

STATE OF THE NATION

[Message by His Excellency Elpidio Quirino, President of the Philippines, to the First Congress of the Republic of the Philippines, Fourth Session, delivered at the Joint Session of Congress in the Session Hall, Legislative Building, Manila, on Monday, January 24, 1949, at 4 p.m.]

Mr. President, Mr. Speaker,
Gentlemen of the Congress:

I am happy indeed to meet you in this historic hall. Its rehabilitation is the most recent evidence of our efforts at rapid reconstruction. We agreed to reconstruct the Legislative Building and the Finance and Agriculture buildings yonder only last September.

Today is our homecoming to this hall. It is my hope that before long the ruins and scars of battle in this hallowed area will disappear.

I have had the pleasant experience of working with you during your last legislative session. But I have not had as yet the formal occasion to thank you all for the splendid cooperation you have been giving me from the initial months of my administration. Without that cooperation I could not have carried on. I am in hopes that during the sessions just starting we shall continue to work together with understanding and devotion, to the end that we may go ahead with the task of nation-building without unnecessary interruptions and distractions. This is an election year. We have barely ten months before most of us will have to account for our acts to the people. We have to present a work well done.

As you already know, I ascended the Presidency under the most depressing and distressing circumstances. But deep in my heart I was determined to carry on silently the work so auspiciously begun by my illustrious predecessor, our dear friend the late President Roxas, on our common venture to lay the foundations of this new Republic.

Restoration of Peace

My first concern was to complete the restoration of peace and order and to strengthen our people's morale and con-

fidence in the government. My first act in this direction was to order the reduction in the price of Class E rice, then selling at one peso, to eighty-five centavos a ganta. This order reduced the cost not only of other grades of rice but also of other essential commodities whose price structure is dependent on the cost of rice.

Then I made the first of my visits to the troubled areas in Central Luzon. Here the dissident elements were terrorizing the population with kidnappings and depredations. They were preying for food and other necessities upon the poor people of Pampanga, Bulacan, Nueva Ecija and Tarlac, the very people whose interests they were pretending to protect, whose welfare they were professing to promote. That tour elicited the offer of cooperation from the leader of the dissident elements. It resulted eventually, with your concurrence, in the issuance of an Amnesty Proclamation.

During the period of the Amnesty, the people of Central Luzon, especially those seeking shelter in the *poblaciones* and those hiding in the hills, found it safe once more to return to their homes and resume the cultivation of their farms. No less than six thousand one hundred hectares in the troubled areas that had lain idle for four or five years were planted to rice. Upon the expiration of the proclamation period, the misguided elements resumed their defiance of the government. They began again to harass the people during harvest time. But the government, through an effective Constabulary campaign, has been able not only to break their organization, driving the remnants to the deep recesses of the Sierra Madre, but to secure the biggest rice harvest since the outbreak of the war despite a drought and other natural calamities.

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The Amnesty also served to unmask the dissidents. It exposed their communistic inspiration and direction. It uncovered their real purpose to overthrow the government, which they had cloaked by agitation for so-called social agrarian reforms. Realizing this as they never had before, our law-abiding citizens gave the government all their loyalty and support in the subsequent policy it followed of going after the dissidents with all its strength and power to uphold the law. I am glad to report to you that the sporadic depredations of these outlaws in isolated areas of the country are but the last paroxysms of a dying movement.

With the recent surrender of two hundred Moro outlaws in Jolo, the only threat of disorder in the traditional trouble area in the Sulu Archipelago during many régimes, has also disappeared.

The government shall continue its vigilance against potential disruptive elements which impair the efficiency of our productive efforts. We will not tolerate further interference with the steady prosecution of our social and economic program.

Social Amelioration

My second immediate objective was to provide for relief to the people in the troubled areas.

By executive order I created the Action Committee on Social Amelioration.

I charged it with the duty to go to the field and minister to the needy, the hungry, the homeless and the sick, to victims of dissident depredations and violence. I placed the four million pesos appropriated by Congress for peace and order and relief at the disposal of the Committee.

