

THE FIRST ANNUAL REPORT OF THE PRESIDENT OF THE PHILIPPINES

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE FIRST ANNUAL REPORT OF THE PRESIDENT OF
THE PHILIPPINES TO THE PRESIDENT AND THE
CONGRESS OF THE UNITED STATES COVERING
THE PERIOD NOVEMBER 15, 1935, TO
DECEMBER 31, 1936



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MESSAGE FROM THE PRESIDENT

THE WHITE HOUSE,
March 10, 1938.

To the Congress of the United States:

As required by paragraph (3) of section 7 of the act of Congress approved March 24, 1934, entitled "An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes," I transmit herewith, for the information of the Congress, the First Annual Report of the President of the Philippines to the President and the Congress of the United States covering the period November 15, 1935, to December 31, 1936.

FRANKLIN D. ROOSEVELT.

LETTER OF TRANSMITTAL

THE UNITED STATES HIGH COMMISSIONER
TO THE PHILIPPINE ISLANDS,
Manila, January 12, 1938.

The PRESIDENT,
Washington, D. C.

SIR: Pursuant to the provisions of paragraph (3) of section 7 of the act of Congress of March 24, 1934, I have the honor to transmit herewith a report of the President of the Commonwealth of the Philippines covering the period November 15, 1935, to December 31, 1936.

Very respectfully,

PAUL V. McNUTT,
United States High Commissioner.

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FIRST ANNUAL REPORT OF THE PRESIDENT OF THE PHILIPPINES TO THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES COVERING THE PERIOD NOVEMBER 15, 1935, TO DECEMBER 31, 1936

The President and the Congress of the United States, Washington, D. C.

SIRS: Pursuant to the provisions of paragraph 3, section 7, of the act of Congress, commonly known as Tydings-McDuffie law, which is one of the mandatory provisions of the act appended to the constitution of the Philippines, in article XVII, section 20, I have the honor to submit my first annual report as President of the Philippines, covering the period from the date of the inauguration of the Commonwealth Government on November 15, 1935, to December 31, 1936.

THE INAUGURATION

I assumed the office of President of the Philippines with the inauguration of the Commonwealth of the Philippines on November 15, 1935. I wish to convey to the President of the United States the sincere appreciation of the Filipinos for his message at the inauguration, expressing "confidence in the ability of the Filipino people to carry out successfully the final steps in the accomplishment of complete independence," and to acknowledge similar expressions of good will officially extended on that historic day by the Secretary of War, the late Hon. George H. Dern; by the Vice President of the United States, Hon. John Nance Garner; and by the Speaker of the House of Representatives, the late Hon. Joseph W. Byrns; as well as by the Senators and Representatives and other distinguished visitors from the United States.

RELATIONS WITH THE HIGH COMMISSIONER

I wish to take advantage of this opportunity to express the gratitude of the Filipino people to the Hon. Frank Murphy, the last Governor General of the Philippines, for his wholehearted assistance in laying the constitutional foundations of our government, and for his ready cooperation, as the first High Commissioner of the United States to the Philippines, in the establishment of mutually acceptable relations between the two governments. I also wish to acknowledge the excellent cooperation rendered to the administration by Acting High Commissioner J. Weldon Jones, in helping establish the foundation of this cordial relationship which was so auspiciously begun by his predecessor. During the entire time covered by this report, the relations between the government of the Commonwealth and the office of the United States High Commissioner have been most cordial.

GENERAL STATEMENT OF CONDITIONS

The first year of the Commonwealth of the Philippines was marked with the continuation of progress attained in previous years. The financial condition of the government was sound and stable. At the end of the year there was a considerable unencumbered surplus, despite the fact that the organization of the new government with the new activities that were commenced entailed a larger expenditure than that of 1935. The foreign trade of the islands had increased, being ₱477,109,506 as compared with ₱359,539,059 in 1935, excluding gold bullion or ores. There was a large favorable balance of trade in visible items. Peace and order reigned and no untoward event of any importance happened or marred the first year of the Commonwealth. The people as a whole did not suffer too severely from the effects of the economic depression, and unemployment was not as noticeable as in other countries. The excellent condition of the public health was maintained, there being an absence of epidemic diseases. The largest enrollment in the history of public education in the Philippines was registered this year, being 1,250,000.

