Rational View of the Philippines' Political Future

Free trade established in 1909 viewed as a master stroke of state, though Taft may not have had more than trade benefits in mind

Action the Philippines may take on the Hawes-Cutting bill providing first a commonwealth and then a defined political separation from the United States has had and is still having such depressing effects on realty values and business and industry that discussion of the question in the *Journal* is justified. Men of this country, and perhaps women too, will be asked to support the bill's acceptance because it does make way for eventual independence in so far as legislation may do so; and they will also be asked to support rejection of the bill, or acceptance of it with reservations, on grounds that it postpones independence too long and fails to provide enough of it.

In the one case and the other, the prevailing argument will be independence. Yet leaders on both sides are committed by some of their own statements, which have all been published, to something less than independence if the islands were given free choice in the matter and what should follow would not be connected with the military conquest nor in any way a direct growth from it. This fact is a natural introduction to opinion, very influential and widespread in the islands, but never put squarely before the people from the stump, that there is no escaping permanent political relationship with the United States, and that in this relationship's permanency lies the sole salvation of the islands.

It is this opinion the *Journal* proposes to discuss, but, because it is held by many men, without referring it to any particular man. It is an opinion of many sober-thinking Filipinos deeply concerned not alone for their own interests but for the future of their country and its people.

This opinion holds frankly that the free trade established between the United States and the Philippines by act of congress in 1909, at Wm. H. Taft's instance as president of the United States at that time, destroyed the possibility of Philippine independence at least until such time as the population of the islands approaches 40,000,000. We may take the present population to be about 14,000,000 and we may count an annual increase in population from births in excess of deaths at 1.8%. Let us give some of the reasons for this opinion. They are all economic reasons, therefore all based upon the economic laws of trade.

First, the Philippines produce so much more than they consume that they require large markets abroad: they sell most of their sugar abroad, most of their hemp, most of their coconut products, most of their tobacco, most of their leading manufactures, such even as handcraft manufactures, except lumber—and even of lumber an important part is always sold abroad and failure of the overseas demand for lumber drastically depresses the industry. Now, owing to free trade and other factors, these of minor influence, the best prices the islands can get for their products are always those offered in the United States. This being so, while it remains so new markets will not be found: goods always seek the best market, and the manager of any business who dared to sell its product at a secondary advantage when he could sell at the best would, of course, and rightly, be dismissed. Therefore, existing industries in the Philippines dependent upon overseas markets will continue selling their products in the United States and all effort to divert them to other markets will be sterile of results.

> **CHALLENGING FACT**
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> **Of all they grow, the Philippines export about 4 measures out of 5 because their population and per capita consumption are small and their land tropically productive. Of these 4 parts out of 5 that must be sold overseas if sold at all, the American market takes on the average 3.6 parts; or, the American market buys 90% of all the Philippines sell, 72% of all they produce.**

The slogan *Find New Markets* is a vain cry. The Philippines will steadily sell in the United States to the last day—yea, the last hour—they possibly can; and when at last that market is cut off, should it be so cut off by independence, not another major market will be ready in its place and industries dependent upon selling overseas will suddenly be paralyzed. They may, going through painful bankruptcy, slowly revive: this is the best that may be hoped of them.

Sugar will be cut off, now in value some 70% of all Philippine exports. This will be a loss even at present prices of some ₱100,000,000 a year; more than that, it will deprive hundreds of thousands of people of employment, when no new employment can be supplied them, besides ruining planters estimated at 22,000 to 25,000; and more still, it will depress all industries interrelated with sugar, the rice, lumber and tobacco industries, besides trades, professions and domestic commerce; and yet more, it will drive common wages down to the lowest margin that will sustain life on the poorest land cultivated, or say down to ₱30 or ₱35 a year—peasants will be penniless, workmen perennially hungry. Severe premonitions of this proximate disaster are already felt, and widely felt: mere fear of what is to transpire has brought them. After 5 years of the commonwealth, granted the independence bill accepted, when export duties apply to Philippine products for the liquidation of their bonded debt, the premonitions of bankruptcy will be keener still. Decline of wages will be accompanied by rising rents, yet interest rates will rise to ruin landowners. Capital that can be made liquid will, as early as possible, abandon the country—men will salvage of their fortunes what they are able to salvage.

Then there is the talk of new industries, and penetrating new markets with their products. The opinion being discussed holds this as vain as talk of other markets than the United States for the product of existing industries. For all new products to be sold overseas, the United States will again offer the best prices, because of free trade, and these products will therefore be sold there up to the very minute independence destroys free trade; whereupon the new industries talked of, like the old, will be paralyzed for want of markets.

