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#### WELCOME, GOVERNOR DAVIS!

Governor General Dwight F. Davis arrived in Manila on the *President Taft* Monday morning, July 8, when we were going to press with this issue; brief excerpts of his inaugural speech appear on page three. Everyone joins in bidding him welcome, and in the ideals of insular administration he has expressed. We shall all observe the progress of the islands under his executiveship with marked interest.

#### BUSINESS AS USUAL

Sugar is in the cellar. Other export commodities are not very far from it, lumber excepted, yet the country displays an astonishing buying capacity and business proceeds as usual. The perceptible slump in the retail trade appears to be little more than the seasonal one always experienced at this period of the year. Rains are heavier, trade lighter for the time being. Men in piece goods are not happy, perhaps, from the piecemeal manner in which merchants are buying. There are overstocks, which tend to be distress stocks; staple cottons may be bought cheaper in Manila just now, at least certain lines of them, than in New York. This is a bad condition, but piece goods will come back if the general level of business keeps on as it is.

Dollars are at premium demand, the market does not keep pace with it, and banks resort to the treasury for transfers. That is, the value of export bills offered falls short of the import bills which must be taken up in gold. Another bad symptom this, but not actually terrifying.

Confidence persists. The Philippines are so productive that they cannot easily be bankrupt, and the fact is becoming known. Confidence inspires confidence, and optimism has been aided by the outcome of the tariff legislation in Washington. The islands are left free entry for their products into the homeland market. There should be no banking on this, however; the situation has been temporized with, the fundamental question remains as it was. There has been gain on but one point, which Osmeña brought to the fore in the discussion: it seems to be accepted among advocates of a tariff against the Philippines that independence should precede such action. That this alternative is not given serious thought, either here or in Washington, is truly a source of confidence.

Vicente Villamin may yet contrive to win the admiration of his countrymen. His disquisitions on Philippine economics never cease, he reaches the American public through the periodical press and from the platform, and he is now invading the land of cotton with the case for copra and coconut oil.

It never rains but it pours, and it neither rains nor pours but that it later shines. Sugar has been a dismal outlook for a long time, but there is a bright lining to the cloud in the effect this has had on the machinery market. If a generally lower standard of prices is to prevail, then machinery must be utilized on the plantations in substitution of the buffalo. The machinery market is good. We believe, however, it is not a tenth of what the market will be ten years hence. One man's success in adapting machinery to his plantation needs implies the efforts of all his neighbors in the same direction, and we are just at the beginning of this movement. Again, every new machine lifts, if but slightly, the level of plantation wages. The man who drives a buffalo has nothing to buy from anyone; he wears no shoes, nor even chinelas; he makes his own hat, and his other clothes are a cotton undershirt and a pair of knee-length red-calico breeches. But the man who drives a tractor is middle-class; he must wear stout clothing, and he has a family to provide for.

The money being expended on public works, of which there seems never before to have been so large a steady volume pouring out of the treasury, is of course favorably influencing business; for it all goes into active circulation.

Another factor in the puzzling situation is the extension of banking facilities, a process now quite definitely underway.

But little money is coming into the islands, that upon which business is operating is for the most part directly from the soil of these islands. A lot of this money is coming into active circulation in the form of bank deposits, where heretofore it was hidden away. This growing use of banks

reflects the public confidence which really goes far to explain the fact that business in the Philippines proceeds much as usual during a prolonged and general market depression affecting all major commodities excepting lumber and rice. How long the volume of trade will keep up, with commodity prices down, is any man's conjecture. But it may be remarked that all commodities of the farm and plantation still pay a net profit on the year's operations. Sugar is not selling below production cost, where good management prevails; nor is copra, nor is hemp.

Tobacco is a crop apart. Buying in the Cagayan valley has already begun, at prices well over those of last year because of the better quality of the leaf. Our leaf sold abroad goes principally to Europe, where a gradual industrial recovery may help toward higher prices.

Prosperity in the Philippines moves with that in America, when the movement is upward, but it sometimes maintains a unique equilibrium when the trend in America is downward. The rent system prevailing here may account for this in part. It is the share system. Land taxes are moderate. If the renter gets little, he still lives; and if the landlord collects but little, at least a goodly share of what he does get is profit. It may not be a scientific profit, but it is one he is willing to spend; so the immediate effect is the same as if he were a good bookkeeper.

Spend how? Why, traveling about, educating his children, courting lady luck, indulging pleasures, acquiring urban property and building a town house. These are all business stimulants. And prices may slump, but the planter who has moved to town stays right in town and finds ways and means of making both ends meet and keeping up two establishments—if not indeed half a dozen. He helps make business as usual.

#### FARTHER NORTH

Under its authorization of two years ago, the railroad is going to expend a million or two dollars in extending its main line north from Bauang Sur to San Fernando, La Union, and improving the port of Poro, where ocean ships may dock. These facilities ought to pay the railroad, they certainly will benefit the country. They will afford passenger ships carrying tourist parties an opportunity to get their patrons into Baguio within an hour or two after leaving ship, and obviate the fatigues of the long motor ride (or train trip) from Manila to that mountain metropolis. While the primary objective of the project is local patronage, the fact that such conveniences will one day gain the islands the trade of the world traveler must never be lost sight of.

When the Bikol line stretches unbroken from Tutuban to Legaspi, and San Fernando is a northern terminus, why not the railroad take a leaf from the history of the American transcontinental lines and establish a system of railroad hotels, places in keeping with the best the road can furnish in the way of rapid comfortable transportation? Very probably this experiment would turn out as Baguio has—provided for the American, patronized at last by the Filipino more than by all others together.

#### ONE DECADE FOR TEN

Director Hilado of the lands bureau comes forward with a plan to borrow \$30,000,000 from investors in bonds in the United States and utilize the sum in completing the cadastral survey of the entire Philippines within one decade, instead of going ahead at the present rate and taking more than a century for the work—a time too long to be interesting to any single generation. We believe the *JOURNAL* was among the first of Manila periodicals to advocate this plan, and to endeavor to enlist the interest of the government in carrying it out. It is something that ought to be done. Involving no additional taxation, since the cost of the work is all finally recovered from the land owners and settlers, valid objections to it seem too few to count.

The lands director rightly states that clearing up the cadastral work will result in sound titles to land, and better farm credits. It will terminate litigations over land claims, and give value to farm mortgages. It should reduce the exorbitant interest on loans the farmer now pays, and give home-steading the precise impetus which has been lacking, i. e., definite knowledge of boundaries and the government's real ownership of the tract homesteaded. Nothing else is of greater economic importance to the islands than this, the final recommendation of Gilmore's second *ad interim* term as acting governor of the islands. We are expertly advised that the plan is entirely feasible. Sound land titles attract Filipinos as readily as they do other peoples. Observe how briskly the various suburban additions to Manila are selling, the vitalizing element being the reliable titles the purchasers procure. These buyers are no sooner free from the mortgage to the real estate company, than they obligate themselves for a house. They pay high interest, perhaps 12 per cent, but they pay as they are able, monthly, and they are acquiring homes. With similar opportunities, Filipinos would eagerly acquire farms. The Hilado plan is another means with which to tap the islands' hidden wealth.