CONSTITUTIONAL CHANGES

The first task that confronted the new administration was to effect an orderly transition and transfer of functions from the old to the new government. Under the provisions of the constitution of the Philippines all laws not inconsistent with the constitution continue in force until amended, altered, modified, or repealed by the National Assembly. All courts and other agencies of the government continue to perform their functions until otherwise provided by law under the constitution.

The outgoing Philippine Legislature took the necessary step, at its last session, to enact Act No. 4230 appropriating funds for the necessary expenses of the government of the Commonwealth of the Philippines from the date of its inauguration to December 31, 1935.

Likewise the members of the Cabinet, with the exception of the Secretary of Public Instruction, whose position was offered to, and accepted, by the Vice President, were reappointed. The justices of the supreme court were also reappointed. All the other officials whose appointments are vested in the President were allowed to continue to hold office, with the exception of certain judges of first instance and justices of the peace whose successors were appointed prior to November 15, 1936, or within 1 year after the inauguration of the Commonwealth.

My first official act was to issue Executive Order No. 1, requiring all officials and armed forces of the Commonwealth Government to take oath of loyalty to the constitution of the Philippines and oath of allegiance to the United States.

LAYING THE FOUNDATIONS OF THE NEW GOVERNMENT

Once these administrative instrumentalities of the new government were set up, the administration began its task of laying the foundations of the new regime. In the formulation of new policies, I hold as a fundamental concept, as enunciated in my inaugural speech upon assuming the Presidency, that the Commonwealth Government is to

be regarded as "an instrumentality placed in our hands to prepare ourselves fully for the responsibilities of complete independence." All steps that have been or will be taken by the administration in the performance of its duties have been and will be predicated upon that basis.

NATIONAL DEFENSE

Long before the inauguration of the Commonwealth Government the future necessity of making provisions for national security, as an inescapable obligation of independent existence, had engaged my earnest attention. Indeed, the possibility of satisfying national requirements in this direction was one of the most incessantly argued of all questions involved in the long negotiations leading to the enactment of the Tydings-McDuffie law. The defense function, inherently the first responsibility of sovereignty, presents, in the case of the Philippines, problems of unusual gravity. Not only was the matter of cost a vital one, but, owing to our long history of wardship as a nation, there had not been developed in the islands any numerous professional class capable of undertaking the design and construction of suitable security organisms. This lack of qualified professional personnel was recognized both here and in the United States, and as a result the American Government, in the fall of 1935, assigned for our use a group of Army officers, which was organized in Manila as "The Office of the Military Adviser."

By the time of the inauguration I had approved and accepted a defensive plan prepared by the military adviser, and immediately thereafter submitted it to the National Assembly as my initial proposal for legislation. With only minor changes it was passed by the assembly and was approved on December 31, 1935, as the National Defense Act of the Philippines.

The purpose of the plan is to confront any potential attack with the certainty that the losses to be incurred in conquering the Philippine Islands would be so great as to make such a venture politically and economically unprofitable. Factors of geography, finances, and numbers completely eliminated any suspicion of aggressive intent on our part. The only question involved was the possibility of developing defensive arrangements that, by their strength and efficiency, would command respect.

The approved plan is so designed as to minimize expenses, while providing each of our numerous islands with a defensive strength roughly proportioned to its size and population. The basic feature of the system is the training of male citizens in the profession of arms. To accomplish this the law requires that young men, upon attaining the age of 20 years, shall report to the colors for a short, intensive period of military training. Approximately 40 percent of those becoming annually eligible for service are absorbed into the training system. These young men are required to undergo military instruction as a duty to the State, and as a result their pay, aside from necessary expenses, is nominal only. This plan permits the devotion of a maximum proportion of military funds for necessary equipment, supplies, and materials, almost all of which are necessarily imported from the United States. The system assures a gradual building up of defensive strength in every populated island of the archipelago and

focuses the defensive preparation of every individual toward his own home and family.

As trainees complete their training with the colors they are assigned to units in the reserve force, to which they remain attached until they reach the age of 50. The land strength of the reserve will be represented in a number of small mobile divisions, with an artillery reserve. All reservists, during the first 10 years of their assignment to the reserve, will annually receive 10 days refresher training; thereafter, progressively less.

Another feature of the plan, adopted in order to avoid the costs and inconvenience to the individual, of lengthy tours of duty with the colors, is preliminary training in schools. In the primary stages this training stresses health, sanitation, good citizenship, and respect for law and order. In secondary schools and colleges it becomes progressively more military in character, so as to provide a pool of trained individuals to serve the State as reserve officers.

