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CAPITAL vs. MANAGEMENT

We wish to say a few things. The question is up about capital in these islands. It is the paramount question of the day, but in our judgment a great deal that is being said about it misses the mark.

Governor General Stimson is desirous of more capital entering the manufacturing field here. Excellent, we are with him; more capital from the United States, more local capital too. It is going to call down upon all our heads the anathemas of other American manufacturing interests, but we say let this conflict come, it is inevitable. It is neither advantageous nor entirely honest to wish to keep these islands merely as a source of raw materials. If the United States will finally turn us loose because of our manufactures, when will she do it? Not in ten years, not in twenty years. She will not do it at all, because of our manufactures, or for any reason existing or potential within the islands, for the Philippines are a factor in her China problem and to this end she will keep them indefinitely. She will keep them more than thirty years, then; in less time than thirty years great masses of capital may be developed from successful manufactures. The first Ford was made when? And when was General Motors organized?

Manufacturing, unlike farming, accumulates capital rapidly; and so does merchandising, handmaiden of both industries. We need not forget banking, either.

But Governor Stimson wishes also to stimulate Philippine farming, he hopes to get capital interested in this too; he has had his friend, Mr. Lyman Hammond of New York, go into Mindanao and inspect certain hydroelectric sites which may in time be useful in furnishing industrial power and irrigation water. But though franchises may be granted, capital will not really be put into projects of this kind until a market for the products exists. Muscle Shoals came after southern cotton lands had lost their virgin fertility, and after the South needed power. It is still coming.

Let us not fail of thinking about these facts. We are all in earnest about wanting more capital here, perhaps even Osmeña himself is in earnest about it, and before these lines appear in print one Wm. T. Nolting will have landed in Manila as the representative and capable forerunner of big money. But his coming will not bring big money, only as he has his projects already spotted and simply takes up and carries on what others have been doing. Nor will Governor Stimson's inaugural address bring big money to the islands. Big money implies big projects, and where, in the Philippines, are these to be had?

What will bring capital to these islands, in smaller units the aggregate of which would be large, is trained management; and if it might be experienced management, then all the better. Capital may be ever so willing, even anxious, to invest here, but it will not invest here until it finds management in which it will place absolute confidence: management perhaps that can furnish an ample bond to back its judgment and integrity.

In our humble opinion, therefore, we are barking up the wrong tree when we talk to capital. Instead of this, we ought to talk to the executive class in America, the technicians of modern industry and agriculture, who are, when they are reliable men, always able to get capital very easily for every promising enterprise. Nolting is such a man, and he comes, as we say, with plenty of capital at his command. He may not invest very much of it, but those who trust him feel confident that so much as he may decide to invest will be placed in a way to bring them returns; and they

also feel that he will stay on the job and see that the returns are forthcoming. We wager that he will not consider the political factor; he will weigh only economic factors; and if he takes up sugar, no Timberlake from Colorado can scare him off.

It is management that we want, we repeat.

There should be in the United States, men skilled in growing coffee. If any one of them will come to the islands, and convince himself that he can make a coffee plantation thrive here, if he is known as a man of conservative judgment he shall soon have all the capital he needs—indeed, it would be so little, not *big* in any sense of the word—from the topnotchers in the coffee commerce of America. But if the topnotchers come here only gaining some general information to make them temporarily mad, when they go away they will soon cool off and nothing will be done about coffee. Have we not all seen things like this happen times enough?

Now we have lots of lumber in our forests, and thousands of acres from which the forests may be logged off under the vigilant rules of the forestry bureau, and other trees like rubber or guttapercha planted where the virgin forests stood. It doesn't take rubber long to grow, and even at 26 cents gold per pound the product nets 100% if not more. What could be sweeter, says Broadway; and truly we can send to that bright thoroughfare butter-and-egg men as generous as Kansas and Texas oil kings, but not by talking to capital about it. We must address ourselves to management, the managing class, the technical, executive class—the men who *know*—and they, convinced, will find the capital. After all, it is not essentially different from sending a plowboy to the field. You are confident he can plow the field, which needs plowing, and you pay him 20 dollars and *found* for plowing it. It is bigger than the plowboy's job, but it isn't different.

No one reviewing other industries, it is the same with all; the same with hemp, tobacco, coconuts, sugar, cordage. Millions upon millions more than are now made in all of these industries may be made out of all of them—for capital but not by capital. To make these added millions takes the attention of the managing class, whom capital trusts. If therefore capital wishes to invest here, let it send us technical men to spy out the field for it and decide upon projects. When it itself merely floats through here and talks, and returns to its pleasant metropolitan clubs and talks some more, it does us no good whatever beyond the scope of its hotel bills.

Then the kind of capital we can get in any case is speculative capital, the part of men's wealth which they are individually willing to risk. The sure-thing capital, the capital of banks, isn't the kind we shall get for factories, mills and plantations. Nor shall we get even the speculative capital without technical men, without known and trusted management. Capital of America, long-shot men hoping for a few more kicks out of life, be so good as to send us a few of this kind of men—this year. They are the only kind who can clasp our hands and yours in profitable concord across the Pacific. Not one in ten of them, in our opinion, would fail. There are little groups of wealthy men in a thousand cities of the United States who could send us one each—one each of these trusted technical men, some to look up lumber, some rubber, some coconuts and cattle, and some something else—all according to what their principles wish to stake a little joint-stock on. The reason we say they wouldn't fail is because this kind of man does not fail in this field. Failure of sobriety and sense is next to impossible.

MEAT ON THE HOOF

Forty per cent of Manila's meat on the hoof now comes from Australia, paying no duty, the contract being held from year to year by the same group. The law, indeed, forbids importations of cattle for slaughter, but a convenient proviso leaves the application of the law to the discretion of the executive. The executive would no doubt like to be assured that if he enforced the law the supply of beef from Philippine pastures would be steady, and enough to prevent any higher level of prices to consumers. The industry does assure him of this, but it isn't organized well enough to make its guaranty reliable; at least we should say so. But it is so confident that, since we have the law, which ought not to be a nullity forever, the plan is worth trying: the executive would be justified in refusing to extend the privilege of importing beef on the hoof, since the prosperity of a great local industry is at stake. And now, prior to the meeting of the legislature, is the time to make the decision. Nothing but experience will resolve the issue, and upon this experience additional legislation may be based if any is proved necessary: such, for example, as the repeal of the ban and the substitution of a tariff in its place.

If what has been done isn't what should have been done to promote the cattle industry, what should have been done should be done now.