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The Advantage of Doing Nothing

Hawes-Cutting bills, Vandenberg plans and what have you are keys to a Pandora's box congress will probably keep locked.

Pandora was a very gifted and fortunate goddess, or maybe just a demigoddess—she may have been an Olympian mestiza. At any rate, Pandora could drop in at Tiffany's and shop as much as she pleased, buy Paris frocks and meet the drafts regularly; she was one of the most popular of the younger set, and one of the most eligible, too—reflecting great credit on the finishing school she had attended, her French governess and her father's bank account. But Pandora, highly favored though she was, was discontented. This put the Evil One on her trail, and he trapped her. He gave her a bauble, a jeweled box, warning her not to open it lest evil befall her. She, however, used to having her way and thinking Dad could fix everything that might go wrong, opened the box—out of which poured the foibles, sins and unhappiness of the world. Dad couldn't fix it, Pandora, bless her heart, was ruined.

They are tinkering with a Pandora's box in congress, the status of the Philippines. They acknowledge that the Philippines are young, handsome and happy, but they have designs on them and plan to tempt them in some guileful fashion to their eternal undoing. Thus the Hawes-Cutting bill would do, thus the Vandenberg plan set forth at page-length in the 9th news section of the New York *Times* of August 16.

Senator Vandenberg of Michigan is a Republican and speaks *ex cathedra*, so to speak; and Cutting is a Republican and hopes to have his party with him. What he has concocted with Senator Hawes and a majority of the senate committee (if not the house) needs no long discussion, the important point is that it marches America out of the Philippines in five years, and in four years, at 25% a year, it applies the American tariff to Philippine products sold in the United States, the Philippine tariff to American goods sold in the Philippines.

The Vandenberg plan is stated cryptically in the *Times*, but it is something like this:

It would empower the Philippine legislature to do the tariff-imposing business; it would pursue the homeopathic broken-dose technique, each legislature, lasting three years, could impose a little tariff until, in twenty or thirty years, the trade would be bearing the full duties. The Philippines have not been in a war, have slain no crown princes, but this Vandenberg plan would stick them for reparations just the same: it would be too bad for folk to be paying thirty years hence for the folly of their forbears.

But that is not the dourest aspect of the Vandenberg plan.

The dourest aspect of the Vandenberg plan is its being all theory. Superficially it is logical, approaching you with this argument:

"Don't you see, when 10% of the duties are imposed, only 10% of the trade will be lost; and perhaps not even that, maybe we can beat the tariff. Paying 20% of the duties, we shall still have 80% of the trade coming to us now by reason of the free entry our goods enjoy in the Philippines, and *vice versa*, the Philippines will still be selling 80% of their sugar in the United States, etc."

So?

Custom makes strange laws, the neat Spencerian copybooks used to tell us. Yes, even a custom duty.

When the Vandenberg plan came out this journal did some telephoning. It learned in a few minutes that not 10% of the duty, but 5% only, would close out America's cotton-goods trade here. It is now $8,000,000 gold a year, 50% of the whole. Charge 5% of the tariff against it, and it is gone; you don't need to bother with the other 95%, nor wait thirty years.

It was learned that 10% of the duty would close out American shoes, dealers are wobbling already between old connections in the United States and tempting offers from England and Europe.

Burning the midnight oil over the 1930 report of the customs collector, only served to corroborate this information with overwhelming and alarming details. The Philippine trade America would have left after even a fraction of the tariff was imposed would be that in which price was not a consideration, or in which, as with automobiles and some lines of steel products, America enjoys special advantages.

"But," some say. "Don't you see? The Philippine legislature would not apply the tariff. As soon as it applied a little bit, 20% or so, Philippine industries would be hurt and the legislature would not dare go on."