The Action Committee has carried out a program of social amelioration on a systematic and comprehensive scale. Some 700,000 needy people in thirteen provinces and chartered cities secured direct assistance in food, clothing, medicine and, in some cases, direct cash loans. These loans amounted to ₱205,000 and were given to tenant-farmers in Tarlac, Nueva Ecija, Bulacan, Pampanga, Bataan, Rizal, Laguna and Quezon. In addition, the Committee distributed ₱333,000 worth of seeds, mainly palay, for distribution to farmers to augment the production of rice. Other food crops have likewise been planted. To provide employment to long unemployed people, the construction of public works projects in the troubled area was speeded up. In order to encourage the establishment of homes for the landless, the acquisition of big landed estates to be parcelled for resale to *bona fide* tenants at cost was also accelerated. Besides the purchase of thirty-five *haciendas* comprising 161.3 million square meters valued at 13.3 million pesos, we are acquiring

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additional estates in Arayat and Sta. Ana, Pampanga, and in Jalajala, Rizal, for the same purpose. These proposed new acquisitions involve an area of about 49.3 million square meters valued approximately at 1.2 million pesos.

The social amelioration program has been extended to other portions of the archipelago as far as Mindanao and Sulu, and has become a major policy of the Administration.

By the approval of Republic Act No. 304, we have solved the long standing demand among our thousands of government employees for backpay, under conditions which will do justice to the beneficiaries without unduly straining the finances of our government. By Acts Nos. 312 and 315, we have increased the minimum salaries of teachers, enlisted men and other small government employees. We have also elevated the status of the nurses in the Army by the creation under Act No.

203 of the Nurses Corps in the Medical Service.

Republic Act No. 312 provides for the standardization of teachers' salaries on the basis of occupational assignments and educational qualifications. The 1948—1949 Appropriation Act had already been passed when this law was enacted. It will be my concern to make adequate provision in our next budget in order to carry out within our financial capacity the standardized rates provided for by this law.

We have further improved the lot of temporary government employees and workers, including those in the corporations owned or controlled by the government, regardless of status, by giving them fifteen days vacation leave and fifteen days sick leave with full pay each year.

This past year additional relief accrued to our people from a substantial increase in employment. Wages increased two per cent, while the cost of living, based on the price index of essential commodities, dropped 39 per cent, a most gratifying development. Verily, the rising level of earning and the decreasing cost of living are converging upon a point of economic stability favorable to the great masses of our people.

We have obtained from the United States Government provision for the hospitalization of our veterans. Our government has extended to our heroes of the war and the resistance such benefits as we have been able initially to afford. At our invitation, a mission of the United States Veterans Administration will arrive in Manila next month to look further into the possibility of improving the assistance that has been given to Filipino veterans.

We have warded off epidemics. Large-scale immunization work has been accomplished. Medical care and facilities have been extended. Traveling clinics have been established. Hospitals and puericulture centers have been rehabilitated. We are taking

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steps to introduce on a big scale in our country the latest advances in medical science, including new drugs and vaccines for the treatment or prevention of leprosy and tuberculosis.

We have solved the heretofore recurrent school crises. Nine thousand additional classes were opened throughout the country. We have made possible the admission of every child of school age seeking entrance to our public schools. For the first time in the history of civil administration in this country there was no such thing as a school crisis this school year.

To minimize the delay in the adjudication of cases, we have expanded our judiciary by increasing the number of judges. We now have a full complement of the Judiciary, which has been completely reorganized under the Judiciary Act of 1948.

Assessment of Human Resources

We have taken a new census of the country. After a long and destructive war, it was necessary to assess our resources for recovery and to plan for continued growth. The report shows our total population to be over 19 million as of October first, last. It indicates that we have sufficient manpower to carry out our program of national development.

The Administration is attaching particular importance to the adequacy of the coverage and the quality of the results produced by that census. We hope that it will give us a correct basis from which to draw a quantitative and qualitative analysis of the manpower resources of our country.

We must provide at the earliest practicable time facilities for efficient utilization of these resources. We need a more diversified occupational pattern, a reduction in the volume and duration of unemployment, an increase in the worker's share in a bigger national output. We must insure those social welfare benefits so necessary to the attainment of full stature of a self-respecting citizen—education, recreation, security against illness and the infirmities of old age.