The scheme provides for a very small regular, or professional, contingent. The primary duty of this force, which is intended eventually to reach a strength of about 1,000 officers and 10,000 enlisted men, is to provide the necessary overhead, instructors, and leaders for the whole.

Additional features of the projected military force are its Air Corps and Offshore Patrol. The principal mission of these two elements is identical; to deny the use of territorial waters to the ships of any invader. The Air Force will comprise a small but highly competent groupment of modern air equipment. The major portion of the Air Corps training will be performed in the Philippines, initially under the direction of instructors from the American Army, and assisted by officers of the Philippine Army especially trained in the service schools of the United States. The Offshore Patrol is to be composed almost exclusively of small but very speedy torpedo boats. Working in conjunction with the Air Force, this flotilla is expected to give timely warning of the approach of any invading force and so to threaten the safety of troop ships and protecting vessels that ample time will be available for concentration of land forces at the shore line.

Active development of security forces under the broad principles of this plan was undertaken immediately upon the enactment of the national-defense law. By the early spring of 1936 the necessary arrangements had been completed for the first registration of young men of military age. This registration was carried out successfully during the month of April, and with gratifying results.

The former constabulary was used as the nucleus of the necessary professional element. A considerable portion of this force necessarily had to remain on its normal duty of preserving law and order, so that the total number to be made available for military activities was only about 200 officers and 3,000 enlisted men. With this small beginning, necessary steps were taken toward the organization of the various headquarters, services, and training units needed for administration, while the construction of barracks, quarters, and other facilities was initiated as quickly as funds could be made available.

The principal purpose of all work during 1936 was to be ready to absorb the first class of 20,000 trainees due to report for 5½ months'

service on January 1, 1937. From this standpoint the development of our defensive arrangements has made a very promising beginning. Headquarters groupments and auxiliary services are reasonably well organized and functioning with satisfactory efficiency. In the main, the barracks and quarters required at our training stations, of which there are approximately 100, are ready to receive recruits. Intensive courses to prepare instructors for their training duties have been carried out, in many cases with the effective and sympathetic cooperation of the United States forces stationed in the islands. Arrangements have been made through the American War Department to procure the arms, equipment, and supplies that will permit initiation of our training program. Requirements of our camps in health and sanitation, in facilities to provide vocational training for our young men and in organization for instruction have been foreseen and provided for. Exhaustive investigations into the possibilities of procuring patrol boats of the type needed for our Offshore Patrol have been carried out. An Air Corps training school has been established just outside Manila, and is functioning efficiently. In a word, we approach the end of the calendar year with the satisfaction of seeing our defensive preparations progress in orderly and effective fashion according to plan, and with the assurance that it is patterned to our essential needs and supported by the enthusiasm and determination of practically the whole of the population.

For the formulation and execution of the program of national defense most of the credit is due to General Douglas MacArthur, who is the military adviser of the government, and to his able assistants.

PEACE AND ORDER

Peace and order prevailed generally throughout the country, including Mindanao and Sulu, where petty disturbances usually occurred in previous years. Minor sporadic breaches of the peace in some localities were without political significance. The Sakdals of Laguna, Tayabas, Cavite, Rizal, and Bulacan who seriously disturbed the peace in 1935 remained inactive this year. In the provinces of Laguna and Tayabas, two members of the Asedillo-Encallado band, an outlaw group which terrorized these regions the previous years, were killed when resisting arrest, while the rest of the band peacefully surrendered to the authorities in the same month. The same thing repeated itself in Lanao, where several members of a law-defying band met their death at the hands of the agents of the law, and other notorious Moro outlaws laid down their arms and gave themselves up to the authorities. A few agrarian troubles and strikes threatened for a time the existence of peace in some towns in certain provinces in Luzon, but these local incidents were amicably settled.

By October, pursuant to the constitution, the National Assembly passed the State Police Act providing for the consolidation of the police forces in all municipalities and other local political subdivisions, including chartered cities, and all provincial guard organizations. The state police is in process of organization and will serve as a local police force acting under centralized supervision independent of local politics. The state police head is known as the Commissioner of Public Safety and is directly under the Department of the Interior.

