns to metropolis, porkbarrel funds held in treasury

Governor General Frank Murphy has been accused of a penchant for putting government accounts in the red, when he was mayor of Detroit, and has countered that Detroit's nearbankruptcy antedated his administration. Certainly, from the day he began governing the Philippines there has been no action on his part belieing his character as a saver of public funds rather than a waster of them. If anything, he leans to economy to a fault. The box on this page is the financial report of the government during 4 years, and during the year 1933 Murphy was in charge throughout the latter half of the year.

The data tell their own story. Consolidated deficits in insular funds summed more than ₱20,000,000 when Murphy assumed office here, an accumulated debt from the 3 years preceding 1933. It was more than 1/3 of the average insular budget. Of this depressing situation, accentuated by the business outlook, Murphy put his financial adviser, the late Joseph E. Mills, in charge; and coöperation of the cabinet and the legislature was obtained as well as that of all bureaus and offices of the central government.

Farmers were of course hard up. Murphy was asked to remit land taxes. He refused all such requests, stimulated the collection of both current and back taxes, and in many instances, the tax officers collected taxes in products; at least one town treasurer sent his agents to the fields and took rough rice for taxes as it came from the threshing machines. Insular 1933 total collections exceeded the estimate by 6%; a remarkable showing, which anyone will grant who knows the prevailing conditions throughout the country. The people not only paid their taxes, but learned the necessity of paying them.

Murphy dealt fairly with the taxpayers by effecting budgetary economies and forced savings in the government. The legislature itself passed no porkbarrel bill for 1934, and 1933's porkbarrel funds were withheld from expenditure. Thus there was over-collection and under-spending, and the budget was balanced without imposition of new taxes. (Reserve and gold stabilization funds of the Philippine government, held in the United States, had mounted far above actual requirements but had not been held in gold; they had been placed in banks, as money, to draw interest, in which state they were when the dollar was devalued. Murphy's assiduous intervention got a valuation of these funds on the new basis of gold, waiting to be confirmed by congressional legislation; and instead of suffering loss for their acquisitive indiscretion, the Philippines make a liberal gain; present currency reserves are above 100% of circulation, and addition of profit from revaluation would swell this sum enough to liquidate, practically, the national debt and leave more than statutory minimum against circulation).

All the government corporations ended 1933 with credit balances; if generally small, still balances instead of deficits.

Until the commonwealth is established under the Tydings-McDuffie act, the Philippines will have an American governor general. After that, during the commonwealth, they will have an American high commissioner, provided for in the act, until the commonwealth expires and is succeeded by independence. Memory may not always disclose to the reader why it is that the United States is so preoccupied over Philippine finances, with which the high commissioner, as the governor general now, will have to do. The misgivings go back not only through the history of Latin states, but of the American states themselves. It isn't true that new generations don't learn from the past. They do; and every somber precedent in the economic history of the 13 original American states, before they were forced by sheer necessity into more perfect union under the constitution, in making and undergoing adoption from 1787 to 1789, warns the United States to take every precaution respecting finances in establishing a new Philippine government.

In contrast to the Philippines, the 13 colonies were swamped in debt when they had won independence from England. Their trade was entirely gone. Their currencies were debased and all but worthless. Many of them made paper money, without specie backing, legal tender for debts. The Federal government itself issued such money, by simple fiat tried to make it valuable and acceptable. "The nonpayment of public debts," says David Ramsay, *History of the United States*, "sometimes inferred a necessity, and always furnished an apology, for not discharging private contracts. Confidence between man and man received a deadly wound. Public faith being first violated, private engagements lost much of their obligatory force. From the combined operation of these causes trade languished; credit expired; gold and silver vanished; and real property was depreciated to an extent equal to that of the depreciation of continental money."

With Ramsay concur all other authorities, all contemporary and later writers. So that in the constitution, money was made a Federal business; the obligations of the states and the Federal government were assumed, and it was prohibited to make anything but gold and silver legal tender. The long anarchy was corrected by Alexander Hamilton's ingenious management of the treasury under his tariff policy that, as Webster put it, "struck the dead rock of public credit" to such purpose that "abundant streams of revenue burst forth" and soon obliterated the public debt. This was because financial integrity had been written into the constitution, where the courts could at all times defend it. The remarkable thing is, it was done at a time when public authority had all but been destroyed; when judges were mobbed, when the doors of courthouses, in some cases, were nailed

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TABLE 1.—Insular Auditor's Report: Consolidated Statement of operation of the General, Special and Bond Funds of the Central Government, 1930 to 1933.