During the last twelve months, we have rehabilitated 25,260 kilometers of roads, built 663 kilometers of new roads, constructed or rehabilitated 605 school houses, erected or rehabilitated 381 public buildings, constructed or repaired 2,241 temporary and six permanent bridges, built or rehabilitated irrigation systems, at a total cost of 68.8 million pesos. This sum came from our general appropriations, from funds obtained from the Rehabilitation Finance Corporation, and from the Philippine War Damage Commission.

National Economy

We have balanced our national budget. We shall again have at the end of the current fiscal year a sizeable surplus. But it is important that we continue with vigor our efforts to increase the revenue collections and to limit expenses to the most essential needs of the public service.

We have greatly improved the economic and financial conditions of the country. Through the Rehabilitation Finance Corporation, loans amounting to P90,480,136 have been granted for reconstruction and rehabilitation purposes. These loans have gone to farmers, tenants, industrialists, builders of homes and other elements assisting in the general economic uplift.

We have set up the Central Bank to expand our credit, stabilize our currency and provide a new source of financing for the agricultural and industrial development of the nation.

With the operation of the Central Bank, we expect to maintain our domestic monetary stability, the international value of the peso, the free convertibility of the peso into United States dollars and other freely convertible currencies, and the promotion of a rising level of production, employment and real income. The greatest service of the Bank to the growth and prosperity of the national economy will lie in its use of its prerogatives under the law to create that financial environment in which the growth of sound pro-

ductive enterprises and the creation of a diversified pattern of production will be greatly encouraged. It is an obligation of the Bank to promote and increase the rate of savings and channel them into productive investment outlets.

We have taken a long step forward in the financing of our industrial development. We have successfully concluded negotiations with the International Bank for Reconstruction and Development for a loan covering our dollar needs in the construction of two of the four hydro-electric water power projects intended to spark our industrialization program. A definite commitment by the Bank in the sum of fifteen million dollars has been made. But that amount will be adequate only for the Ambuklao and Lumot projects. Further negotiations will be conducted for the financing of the Itogon and the Maria Cristina projects, particularly the latter. The intensification of the agricultural and industrial development of Mindanao occupies a top priority in our program. The commitment thus far made is not only a favorable sign ushering in finally the implementation of our plans of economic development, but a significantly successful test of the solvency of our foreign credit, for it was accepted only after a thorough examination of our resources and development plans by a board of economists of international authority.

We have effected export control to retain for our own use articles and materials in short supply here, and import control to conserve our dollar resources so necessary for the expansion of our own productive enterprises.

If in the process greater participation by our own countrymen in the import trade is fostered, a greater gain will have been achieved. The import control order is not a finality. If it be found that supplies limited by the order will not adequately meet legitimate and justifiable demand the satisfaction of which will serve the national interest, increased quotas will be

authorized. But the fundamental objective of conserving the foreign exchange resources so that they may be available for economic development and of giving impetus to domestic production will loom large in the consideration of questions involving the relaxation of these controls. Our means and our remedies will be productive rather than speculative or merely restrictive.

We have yet to expand our foreign markets and cultivate and stabilize them with the continuous flow of exportable products in improved and standardized form.

Our Prestige Abroad

With special pride I call your attention to the fact that today the Philippines has the friendship and respect of all nations. Our international relations have become stronger. Although the United States continues to be the only country that maintains an

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embassy here, eight other countries now have legations, and twenty-four nations in all have set up eight consulates general, fourteen consulates and four consular agencies. For our part, we have diplomatic establishments in eight nations and consular representatives in seventeen cities. We have recently established Philippine legations in London, Rome, Madrid, Nanking, Buenos Aires and a special mission in Tokyo. Our participations in international conferences, especially in the United Nations and its various agencies, and in interparliamentary unions and scientific and cultural conventions, have been conspicuous with constructive contributions to world understanding and peace.

The bi-partisan policy in foreign affairs which we adopted at the beginning of our international life as a Republic has resulted in effective representation abroad and virtually unanimous support at home. Our delegates have been honored with appointments to positions of leadership in many international conferences in which we have participated. The nations have shown an increasing respect for the integrity and wisdom of our counsel.

Our special relationship with the United States has been productive of goodwill invaluable to our growth as a young nation. We have shared in the rejoicing of the people of the United States in the re-election of President Truman and in the return of a Congress sympathetic to his liberal program. It was President Truman who proclaimed the independence of the Philippines barely two years ago. His continuance as the head of that great nation insures an abiding American concern over the future of our young Republic.