For the splendid record in the maintenance of peace and order during the year credit is due to the local officials who, as peace officers, performed their duties commendably in the execution of the laws, and to the Philippine constabulary, which is now a part of the Philippine Army.

NATIONAL ECONOMY

Of vital importance to the nation is a national economy that meets the new conditions brought about by the change in our political status as well as those that will obtain when the Philippines shall have become a completely sovereign state. One of the first tasks, therefore, of the new administration was to formulate plans for economic adjustment and reconstruction and to provide the means of carrying out such plans. There was urgent need of providing the nation with the necessary leadership to balance and strengthen our economy, establish the proper relationship between economic activities and national needs, correlate productive energy with labor, capital, and credit facilities, and direct the wise utilization of our natural resources.

To provide an advisory body in the formulation of economic plans, the National Assembly enacted on December 23, 1935, Commonwealth Act No. 2, creating the National Economic Council and authorizing the President to appoint the members thereof with the consent of the Commission on Appointments of the National Assembly. On February 14, 1936, the council was formally organized. Its membership has been drawn from amongst outstanding men of business and finance of the islands. The Secretary of Finance and the Secretary of Agriculture and Commerce are also members of the council.

The first act of the council was to commence a survey of the natural resources of the Philippines, map out a provident utilization of the natural resources, and adopt plans for the conservation of these resources in order that future generations may not be deprived of the national patrimony. The council has organized itself into eight committees, namely: (1) Committee on agriculture and natural resources, (2) industry, (3) foreign trade and tariff, (4) domestic trade, (5) transportation and communication, (6) taxation, (7) labor and immigration, and (8) banking and finance.

Upon the recommendation of the Rice Commission and the approval of the National Economic Council, the National Rice & Corn Corporation, capitalized at ₱4,000,000, was organized. The purpose of this corporation is to make the Philippines self-sufficient in rice, which is its main food requirement, and to stabilize the price of this cereal at a level that is fair both to the producer and consumer. This corporation is now fully organized and in operation. It is serving efficiently and satisfactorily the purpose for which it has been created.

The National Economic Council has undertaken the study of the water power resources of the country with the cooperation of the technical staff of the National Development Co., the National Research Council, and the Metropolitan Water District, which ultimately led to the enactment of a law (Commonwealth Act No. 120) creating the National Power Corporation. The necessity of cheap motive power, and the existence of several potential sources of water power, has led to the organization of this corporation which is now making a thorough and complete survey of our water-power resources. The National Economic Council has already recommended the estab-

lishment of hydroelectric plants in strategic points in the Philippines. The National Power Corporation is to be financed by the issue of bonds to be guaranteed by the government.

The creation of a National Produce Exchange was effected after due study made by the council and after passage by the National Assembly of Commonwealth Act No. 192 creating the exchange. Its mission is to improve the present system of marketing agricultural products and provide an effective mechanism through which grading of commodities, market information, and other market functions may be performed.

The National Economic Council is making a study of the advisability of starting industries that respond to the immediate needs of the people, especially those that produce necessities like food and clothing, which constitute the major importations of the Philippines.

The formulation of a comprehensive program of economic development cannot be realized for the present, because of the absence of adequate data and sufficient information about the different phases of Philippine economic life. A census is now in the process of being taken which will provide much additional information upon which to base our economic planning. With the limited data and information at hand, only the main outlines of such a plan can be indicated at present.

PUBLIC FINANCE

The finances of the Commonwealth Government during its initial year were sound and stable despite increased expenditures incident to reorganization and commencement of new activities. On December 31, 1936, there was an unencumbered surplus of ₱7,614,344.46.

Collection of taxes intensified.—The Department of Finance launched a vigorous campaign in the collection of taxes, and as a result a considerable amount of delinquent taxes was collected and evasions in tax payment were minimized. The substantial increase in the revenue collections which was realized during the fiscal year 1936 was partly due to this campaign.

New tax laws enacted.—To further strengthen the financial position of the new government, tax laws creating new sources of revenue and increasing the rates of existing ones were enacted by the National Assembly during its last regular and special sessions which were held during the periods from June 16 to October 9, 1936, and from October 19 to October 30, 1936, respectively.

The new tax laws are:

Commonwealth Act No. 106.—Increasing the rates of the inheritance tax.

Commonwealth Act No. 117.—Increasing the rates of the income tax.

Commonwealth Act No. 122.—Increasing the rates of the specific tax on refined and manufactured mineral oils and other motor fuels.