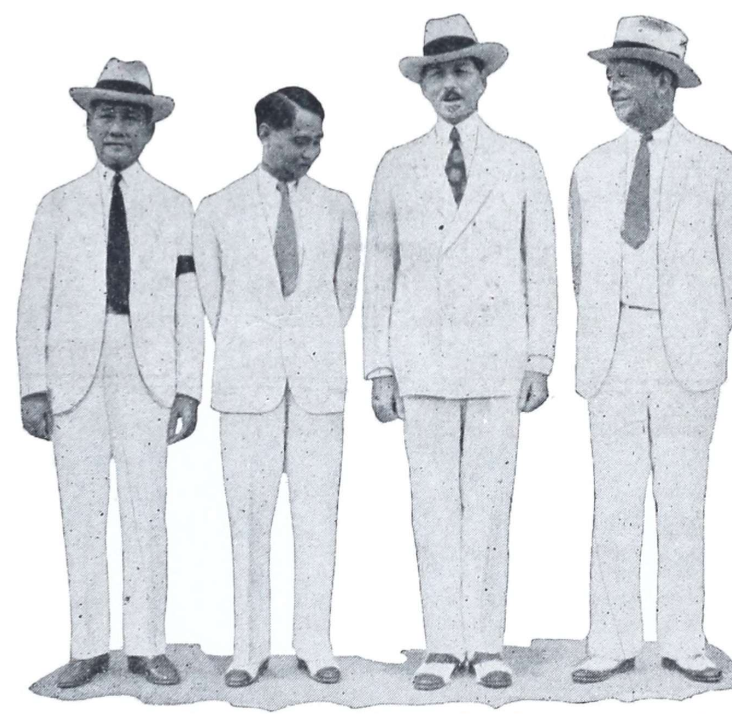
No, *that* legislature couldn't go on, it would have shot its legal wad. But the elections would return a more radical lot of men who would go right ahead with the mischief. America would find at once that she had maneuvered herself into the unenviable position in Philippines overseas trade she held before 1898, she would be buying Philippine products and selling the Philippines mighty little goods.

Let us look at sugar a moment. Cuba makes it for the United States, with American capital; it is the staff of life to Porto Rico and Hawaii, too, who both sell exclusively in the United States. It is illogical to assume that the tariff will ever be higher, but logical to assume that it will soon be much lower—perhaps nearly wiped out. Besides, the surplus of sugar in the world will eventually be exhausted—even the bootleggers can be depended upon to use it up!—and the price will go up as stocks go down. You must not think of sugar as at ₱8 a picul, rather at ₱12 or ₱16. For the chance to tax American trade out of this market, the full duty on sugar going into the United States might be taken as a cheap price to pay.

The thought may be heresy, but it isn't a duty on Philippine sugar that would ruin the industry, only the duty coupled with a prolonged depression of the market would do that. Full duty just now would cripple the industry, suspend, no doubt, grinding at some of the mills (producing sugar at ₱2 or thereabouts a picul, about ₱4.50 for the mill's share), but with a rising market the industry would revive.

The average bill-of-lading price of sugar in the Philippines has been ascertained for the 5 years 1924 to 1928 inclusive. It is ₱11.10. The tariff, as high as any tariff is ever likely to be, is about ₱5. Sugar from the 1931-32 crop is selling at ₱8, and the full tariff applied at this time would have this effect: It would accelerate the bankrupting of the planters, and cause the milling centrals to undertake the administration of the plantations (as their contracts provide). This would promote cane production, intensify methods of cultivation and solve the last problem of the industry in the Philippines, that of big yields at low cost per hectare. Soon producing a million tons of sugar, with labor employed at about 40 centavos a day, the Philippines (become an oligarchy so far as the sugar industry were concerned) would send sugar without limit into the United States. The tariff, paid, would not stop them. Little of this sugar, of course, would then be carried by American ships. Philippine and foreign ships would carry it, or only foreign ships: there would not be many American boats coming to the Philippines, they would have but little goods to bring here. The man in America, perhaps a beet-sugar maker, who wants to keep Philippine sugar out of the United States with a tariff and wants his congressman to vote for the Hawes-Cutting bill or the Vandenberg plan for that reason, has simply been deceived—the dust of the Cuban-sugar propaganda is in his eyes, blinding him to his true interests. These are, since Philippine sugar will go to the United States in any case, to let that sugar in free, keep sugar land widely owned in the Philippines, and as large a market here as possible for all sorts of American manufactures. He will then have the best market possible for the product of his beets; an appreciable part of that market will be created by the demands of industry engaged in supplying manufactures to the Philippines, including the shipping so engaged.