With the entire East threatened by the onrushing tide of Communism, the Philippines, the most strategic crossroads linking the West and the East, remains the one safe, attractive home for free men in our part of the world,

a haven for the masses of humanity fleeing from that flood.

Morale in the Public Service

I have reorganized the Cabinet. New members with proven ability, experience and integrity have been appointed. I have elevated the lady Commissioner of Social Welfare to Cabinet rank, giving to that position the importance commensurate with the new tasks assigned to it of carrying out the policy of the government on social amelioration. I have advanced in both the judicial and the executive departments, men of high standard of efficiency, thus giving encouragement to those in the lower ranks who have shown merit and loyalty to the service. I have opened opportunities for younger men to prepare themselves for high responsibilities in the public service. I am determined to pursue a line of action that will insure to our people honest and efficient service and will provide full enjoyment of the liberty and equal opportunity that we have dearly fought for and won, in peace and in war, at home and abroad.

We have laid the foundations of a stable, efficient, honored and dignified government. And we have brought it nearer to our people. We have been taking every opportunity to talk directly to them in their cities and towns, to observe their manner of living, to hear them discuss their needs, express their criticisms, their hopes, their aspirations.

We have strengthened further their confidence in our sincerity and integrity. We have demonstrated our willingness to invite and face public scrutiny. We have eliminated whatever evils have been uncovered. We have proved the primacy of public interest over party, group or personal claims. More than as the supreme head of the Liberal Party, in accordance with whose rules I am "the authorized spokesman of its decisions and policies", as President of the Republic I declare this to be the unequivocal policy and determination of the Administration.

I cannot believe that God will not allow us to maintain this kind of government. We must consecrate our lives and all our efforts to its attainment and dare while we pray, and pray while we dare.

Tasks Ahead

Let me turn now to the immediate tasks before us.

Production and Social Amelioration

The most important and urgent aim of this administration at this stage is increased production and social amelioration. We cannot indefinitely ride on the foam of foreign charity and friendship. We must produce our own immediate necessities and raise, by the sweat of our brow, the lot of the men who toil on the farms and in the factories. We shall, where necessary, effect changes in the national economy to achieve this end. Our responsibility is no less urgent to those displaced and rendered homeless by public calamities.

Social security measures are under preparation by the Social Security Study Commission which I created for the purpose. The complexity and far-reaching consequences to our social life of such measures call for the closest study of their provisions. I urge you to approve adequate legislation providing for more health and housing facilities to banish our urban slums, to eliminate those fire hazards that are a daily menace to life and health, especially among the poorer sections of our towns and cities. We need more practical measures to impliment our objective of giving our citizenry the maximum benefits to be derived from the development of our agricultural and industrial potentialities.

This is the age of the common man. This government has long stopped preaching. It now goes out to the field with an Action Committee and with a sizeable fund for its use in order to improve the lot of the common man. The activities of the Committee are only in their initial stage. We want to follow up the program of social amelioration with greater intensity and

give the masses a Straight Deal. This is my all-absorbing and consuming passion. We have to insure a standard of living in the farms, in the factories, in the homes that will be more in keeping and commensurate with our progress and advancement.

Veterans and Guerrillas

The pensions to war widows, orphans and disabled veterans must continue with adequate funds therefor. The nation owes an eternal debt of gratitude to them. Their sacrifices shall not be in vain. I beseech the Congress to give the matter immediate consideration.

Emergency Currency and Guerrilla Notes

The redemption of emergency currency and guerrilla notes is a legal and moral obligation of this Government. Our people are not concerned whether the funds for the purpose come from our Government or from the United States. The amount of 30 million pesos earmarked for the purpose and an additional ten million pesos made available by our government are insufficient to cover at par the full amount of P112,951,907 found by the Emergency Currency Board as having been duly issued.

It is necessary that we evolve a redemption scheme, an equitable solution. But a quick solution is imperative.

Labor

There has been a notable readiness on the part of our laboring class to cooperate in the constructive activities of the country. The minimum wage for our laborers must be standardized and stabilized. I have urged the Labor-Management Commission, in which capital and labor are equally represented, to submit a schedule of wages applicable in the different industries and localities.