Year	Income	Expenditures	Difference
1930.....	₱97,869,947.92	₱104,037,078.88	- ₱6,167,130.96
1931.....	82,159,869.77	91,018,511.81	- 8,858,642.04
1932.....	74,716,772.26	79,686,887.23	- 4,930,114.97
1933.....	70,025,933.81	69,535,029.86	+ 490,903.95

TABLE 2.—Insular Auditor's Report: Results of operation of the General Fund only of the Central Government, 1930 to 1933.

Year	Income	Expenditures	Difference
1930.....	₱84,494,630.24	₱95,828,238.78	- ₱11,333,608.54
1931.....	69,425,591.75	76,641,465.73	- 7,215,873.98
1932.....	61,441,172.50	65,936,589.72	- 4,495,416.22
1933.....	58,047,374.35	56,631,361.51	+ 1,416,012.84

TABLE 3.—Ratio of savings to appropriations in the Departments of Government, 1933.

Department of Government	Voluntary savings or reversions based on net appropriations, per cent.	Forced savings based on gross appropriations, per cent.	Total savings based on gross appropriations, per cent.
Senate.....	4.75	4.75
House of Representatives.....	5.31	5.31
National Library.....	.002	15.22	15.23
Supreme Court.....	1.09	1.17	2.25
Bureaus and Offices under the Governor-General including the Beio Fund.....	11.75	3.33	14.69
Department of Finance.....	21.81	3.23	24.33
Department of Public Instruction.....	1.88	1.98	3.82
Department of Justice.....	2.48	4.26	6.63
Department of Agriculture and Commerce.....	1.98	4.76	6.65
Department of Public Works and Communications.....	.85	4.72	5.53
Department of the Interior and Labor.....	.48	10.06	10.49
University of the Philippines.....	14.03	14.03

Anzacs Beat Depression

All ships from Australia recently visiting Manila have been well patronized by Australians making the round trip to China and Japan. These passengers confirm the reports that prosperity has returned to Australia; there is a curiosity among them to see the country, Japan, that boosted the price of their wool clip. The clip had been bringing some £20,000,000 a year; more active demand last season, particularly from Japan, raised this figure to £50,000,000 and made Australians happy. It takes £36,000,000 a year to service the Australian public debt; last year the country was able to send this sum to London and retain a nice budget balance.

Unemployment there is, but it is waning. Fears that the Australian market would be flooded with Japanese manufactures have not materialized; the Australian favorable trade balance with Japan about equals the Philippines' unfavorable balance with that country, proportionately: it is 5 to 1 in Australia's favor. The goodwill mission from Australia, headed by Attorney-General Latham, that visited Manila briefly en route to Japan, seeks continuation of Australia's growing commerce in the Pacific basin.

New Zealand, country normally enjoying the highest per capita wealth average in the world, reflects her prosperity in automobile and truck imports. Her great exports giving her a constantly favorable trade balance are wool and dairy products, also meats, especially lamb and mutton. Last year her favorable balance was £19,850,569; exports £41,301,951, imports £21,451,382.

Steps in both Australia's and New Zealand's recovery were depreciation of their currencies, which New Zealand did by raising the price of exchange. There is hardly enough communication between the Philippines and these southern neighbors of theirs. Not enough fans resort to the shortwave radio, through which they might cultivate friendships or at least enjoy a wider range of radio entertainment.

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DEPARTMENT OF COMMERCE AND COMMUNICATIONS

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Book VII.

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(To be continued)

Murphy's Financial ...

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shut—when indeed, the United States were going through an experience they would now save the Philippines from by prudent attention to finances such as Governor General Murphy gives them, such as any competent high commissioner must give them, come what may, during the life of the commonwealth.

The situation once more invites attention to the expert service the existing Philippine government has, and has always had, from the United States. Devising its currency, it had such service. Floating its credit, it had such service. All along it has been consistently better advised, at little cost, often at no cost, than most of the States of the Union itself; and in Murphy's administration this basic service, on a high plane, carries right on. Reliance of the Philippines on it evidences sound judgment.

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