Commonwealth Act No. 123.—Increasing the rates of fees for the registration of automobiles, trucks, and other vehicles.

Commonwealth Act No. 128.—Imposing a percentage tax on the gross receipts of theaters, cinematographs, concert halls, circuses, cabarets, race tracks, and other places of amusement.

Commonwealth Act No. 135.—Increasing the rates of the tax on fermented liquors.

Commonwealth Act No. 137.—Increasing the rates of the tax on the gross output of mines.

Commonwealth Act No. 203.—Increasing the rate of the tax on retail dealers of leaf tobacco.

Commonwealth Act No. 215.—Increasing the fixed tax on merchants, extending the percentage tax to sales of food products at retail in public markets, and providing for the collection of fixed taxes on cabarets and on marine engineers.

Favorable effects of these new tax laws on the revenue collections of the Commonwealth Government will commence to be realized in 1937.

Creation of the Budget Commission.—Pursuant to the provisions of Commonwealth Act No. 5, which authorized the President of the Philippines to effect changes in the organization of the executive departments, bureaus, and offices of the national government, and, upon the recommendation of the Government Survey Board, established by the said act, Executive Order No. 25 was issued on April 25, 1936, creating the Budget Commission under the direction and control of the President, the powers and functions of which are:

1. To prepare the annual and supplemental budgets and to formulate or pass upon proposed measures that may affect the budget income and expenditures;
2. To supervise the enforcement of the annual General Appropriation Act and other laws appropriating funds with a view to avoiding unnecessary and extravagant expenditures; and
3. To propose such changes in the operation of the public services or in the organization of the national government as it may find necessary for an efficient and economical administration.

To enable the Budget Commission to perform its functions effectively, administrative control and supervision of the accounting services of all departments, bureaus, and offices of the Commonwealth Government were transferred to the commission.

Savings in appropriations required.—To attain the utmost economy in expenditures, I continued the policy of the previous administration of requiring all departments to save at least 5 percent of their respective appropriations, the savings to constitute a special reserve with which to offset any possible undercollection of the estimated revenues. Only in the few cases in which it was shown that the exigencies of the public service so required were exceptions made to the rule.

A statement of the conditions of the national government's finances on November 15, 1935, the date of the inauguration of the Commonwealth Government, appears in appendix I herewith.

Statements showing the financial operations of the Commonwealth Government from November 15, 1935, to December 31, 1935, and for the fiscal year ending December 31, 1936, are included in appendixes II and III.

The total authorized appropriations from the general fund available for expenditure during the year 1935, including unexpended balances of continuing appropriations continued over from the preceding year, reached the sum of ₱79,946,192.92, although as shown in the statement of expenditures (appendix II) only ₱66,099,358.67 was actually spent. Of the balance of ₱13,846,834.25, the sum of ₱12,148,101.58 was carried over to the following year as continuing appropriations, and the remainder, ₱1,698,732.67, was reverted to the unappropriated surplus.

The total appropriations that were authorized from the general fund available for expenditure during the year 1936, including the unexpended balances of continuing appropriations carried over from the preceding year, amounted to ₱96,318,117.28. As shown in the tables referred to above, the actual expenditures reached only the total of ₱76,585,742.37, thereby leaving an unexpended balance of ₱19,732,374.91, of which ₱1,247,038.23 was reverted to the unappropriated surplus, and the remainder was carried over to the year 1937 as continuing appropriations.

In appendix IV appears a comparison of expenditures from the general fund for the fiscal (calendar) years 1935 and 1936.

PROVINCIAL, CITY, AND MUNICIPAL FINANCES

The financial condition of the Provinces, chartered cities, municipalities, and municipal districts also showed marked improvement during the period under review.

The total income of the 49 Provinces was ₱3,938,764.97 more than that of 1935. Likewise their aggregate net surplus at the end of the fiscal year 1936 was ₱1,175,505.80 more. Three Provinces were able to wipe out overdrafts in their general funds during the year. Romblon, the only Province that remained with an overdraft in its general fund was able to reduce it from ₱8,548.96 at the end of the fiscal year 1935 to ₱1,526.09 on December 31, 1936.

The cities of Manila and Baguio realized substantial increases in their respective incomes, and the former was able to increase its total surplus by ₱334,561.67. The city of Baguio, however, suffered a decrease in its net surplus from ₱156,032.45 on December 31, 1935, to ₱104,651.83 at the end of the fiscal year 1936, but this was due to extraordinary capital expenditures.