Senator Vandenberg discusses the balance of trade between the Philippines and the United States, always reported as in favor of the Philippines, in the same way official reports discuss it. But these reports refer to the customs data and do not go deep enough. Sen-



Sun Studio Photo

HURLEY WELCOMED IN MANILA

Left to right.—Senate President (acting) Sergio Osmeña, Speaker Manuel Roxas, Secretary of War Patrick Jay Hurley, Governor General Dwight F. Davis. Secretary Hurley was welcomed in Manila September 1 upon his arrival here from the United States with full military honors, an inspiring formality which was repeated upon his departure. His oldtime friend and Washington associate, General Hines, with staff in full regalia, were at the pier on both occasions, the 31st Infantry providing a thundering background of martial display and music.

ator Vandenberg fell short of the mark here, too. The actual market price of gold exchange indicates approximately how the true balance of trade stands, and it runs in favor of the dollar, therefore in favor of the United States. It includes steamship earnings, insurance payments, payments for goods, profits remitted, money remitted to America for savings and investment, etc., whereas only the money paid for goods shows in the official reports.

Given all the money the army and navy spend here, mainly for American goods, after all, dollar exchange is usually at a premium, though the peso is fully protected with gold. Though the true trade balance can never be determined, the fact just stated reveals that it is not against the United States. Another point applies. American goods come here completely manufactured, ours, summing up into our fictitious trade balance, go to America either raw or semimanufactured; profits of many millions a year are made, in America, by Americans, in manufacturing these Philippine products and selling them. But in the Philippines the goods America sells here are largely sold by Americans, and when the business is profitable the profit goes back to the United States. It is thoughtless to maintain that the Philippines hold the trade balance in their favor. They prosper from the trade, but only in proportion to the country's development. The trade advantages them, but advantages America more.

But you would get rid of the trade? When you think this, in America, you confound the part with the whole. You would act, if at all, to better yourself. Let us see. You would need Manila hemp as you need it now, and, perhaps with an export duty imposed in the Philippines, you would buy it and take it into the United States without an American duty. Hemp is on your free list, you pay from $12 million to $36 million a year for it. Under the new arrangement, you would have practically nothing but money to exchange for it. You would also still buy Philippine copra, with cash instead of, as now, chiefly with goods; the bill is about double that for hemp. (Just now, for copra only, it is about the same, but if the duty of $0.025 a lb. kept Philippine coconut oil out of the United States, the copra made into this oil in the Philippines would go to the United States). Copra enters the United States free of duty.

You would start out bravely, and end disastrously; you would soon be buying from the Philippines about 10 times what you sold them, and settling the balance in gold. By erecting tariffs against their products and allowing them to levy duties against yours, you would have turned your valuable business with them over to your overseas-trade competitors. This, too, because you now labor under the fatal delusion that you trade with them at a disadvantage, when every bill of exchange, almost, bought in Manila to pay for your goods, carries in the premium charge the palpable evidence that you are really trading with the Philippines to your direct pecuniary advantage.

Taking Hurley Home—Captain Fred E. Anderson of the new Dollar liner *President Hoover*, she on her maiden voyage and he in his 50th year at sea.

