

To eliminate dust and heat, the road is working around to air-conditioned coaches, which have won back to the railroads much traffic in the United States. That fast passenger trains pay is indicated by experience with the La Union Express, 6 hours lacking 3 minutes between Manila and San Fernando; this train earned ₱1,392.19 more last year than in 1931, and made it necessary to run fewer express trains to Damortis, which were only run during the Baguio season, March, April and May. Rails on the Manila-north line are only 60-pound metal, but they will suffice, it is contended, with stone ballasted roadway, to support trains running to Damortis in 3 hours; and the essential stone ballast, supplanting gravel and sand, is being adopted.

Over lines of 60-pound rails, Japan manages very fast trains; and in England, over stone ballast, are run some of the world's fastest trains. From a 4-hour schedule to Baguio, 3 hours by train to Damortis, the railroad may expect much third-class patronage now given truck lines and very material first-class traffic besides. Little patronage can be diverted from the airplane line to Baguio, the trip in an hour, but patronage will surely come from folk who now motor between Baguio and Manila in their own cars because the train trip is several hours longer.

Manager Paez recommends completion of the Bicol extension, in which there is still a gap of 40 kilometers between New Aloneros and Port Ragay that involves a boat portage of 2 hours 25 minutes and makes the time 20 hours between

Manila and Legaspi. Seventy-one kilometers of the extension were built last year, chiefly under the administration of Harry V. Campbell, railway construction engineer and at the remarkably low cost of ₱60,000 a kilometer, "including cost of land, grading, track, sidings, station buildings, bridges, water supply systems, the whole road complete and in operation." The estimate had been ₱100,000 a kilometer. The people have ₱4,200,000 invested in this unfinished improvement, for which that much additional stock of the railroad was bought by the government. Work has now been suspended, as the work on the spur from Tarlak to San José, a fine prospect for rice haulage, has been suspended at Muñoz, for want of funds.

There can be no remarkable returns from the Bicol investment until markets for hemp and copra improve, for the farmers and merchants in that region are too poor to pay their taxes: while they still dry copra and have it to ship, hemp fields are widely abandoned. But the railroad taps much fertile country open to settlers and it believes settlers will go there and found communities and raise crops that will give it trade.

The fact can't be evaded, however, that with independence and a curtailed American market better average business conditions will be far in the future, should they ever be reached at all. It is this dilemma of the railroad the people should understand. They own the road, the road's debt is theirs.

Bank Commissioner Garcia's Yearly Report

Consolidated Statement of Resources and Liabilities of All Banks and Trust Companies in the Philippine Islands at the Close of Each Fiscal Year Indicated.

	RESOURCES				
	1932	1931	1930	1929	1928
	₱	₱	₱	₱	₱
Loans and discounts.....	73,227,262	66,793,634	76,848,062	80,391,413	109,306,937
Overdrafts.....	61,972,547	66,561,202	67,915,296	65,912,938	60,200,523
Stocks, securities, etc.....	36,899,718	32,296,179	22,913,308	11,524,394	12,247,640
Banking house, furniture and fixtures.....	4,443,264	2,574,385	2,423,011	2,352,453	2,387,478
Other real estate and chattels owned.....	4,740,199	3,990,011	3,639,670	3,629,034	3,054,534
Due from head office, branches, agents and correspondents.....	23,743,597	16,299,810	38,478,877	47,146,267	34,536,818
Due from other banks.....	7,496,501	4,903,592	3,050,635	5,398,558	8,198,375
Bills of exchange.....	5,090,059	8,616,973	20,883,441	26,219,055	18,347,694
Cash on hand.....	16,261,503	19,568,927	17,487,351	18,972,575	15,224,113
Checks and other cash items.....	597,170	420,807	877,146	1,065,435	1,113,392
Profit and loss accounts.....	15,457	33,940	34,162	1,978,537	1,003,316
Other resources.....	10,645,628	13,544,273	7,660,654	7,447,418	6,469,278
Total resources.....	245,132,905	235,573,742	262,220,613	272,638,277	272,392,088

*Includes Customers' Liability Under Trust Receipts.