A large majority of the 915 municipalities and 266 municipal districts similarly realized increases in the net surpluses of their respective general funds, and, of the 129 municipalities that had overdrafts at the close of the fiscal year 1935, 69 were able to wipe them out during the year 1936. Details covering the finances of the provincial, city, and municipal governments are shown in the report of the Secretary of Finance.

GOVERNMENT-OWNED CORPORATIONS

The Philippine National Bank.—The net worth of the Philippine National Bank increased during the year by ₱621,653.70 over that of the preceding year. One hundred and thirty-six shares of stock were repurchased by the government from private parties at par value, leaving ₱147,800 of shares outstanding in private ownership. In 1936 the bank reimbursed the government in the sum of ₱4,679,248.84 on advances made to cover the bank's previous losses. On December 31, 1936, the remaining obligations of the bank to the government for such advances stood as follows:

Original amount of advances.....	₱61, 951, 931. 75
Less payments made by bank under sec. 4, Act No. 3174, up to Dec. 31, 1936.....	18, 592, 082. 98

Balance still payable to government as profits are realized..	43, 359, 848. 71
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The strong liquid position of the Philippine National Bank was further improved during the year 1936.

The Manila Railroad Co.—This government enterprise registered an increase of ₱799,009.20 in its total assets over those of the preceding year. On the other hand, there was a decrease of its long-term debt by ₱1,889,051.68 and its current and deferred liabilities by ₱156,913.52; and there was an increase in its unadjusted credits consisting mainly of accrued depreciation on equipment and other property of ₱856,905.40. The resulting increase in the net worth of the company on December 31, 1936, was ₱1,988,069, as compared with that of December 31, 1935.

The Manila Hotel Co.—During the fiscal year 1936 the Manila Hotel Co. enjoyed a profitable business and realized an increase of ₱190,445.51 in its surplus over that of the preceding year.

The National Development Co.—At the close of business on December 31, 1936, the company showed an increase of ₱1,090,216.75 in its net worth. This was principally due to dividends received from the investment in the stock of the Cebu Portland Cement Co.

The Cebu Portland Cement Co.—The Cebu Portland Cement Co. is a subsidiary of the National Development Co. It has a total outstanding stock of ₱2,750,800, of which ₱800,000 has been subscribed by private stockholders, and the rest is owned by the National Development Co. On April 7, 1936, the company declared a dividend of ₱1,100,320 out of its accumulated earnings, amounting to ₱2,882,162.75, thereby leaving as accumulated earnings the sum of ₱1,781,842.75. During 1936 the company realized a net profit of ₱524,739.24 as against ₱344,745.44 for 1935. At the end of the year the surplus derived entirely from accumulated earnings amounted to ₱2,306,581.99.

The National Rice & Corn Corporation.—The National Rice & Corn Corporation is a subsidiary of the National Development Co. for the purpose of stabilizing the supply and prices of rice and corn, and thereby solve the recurring crises due to occasional shortage in the supply of these commodities. At the end of the year its total assets over liabilities amounted to ₱4,421,551.31, representing its net worth, of which ₱2,000,000 is its paid-up capital stock, and ₱2,421,551.31 was surplus derived mostly from profits in the sale of rice.

The operations of the corporation included the sale of 1,655,615 sacks of imported rice. Of this amount, 54,283 cavans were sold at cost to charitable institutions and to the Provinces which were devastated by December typhoon of 1935. The actual amount sold at a profit was 1,601,332 sacks. On this amount the government should have collected ₱4,563,796.20. The surplus profit realized by the government amounted to ₱2,421,551.31. The loss in customs duties, therefore, amounted to ₱2,142,244.89. The profits realized by the corporation partly made it possible to offer to the rice producers, specially tenants and small farmers, a price for their products sufficient to cover production costs, plus a reasonable margin of profit. The net results of its operations, therefore, have been to protect the consumers against an undue rise in prices and at the same time stimulate the production of rice to meet the demand of local consumption.

Information relating to the total assets, liabilities, and surplus of all funds of the Commonwealth Government, the public debt, the cur-

rency, and government-owned corporations will be found in corresponding appendixes of this report.