The Labor-Management Commission is now studying the problem of wage standards in different regions. We must forestall wasteful periodic demands for revision of wages and the consequent uneconomic stoppages in

our machinery of production. We need regulative rather than prohibitive measures against strikes. Both labor and capital must cooperate to achieve this end.

The salaries of employees in the lower brackets must also be improved. Private enterprises are offering better opportunities, and the Government is beginning to lose its most experienced personnel in the competition.

Public Health

The outlook for tuberculosis control in our country by the use of the vaccine called "Bacillus Calmette Guerin" (BCG) is giving us high hopes; it is opening a new horizon to the work of reducing tuberculosis incidence to the minimum. Our authorities are keeping abreast of latest developments in medical research in other countries. We are a member of the World Health Organization through which the most recent medical discoveries and techniques are being made available to our people. While we should be discriminating in the adoption or application of remedies recently discovered, we should not lose time to utilize them to relieve our people once their efficacy is proven.

In the construction of roads I recommend that we provide sufficient funds to facilitate the building of cement or asphalt roads not only for reasons of economy but for the health of our people. Our dusty roads are the causes of so many ailments afflicting them, especially tuberculosis.

In view of the lack of physicians in many of our communities, I recommend the immediate study and approval of legislation providing for pre-paid medical service to our population which cannot afford medical assistance, especially those in remote rural communities.

Education

Our educational policy must be reviewed and revised for closer coordination with the objectives of our proposed development program, without sacrificing the traditional aim of providing a liberal culture basic to the

good life. I hope that the Joint Educational Committee of the Congress engaged in this study will be able to evolve a revision of the school system more adaptable to and in keeping with our national requirements.

Economic Development

I urge total economic mobilization. Our economic structure should be built from below, making the foundation firm and accessible to the general population so that everyone can contribute to and share in the benefits of our material progress.

We must increase on the one hand our receipts from exports of improving quality, and decrease on the other the amounts of our import bills. The display and sale of Philippine-made goods must be given emphasis to balance the entrenched position of imported articles. We must not only produce more, but must educate our people to consume more home products. National protectionism in this regard is a legitimate ambition of every self-respecting independent nation.

The achievement of the first objective of increased production for export requires improvement of the cost conditions of our existing export industries, the development of new export products, the creation and cultivation of new markets for our export trade.

We have heretofore overlooked or neglected our immediate neighbors in orienting our economic ties abroad. Our search for new markets and the intensification of our promotional activities should consider the hitherto closed areas of Latin America, Europe and the Near East.

To achieve the second objective, we must give priority to the development of economic projects which can be brought up to the producing point within a relatively short time and will enable us to reduce the amount of dollars spent on imports.

Now is our opportunity to initiate the adjustment of our economy to maintain a stable, high level of employment without unduly exposing our

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program to the dangers of unpredictable violent fluctuations of demand for basic export crops in the foreign markets.

I shall urge the members of the National Economic Council to give priority consideration to the government's short term development program. It should serve as the coordinating authority to knit together into a harmonious whole, bank credit policy, government credit and fiscal policy, and developmental investment policy. The Council will be clothed with authority to approve and schedule projects, to allocate on a fair basis the funds or credit which the Central Bank may from time to time mobilize to the loan portfolios of government lending agencies, to keep them within the approved pattern of allocation of available capital and the limitations established by law. We will draw upon our full credit capacity, backed by the guaranty of the National Government, to secure funds for this program.

Government Enterprises

There is need for coordination of the policies and operation of our government corporations to increase their usefulness to the national economy. It may be necessary to re-examine their structure and organization, their policies and their objectives, the scope and nature of their activities, and to gear all these to new goals set by a coherent development program. I recommend serious consideration of the ad-

visability of creating a national central body or department that can more effectively direct, supervise and control the operations of government corporations. The coordination and consolidation of these corporations under one directing authority will place under unified direction assets worth over one billion pesos and corporate net worth valued at over 300 million pesos.