	LIABILITIES				
	1932	1931	1930	1929	1928
Capital.....	24,463,300	24,463,300	26,484,550	25,484,550	25,478,150
Surplus.....	8,879,411	7,858,208	7,811,899		
Reserves.....	8,199,062	8,340,220	6,237,145	7,575,189	6,142,132
Undivided profits.....	959,935	2,107,152	1,580,332	9,866,983	8,672,495
Bank notes in circulation.....	13,919,283	15,469,176	17,049,453	18,980,754	24,017,003
Due to head office, branches, agents and correspondents.....	21,934,510	25,416,630	41,619,314	49,945,794	27,386,495
Due to other banks.....	3,786,061	3,132,401	3,847,798	3,921,986	5,417,019
Dividends unpaid.....	448	465		338,343	337,744
Demand deposits.....	47,016,850	50,954,239	60,868,276	60,492,789	69,078,633
Time deposits.....	45,584,079	42,657,128	35,815,001	30,723,692	33,035,645
Savings deposits.....	13,578,871	43,135,103	47,874,363	54,986,822	62,554,310
Bills payable:					
Domestic.....	385,447	34,270	28,358	20,341	7,008
Foreign.....	152,056	183,050	640,298	459,941	392,994
Cashier's checks.....	50,842	667,311	613,357	638,491	119,893
Certified checks.....	363,666	180,249	376,231	618,673	572,233
Suspense accounts.....	2,027,126	1,279,063	694,415	77,682	1,119,236
Other liabilities.....	11,172,888	9,694,069	10,713,823	8,490,247	8,060,808
Total liabilities.....	245,132,905	235,573,742	262,220,613	272,638,277	272,392,088

The general business of banks and trust companies during the year under review showed a marked improvement over that of 1931. The increase in their total resources by ₱9,559,163, in spite of the world-wide economic disturbance, is an indication of an attitude of continued confidence in these institutions by the people of this country. While in many parts of the world the year 1932 was one of serious derangement of credit giving rise to a series of reported bank failures, in this country, on the other hand, activities in banking and credit were quite normal, with the exception of the transactions in foreign exchange which, in a minor degree, dropped from their 1931 level.

It is evident, therefore, that the tidal wave of fear and uncertainty which has been sweeping the world over, tearing down old established banking institutions and leaving financial bankruptcy and economic misery in its wake among nations and peoples alike, did comparatively little damage in this country.

The statement presented above shows that while overdrafts decreased by ₱4,588,655, loans and discounts increased by ₱6,433,628 or a net gain in these two items of ₱1,844,973. Cash on hand increased by ₱3,307,324, as reported in 1931. This decrease, however, was more than offset by an increase in security investment of ₱4,633,539 indicating a certain trend in policy to put the available funds of the banks into productive use.

Likewise, deposits during the year registered a net gain of ₱9,693,300 over those of 1931. In this connection, it will be noted that while demand deposits decreased by ₱3,937,389 at the same time there was registered an increase in the time deposits by ₱13,216,951, with savings accounts remaining at almost the same level as that of 1931.

The unprecedented rise in time deposits during the year is a sure indication that on account of the dull business conditions people preferred to put their money on deposits which would assure them of a steady return while waiting for better business opportunities. It is not to be expected, however, that the character of this account can be anything but temporary and at the first manifestation of the advent of better times a big portion of this fund would undoubtedly be put to more productive uses.

Surplus for the year made a gain of ₱1,021,203 over that of the previous year while undivided profits dropped by ₱1,148,117 during the same period. The decrease in the latter item was a result of the cleaning up of the portfolios of some of the banks of bad and undesirable papers so that they may be able to face the new

year with clean sales.

DIVIDENDS
Continuing the policy which the local banks adopted a year ago regarding the inadvisability of declaring dividends in the midst of the depressed business condition the domestic banks, with

the exception of one, decided once more not to declare dividends for the year 1932.

EXCHANGE TRANSACTIONS
The following table shows the extent of exchanges bought and sold during the year arranged by months:

Month	Bought by banks		Total exchange bought
	Spot	Future	
January	P 12,543,906	P 7,179,484	P 19,723,390
February	10,744,913	9,446,228	20,191,141
March	10,108,735	3,788,705	13,897,440
April	15,726,553	8,950,372	21,685,925
May	7,833,889	7,887,590	15,721,479
June	8,354,600	8,721,862	17,076,462
July	9,200,078	9,393,045	18,593,123
August	7,424,803	6,538,586	13,963,389
September	11,189,313	8,837,268	20,126,581
October	11,701,623	17,590,621	29,292,244
November	8,577,303	7,541,014	16,118,317
December	9,802,540	14,062,398	23,864,938
Total	P123,205,256	P110,026,143	P233,231,399