ADMINISTRATION OF JUSTICE

Next to the establishment of the bases of an adequate national defense and national economy, the greatest concern of the government was to effect certain reforms in the administration of justice in order to make our judicial system truly independent and thereby enhance the confidence of the people in the judiciary. The fundamental steps that have already been taken in the accomplishment of this objective are: The reorganization of the Philippine Supreme Court, to fill the role that it should have in our judicial system under the constitution; the creation of the court of appeals and the reorganization of the courts of first instance, both with a view to effecting a more speedy and proper determination of judicial controversies; and the formation of circuit justice of the peace courts for a more effective administration of justice among the larger mass of our people.

The inauguration of the government of the Commonwealth found the judicial power vested in a supreme court of 11 members, courts of first instance grouped under 27 judicial districts with 47 district judges and 5 judges at large, and justice of the peace courts in almost every municipality.

It was noted that a supreme court of 11 members to which could be appealed all cases originating from the other courts of the Philippines found its dockets clogged, in many cases with appeals involving pure questions of fact, the consideration and disposition of which deprived the court of the necessary time that should be devoted to substantial issues involving questions of law. It was, therefore, thought expedient to reorganize the supreme court by limiting its jurisdiction to the class of cases enumerated in section 2, article VIII, of the constitution of the Philippines, and to cases involving only errors of question of law. Accordingly, the National Assembly passed Commonwealth Act No. 3, under whose provisions the supreme court was reorganized, by reducing its membership from eleven to seven and by limiting its jurisdiction to the cases above referred to. In order to provide a court of last resort for a review of the decisions of the lower courts on questions of fact, a court of appeals of 11 members was created. To the reorganized supreme court and to the newly created court of appeals there were appointed men of learning, ability, and integrity, in whom the bar and the people have the highest confidence.

During the first months of the new government it was noted that there was a marked decrease in the number of cases disposed of by the courts of first instance. This was attributed to the inability to assign judges of one district to another district to help relieve the congestion of the dockets in that district. In view of the constitutional limitation that "no judge appointed for a particular district shall be designated or transferred to another district," without in any way violating the spirit of the constitution, the judicial districts were reduced, and provinces adjacent to one another grouped under one district, with a view to expediting the dispatch of court business.

To attain this objective, Commonwealth Act No. 145 was enacted, reducing the judicial districts from 27 to 9, each district embracing several Provinces accessible to each other by easy and convenient

means of transportation. Within each district a judge may be assigned from one Province to another if the judge of the latter Province "should certify to the Secretary of Justice that the condition of the docket in this court is such that it requires the assistance of an additional judge, or when there is any vacancy in any court or branch of a court in a Province, and there is no judge at large available to be assigned to said court."

To the new districts, appointments were made by shifting the judges then in the service from one district to another as far as practicable and eliminating from the service those who, on account of age or for any other cause, have outlived their usefulness to the bench. Where new members had to be appointed, the views of the members of the supreme court and of the leading bar organizations was sought regarding the character and professional ability of the possible appointees.

While the justices of the peace courts occupy the lowest position in the Philippine judicial hierarchy, they are the most important arms of the administration of justice, in view of their closeness to the masses and the fact that for the redress of grievances these courts are the only ones accessible to the great majority of the people. It is the purpose of the government to elevate the standard of these courts and to improve the service they are rendering to the large bulk of our population, especially in the remote and outlying districts and hamlets.

The reorganization of the justice of the peace courts commenced through the formation of circuit courts whenever possible. Before this reorganization, there were 882 justices of the peace, the majority of whom were not lawyers. There was one justice of the peace for almost every municipality in the Philippines, with salaries ranging only from ₱720 to ₱1,200 a year. Under the circumstances it was difficult to draft into the service men of proven ability and integrity. The formation of circuit courts was, therefore, undertaken in order to give higher salaries to the incumbents, and thus attract to the service a better quality of men. From 882 justices of the peace, the number of justices of the peace was reduced to 668. Of this number, 254 were incumbents retained in the service on account of their excellent record, 150 of whom are duly qualified members of the bar, and 434 are new appointees, all members of the bar.

GOVERNMENT REORGANIZATION

One of the first tasks of the new administration was to effect necessary changes occasioned by the change in government and with a view to effecting economy, promoting efficiency, simplifying its operation, and avoiding duplication or overlapping of functions. In order to avoid delay in starting the work of reorganization, the National Assembly passed, on December 21, 1935, Commonwealth Act No. 5, giving the President of the Philippines a period of 6 months from the date of the approval of said act within which to effect such reforms and changes in the different executive departments and their branches as may be considered urgent. A nonpolitical government survey board was created, the membership of which is composed of men outside of the government and engaged in business, the purpose being to give the government the benefit of practical efficiency, which marks the successful operation of private organizations.