In our economic mobilization, we should give priority to our already established major industries. The abaca industry needs replanting and expansion. The tobacco industry must be revived and its foreign markets reopened. The industrial processes developed for the coconut industry must be fully exploited. The prewar sugar industry must be restored and markets for excess production over domestic demand and the United States import quota limitations must be found. I created the Sugar Rehabilitation and Readjustment Commission to advise the government on the proper measures to be adopted to revitalize and stabilize the sugar industry. In due time I will submit measures to realize these objectives.

It is necessary that we cast our eyes and exhaust our resourcefulness to secure the fuller utilization of our other natural resources and possibilities. We must speed up the digging of our mines, hasten the exploitation of our water power, and stimulate the search for new uses of our varied agricultural products heretofore not efficiently or commercially utilized.

Agricultural and Industrial Development

The main problem of the country today is still to find ways and means of increasing production not only of palay and corn which constitute the basic cereal foods of the Filipino people, but also of other food crops, as well as meat, milk and other livestock products, fish and other foodstuffs. More as a temporary solution of the worst rice crisis since liberation, I created the Rice Emergency Board

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which controls the procurement and distribution of locally-produced rice now and for the next two years. I fixed the price of this commodity for the two-year period on an attractive basis for the direct benefit of the producers in order to encourage the production and steady supply of the cereal. Let us conduct a campaign for increased production, at least one more cavan of rice or corn per hectare of the thousands we are now cultivating. The plans are advanced for the setting up of a fertilizer plant to encourage larger agricultural production. I recommend that more appropriations be set aside for the construction of new irrigation systems and the repair of those already in existence.

In the face of a persistent world shortage of rice production, the Philippines cannot and should not be content to remain a rice importing nation. We are adopting measures to increase domestic production as rapidly as possible and help, incidentally, to conserve our foreign exchange resources. Independently of other recommendations of the Rice Emergency Commission, I have instructed the National Development Company to develop two 10,000-hectare areas for rice and peanut production: one in Cotabato and the other in Mindoro. Work in Cotabato is under way. Sixteen hundred hectares are now under cultivation. In fact we have a handsome initial harvest of 130,000 pesos worth of peanuts this season. This is but the beginning of the development work in agriculture planned in Mindanao. Similar preparatory work is being done in Mindoro. This program will be carried out in all parts of the country where large tracts of public land may be available for rice production until this unwholesome dependence upon outside supplies shall have been solved. It will insure abundance and conserve the 60 million pesos we remit abroad annually for our rice importation.

We must turn our concentrated attention to the development of Mindanao. Something must be done without loss of time to convert that vast region into a real empire of wealth. I recommend a general program of road construction to encourage production and communication. The establishment of the planned hydro-electric and fertilizer plant in Maria Cristina Falls will give the proper agricultural and industrial incentives. Locust pest is hampering the agricultural development of Northern Mindanao and even as far as Bohol and Cebu. I also recommend that sufficient appropriation be set aside to eradicate this winged enemy to our increased production.

We are having difficulties in the proper storage of rice, tobacco, copra and sugar. The construction of private or bonded warehouses for these products should be facilitated and encouraged.

Fishing is one of the most promising and flourishing industries of the country. But we are destroying this rich resource by the wanton use of dynamite in our sea and river fishing. This must be stopped. Let us put more teeth to the law on fishing.

Act No. 2932 on the exploitation of our oil deposits is now regarded as obsolete. We should give more facilities for the exploration and exploitation of our oil deposits. This is a promising industry. The world demand for oil is unlimited. I have sent abroad a special mission to study not only oil legislation but also methods and procedure of exploitation. I hope that our representatives will be helpful in the revision of our legislation on the subject.

Retail Trade

We are still a long way from our goal of wresting control of our retail trade.

No government in the world can merely legislate any people or any nation into business superiority and pros-

perity. But both our government and our people can cooperate to attain this natural and legitimate aim: the government, by providing a coordinate scheme of incentives to tide new enterprises over initial difficulties; and the people, by adopting a more courageous outlook and using opportunities and privileges with religious attention to attendant obligations.

We shall continue the organization of PRATRA branches and agencies and of the consumers cooperative associations, as procurement and distributing agencies for their members, and encourage the organization of provincial trading corporations to minimize profiteering.

Public Finance

We have progressed in our revenue collections but we are still far from our ultimate goals. Those goals will have been reached when our financial position will have so improved as to enable us to provide adequately for all public services.