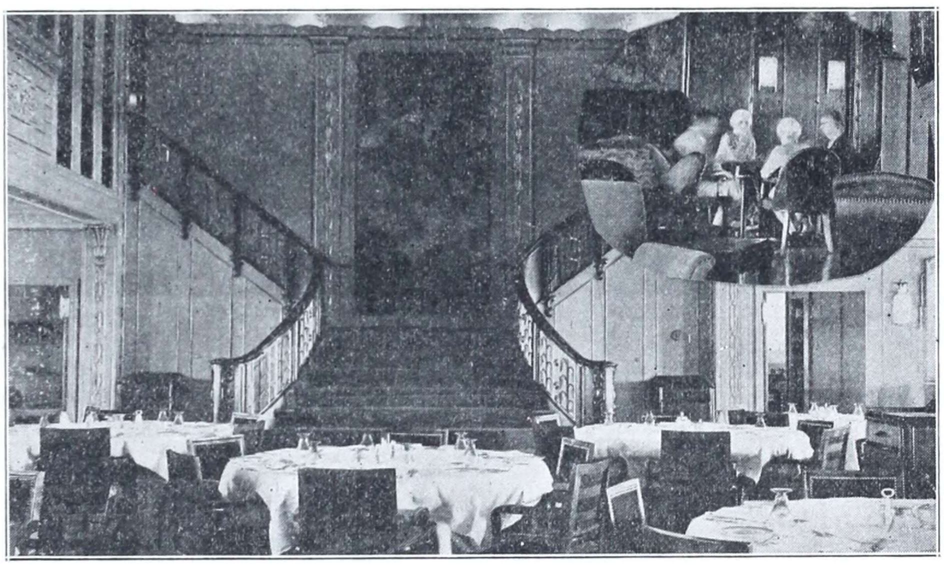
Before you do anything about this matter, take the precaution to get an economist's report on it.

You don't even know what the Philippines, free, would use for money. They might use silver, their money for 300 years—where the term *Mex.* came from. They would sell to the United States for gold, and they would collect duties in gold because the duties would be under mortgage. Under such shady conditions they could even pay a duty on copra sold in the United States. In other words, you can't beat a farmer in a horse trade—this is a farming country. You can permit duties to ruin your trade in the Philippines, as the Vandenberg plan would do promptly enough, but you can't rid yourself of buying from the Philippines and paying gold for what you buy.

This, however, should not be taken as opposing the Vandenberg plan. Fear it not. Let it go to congress, enhancing the bedlam there over the Philippines. Let it even bear the baldric of the White House. Let everyone at once try unlocking Pandora's box. By so much the more certainty will the box remain securely closed. Men will tire of trying to open it, one day, and set it aside in the archives of the nation—*sacred to the enlightened policy of William McKinley.*

Then men will settle down to finding out what there is to the so-called Philippine problem, and if there is one. They will, no longer their vision distorted by impassioned self-interest, conclude that there is very little to the whole business. As indeed there is.

—*W. R.*



Dollar Line Photos

ON THE *PRESIDENT HOOVER*

The illustration shows a section of the first cabin dining room on the *President Hoover* as she lay at Pier Seven September 24-26 on her maiden Pacific voyage out of New York. She is electrically driven, cost $8,500,000, accommodates three classes of passengers and an immense tonnage of freight, and is to be followed on the New York-Manila run by her sister-ship the *President Coolidge*. Mayor Tomás Earnshaw and a civic committee boarded her in the bay and gave welcome: Guillermo Gomez, acting customs collector, Kenneth B. Day, coconut oil manufacturer, Santiago Artiaga, city engineer, Juan Posadas, internal revenue collector, Howard M. Cavender, general agent of the Robert Dollar Company. J. Harold Dollar replied in behalf of the company to Mayor Earnshaw's address of welcome; he came to Manila on the ship and made the interisland voyage on the s. s. *Mayon*, sizing up shipping conditions.

During the afternoons of September 24 and 25 the *President Hoover* welcomed friends aboard by invitation. She was crowded with admiring throngs on both days, as she was greeted upon her arrival and her departure. Compare the *Empress* and *Dollar* ships of today with those of prewar days, to realize what an expanding commerce means to the Philippines in modern convenient transportation.