Month	Sold by banks		Sold by the Insular Treasurer	Total exchange sold
	Spot	Future		
January	P 18,224,908	P 8,969,579	P 8,626,900	P 35,821,387
February	14,522,656	4,635,807	4,377,205	23,535,668
March	13,299,611	6,456,241	4,865,851	24,621,703
April	17,362,095	6,171,266	7,091,507	30,625,468
May	12,478,654	4,712,609	3,962,003	21,153,266
June	11,678,352	5,242,069	5,740,000	22,660,421
July	14,489,745	6,727,696	3,352,175	24,769,616
August	10,704,724	6,252,062	2,832,350	19,789,136
September	10,331,272	23,147,651	2,255,957	35,734,880
October	13,738,446	6,018,111	4,680,000	24,436,557
November	11,412,183	6,711,301	2,085,513	20,208,997
December	14,263,275	9,429,399	1,360,000	25,052,674
Total	P162,506,521	P 94,473,851	P 51,429,401	P308,409,333

MUTUAL BUILDING AND LOAN ASSOCIATIONS

The big majority of mutual building and loan associations experienced difficulties of one kind or another during the year. These difficulties are undoubtedly the concomitant effects of the financial crisis which is still going on unabated. Some had cases of mild run, while others suffered from topheavy personnel and expenses due to unbusinesslike methods which may be justified only in prosperous time, but not in lean years like the present. Forseeing that only by the adoption of a conservative loan policy and by the paring down of expenses to a minimum could they survive, these associations were able to continue doing business with safety to the shareholders, the undersigned found it necessary to promulgate rulings from time to time to the various associations that come under its supervision. Excerpts of some of these rulings are given hereunder.

In considering applications for real state loans preference should be given to small loans. This policy will enable the association to serve the greatest number of shareholders with the minimum risk of loss in accordance with the law of averages. The properties to be mortgaged should be conservatively appraised allowing a greater margin of safety than heretofore of, say,

at least 50 per cent between the appraised value of the properties and the amount of loans granted.

A general plan of economy should be adopted by allowing substantial reductions in office and other general expenses consistent with the efficient operation of the association. The salaries of officers and employees, fees of the board of directors and fees paid to other persons working for the associations should also be proportionately reduced as an emergency measure.

All charges, present and future, in excess of the value of shares, such as premiums, dues, fines and interest unpaid, should not be carried as Accounts Receivable, taken into profits and distributed as dividends, but carried in suspense account of "uncollected dues, interest, premiums, etc."

The granting of additional loans to borrowers who are in arrears in the payment of interest on the original loans is not a sound loan policy and should therefore be discontinued. Stock loans should not be allowed to run indefinitely with interest unpaid, unless the value of the shares at any time affords sufficient margin for interest for at least six months. When the margin of security is reduced the stock should be liquidated and its value applied to the loan.

Comparative Statement of Consolidated Assets and Liabilities of Mutual Building and Loan Associations as of December 31 of the Year Indicated.

Name of accounts	ASSETS		
	1932	1931	1930
Loans	P20,822,342.89	P22,183,570.61	P21,830,814.67
Cash on hand and in banks	762,343.36	95,791.24	231,431.15
Real estate owned	1,904,659.30	1,413,573.56	1,028,574.23
Other assets	1,947,495.19	1,657,774.15	1,523,091.89
Total	P25,436,840.74	P25,351,709.56	P24,619,911.94
Name of accounts	LIABILITIES		
	1932	1931	1930
Capital paid-in	P22,533,877.70	P22,192,186.69	P20,570,886.49
Reserve	478,554.50	627,219.83	649,597.98
Borrowed money	961,112.24	954,996.36	2,150,098.99
Other liabilities	1,463,296.30	1,577,306.68	1,249,328.48
Total	P25,436,840.74	P25,351,709.56	P24,619,911.94

Arellano's Water Colors

Manuel Arellano recently returned to Manila from Europe and is supplementing his photographic work, some of the very best in the city, with studies in water colors that are a distinct addition to contemporary art. The pieces he exhibited to the JOURNAL editor were bits of the old walls of Manila, unexceptionable in choice and skillfully done. This artist can be wished nothing but success His wife, Tinay Arellano, dramatic soprano, is enjoying popularity in her opera appearances in Europe; but while her art is better known in Manila than her husband's, his is of a lasting sort bound to benefit the city permanently. The JOURNAL has always felt that as a rule there is little truthful commendation to be granted contemporary painting in the Philippines, which either oversteps the limits of simplicity and aspires to what it can not reach, or is garishly exotic and blind to the beauty in the midst of which it lives. Exception is made of the Arellano water colors, which readers are recommended to see for themselves.



—Judge.

Distressed Manager: I'm sorry, but we don't allow unescorted ladies.

Calm Lady: Who the hell says I'm a lady!

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