We should have more effective legislation to encourage honest tax-paying and curtail tax evasion. The national revenues can be increased not only by raising the taxes not restrictive to new industrial enterprises but also by properly preventing tax evasion.

National Security

We are doing all in our power to train and organize our manpower resources for the national defense. But trained and courageous soldiers are not all that make an army. We must provide these men with the necessary equipment and supplies within the financial capacity of the government.

We need to expand our military training. What we have been able to provide thus far is not adequate to produce a citizen army that can be mobilized on short notice and strong enough for national defense. It would be more productive of better results and more economical to encourage military training throughout our schools, colleges and universities rather than maintain a big standing army.

Foreign Relations

We will continue to adhere to the United Nations and we reaffirm our faith in its capacity to adjust international conflicts for the permanent peace of the world.

In the light of political developments in Southeast Asia, and the turbulent conditions in our immediate vicinity, the Philippines should further strengthen its position. Its leadership must be for constructive freedom and peace and must insure the promotion and protection of the interests it shares in common with these states as well as its own.

We should adopt, for the security and stability of the Philippines, strict safeguards against the entry or infiltration of subversive elements. Our home policy for peace and order must be strong. There must be national discipline. The government must be respected, its laws obeyed. We cannot expect outsiders to respect our government if we do not respect it ourselves. We now enjoy that respect at home and abroad.

Facing the Future

Looking thus at the record since the establishment of our Republic and forward beyond the horizons of our charted course, I am deeply encouraged. We can face the future confident in our capacity to bring abundance, security and peace to our people, through the tested constitutional processes of freedom and democracy which constitute our enduring allegiance and loyalty.

In spite of tremendous odds, our progress and the continually growing respect and friendship of other nations confirm our potentialities and active growth in stature. They sustain our broadening role in world affairs, particularly those affecting the Eastern world, definitely directing us towards a strategic position of creative influence. We need continually to so build and discipline ourselves that we may attain and deserve the privilege of its ministry. Our opportunity to this end

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Norm of Conduct . . .

the fact that he is earning only seventy-five pesos (P75) a month as detective-inspector with his wife and five children to support, it is impossible to believe that he could also afford to maintain a paramour within his lawful income. The conclusion is therefore inescapable that the maintenance of the illicit relation between the respondent and complainant offers a great temptation for the former to obtain money from other sources and that most likely he would make use of his office and authority to mulct a few pesos to support his paramour. It is therefore believed that his continuation in the Manila Police Department is detrimental to the public service. Taking into consideration, however, the misery and suffering that will ensue from his dismissal on the part of his innocent family and the twelve years' efficient and continuous service that the respondent has rendered to the Government it is the sense of the Board that the penalty of removal in this case is rather severe.

In the light of all the foregoing considerations, it is the opinion of the Board and it is so decided that the respondent should be considered as having been required to resign from the service effective upon his last day of service with prejudice to reinstatement in the Manila Police Department. (Case No. 34, March 26, 1931, Civil Service Board of Appeals.)

INCOME CONTRASTED WITH CAPITAL AND OUTLAY

Income as contrasted with capital or property is to be the test. The essential difference between capital and income is that capital is a fund; income is a flow. Capital is wealth, while income is the service of wealth. "The fact is that property is a tree, income is the fruit; labor is a tree, income the fruit; capital is a tree, income the fruit; (Waring v. City of Savannah [1878], 60 Ga., 93.)—Madrigal and Paterno v. Rafferty and Concepcion, 38 Phil. 414.

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is to muster and organize all our resources, preserve our credit and prestige abroad, and guard against their dissipation at home.

I call on every man, woman and child of this nation to share in the privilege of the great tasks before us. I appeal for the utmost courage, wisdom, vision and dedication in taking up the challenge of our common objectives.

When I assumed office, my only pledge was what I recited in my oath. I meant every word of it. My policy has been simple. I have had only two main immediate objectives: the restoration of peace and order, and the strengthening of the morale of the people and their faith and confidence in the government.

I pledge to you, gentlemen of the Congress, my full cooperation in the greater tasks ahead, convinced that with Divine Guidance we will attain the goals we have set for ourselves to promote and safeguard—the welfare of our country and our contribution to the peace and happiness of the world.

—o—

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