Along with the bankruptcy of industry will go the bankruptcy of the government, whose revenues are mainly drawn from industry. But both industry and the government would reach an obvious stage of dissolution before the advent of independence, a disclosure that would serve to put independence aside. Industries, seeing the end of their overseas market approach, would prudently liquidate on the grand scale and withdraw their capital from the islands; even planters, it may be assumed, would sense the impending doom and put their eggs too in a safer basket: realty values would be smashed worse than they are at present. In this period the government revenues would begin their sharp decline, and soon money would be wanting for essential public services. So soon as money was wanting for schools, illiteracy would begin plaguing

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the country; and so soon as it was wanting for health administration and sanitation, mortality would mount and the growth of population would be halted, so that the islands would be facing independence with a crippled school system and a stagnant and increasingly ignorant population.

Roads deteriorating and funds being wanting for their upkeep, such trade as might remain would languish and be much hampered, while peace would be hard to maintain. The situation would soon invite violence and outlawry, and the provinces would soon suffer these demoralizing visitations. The people, as would be natural, would resent an unhappy fate they had been taught would never come and that they could not foresee. At this point the authority of the central government could no longer be maintained, anarchy would introduce itself as the people lapsed once more into the vain impotence of poverty, ignorance and superstition: democracy to be successful must deliver the goods, keep industry moving and wealth plentiful and widely distributed, while it needs a great field of personnel in the public administration whose loyalty is bought with pay and emoluments and petty dignities. The barefoot policeman, the threadbare teacher, the penniless clerk of court will mind whatever Dives that may vouchsafe them crumbs, which soon will not be the government but an aggressive cacique who interposes his private authority where public authority fails.

This astounding picture is not overdrawn, Cuba's plight represents it today. The opinion of realists among Filipinos that this paper paraphrases sees this, only this, as the fate of the Philippines if made independent while their people are few and their domestic market requires so little of all they produce, while their overseas market can only be the United States—this cut off sharply by independence. But as the unmistakable signs of sure disaster will be clear before the time arrives for the commonwealth to give way to independence, these same Filipinos believe the commonwealth period (of 10 years, under the Hawes-Cutting bill) will be extended and out of it will issue a plan for permanent political relationship with the United States.

Much depends upon convincing the United States of her own welfare in this matter, her own interest as well as responsibility. Equally as much depends upon good work done here.

Until what time?

This introduces the changes that would come about through steady increase of the population of the islands at the present rate, and increase of their wealth from their trade with the United States. For instance, a population of 35,000,000 people in the islands ought to consume as much sugar as the present annual crop: persistent endeavor to expand the domestic sugar demand would turn this industry to supplying primarily the local demand. Meantime a quota might be enjoyed in the American market. (A century ago, when the conditions existed in the Philippines that have been described, and when the population was small and lacked cohesion, the Philippines exported quantities of rice every year. They did this even late in Spanish times, but soon, in the American period, their demand made them import rice, which continued until only a few years ago, when production began meeting the local demand. They still import rice when the domestic crop is short, may do so this year, but the days of a surplus for export have passed with the mere doubling of the population during the past 30 years.)

A population of 35,000,000 people, enjoying trade with the United States on some reasonable basis, would have such demands for manufactures as would develop many local industries using the raw products of forests and fields. It would use so much soap and cooking fat, for example, as might divert to domestic demand the bulk of the coconut oil now sold in the United States: at least the domestic market should become a stabilizing factor in this industry, now complained of too much in the United States, and in the cordage industry—both these industries being under quotas in the Hawes-Cutting bill.

The Philippines will have a population of 35,000,000 people about 1980, or in about 50 years, calculating an annual increase of 1.8%. In prospect this seems a long time, in retrospect it isn't long; it is but 15 years longer than the United States has been associated with the Philippines as the sovereign power. But it ought also to be borne in mind that during these 50 years, the Philippines remaining associated with the United States and having some satisfactory reciprocal trade arrangements with that country, growing demands of the increasing population will constantly reduce the proportion of products that to be sold must be exported, and therefore constantly tend to obliterate the irritation certain American producers feel from Philippine produce going into that market; and this tendency would be favorably affected by the enormously increased market America would enjoy in the Philippines. The great point is, however, in the reasoning of Filipinos convinced that a prolonged commonwealth relationship to the United States is the one way out of the problem that arose with free trade, that a large and prosperous population would make such a market for local products as would at last enable the islands to sustain these industries without the market in the United States; whereas at any early period, with a poor and sparse population, they could not do this and the advent of independence would entail collapse of industries and a headlong, though wise, flight of capital from the islands.

This is the thesis it seems but fair to lay before the people of the islands at this time. The weight a growing and employed population would have in shifting the volume of commerce from export to domestic channels can hardly be overestimated. Conversely, the dependence a poor and failing population would have upon its exports, because domestic consumption would be slight, would aggravate the disaster of the loss of the American market; yet until this market should be cut off, not another one would be found. The Philippines can grow out of their present economic plight simply by growing, and the opinion this paper discusses holds there is no other way out for them.