Immediately upon its appointment, the board made a factual survey of all phases of the public service, and undertook a study of reforms in organization, the number and rank of officials and employees that each office should have, a classification of positions, standardization of salaries and wages, plans for the proper housing of offices, standard equipment for all offices, and other improvements in the service.

Pursuant to the recommendations of this board, the following changes in the government organization were made in 1936 by Executive orders:

Executive Order No. 25.—Creating the Budget Commission.

Executive Order No. 34.—Transferring the Navigation Division, Department of Agriculture and Commerce, to the Bureau of Customs, Department of Finance.

Executive Order No. 39.—Reorganizing the Bureau of Civil Service and creating the Civil Service Board of Appeals.

Executive Order No. 40.—Reorganizing the Bureau of Justice.

Executive Order No. 41.—Transfer of the administrative supervision over the Bureau of Prisons to the Philippine Army.

Executive Order No. 42.—Transferring the executive supervision over offices of provincial, city, and municipal treasurers from the Department of the Interior to the Department of Finance.

Executive Order No. 43.—Transferring certain functions and duties of the Bureau of Science to other entities under the Commonwealth of the Philippines.

Executive Order No. 44.—Transferring the collection of radio registration fees from the Bureau of Posts to the Bureau of Internal Revenue, providing for corresponding adjustments incident thereto, and for other purposes.

In addition to the changes mentioned above, the National Assembly, during its first regular and special sessions, enacted laws effecting reforms in the government service as follows:

Commonwealth Act No. 54.—Creating a Board on Documents.

Commonwealth Act No. 60.—Reorganizing the Metropolitan Water District Board.

Commonwealth Act No. 75.—Abolishing the Bureau of non-Christian Tribes and creating in its stead a Commission for Mindanao and Sulu.

Commonwealth Act No. 78.—Transferring from the Department of the Interior to the Department of Finance of the supervision over financial affairs and financial agencies of local governments.

Commonwealth Act No. 80.—Creating the Office of Adult Education.

Commonwealth Act No. 83.—Creating a Securities and Exchange Commission.

Commonwealth Act No. 87.—Transferring to the President of the Philippines the power to administer irrigation systems.

Commonwealth Act No. 88.—Creating a State police force.

Commonwealth Act No. 94.—As amended by Commonwealth Act No. 185, creating the National Information Board.

Commonwealth Act No. 98.—Creating a radio board.

Commonwealth Act No. 103.—Creating a Court of Industrial Relations.

Commonwealth Act No. 120.—Creating the National Power Corporation.

Commonwealth Act No. 136.—Creating the Bureau of Mines.

Commonwealth Act No. 139.—Transferring the Immigration Division of the Bureau of Customs, Department of Finance, to the Department of Labor.

Commonwealth Act No. 145.—Reorganizing the courts of first instance.

Commonwealth Act No. 168.—Creating the Bureau of Aeronautics.

Commonwealth Act No. 170.—Creating the Census Commission.

Commonwealth Act No. 177.—Extending the civil service to all branches and subdivisions of the Government.

Commonwealth Act No. 179.—Creating a Division of Investigation under the Bureau of Civil Service.

Commonwealth Act No. 180.—Converting the Division of Private Schools and Colleges of the Department of Public Instruction into an Office of Private Education.

Commonwealth Act No. 181.—Creating a Division of Investigation under the Department of Justice.

Commonwealth Act No. 182.—Reorganizing the National Development Co.

Commonwealth Act No. 184.—Establishing the Institute of National Language.

Commonwealth Act No. 186.—Establishing the Government Service Insurance System.

Commonwealth Act No. 192.—Creating a National Produce Exchange.

A chart showing the functional organization of the Commonwealth appears in appendix XI to this report.

CIVIL SERVICE

The constitution of the Philippines provides that—

A civil service embracing all branches and subdivisions of the government shall be provided by law. Appointments in the civil service, except as to those which are policy-determining, primarily confidential or highly technical in nature, shall be made only according to merit and fitness, to be determined as far as practicable by competitive examination.

Pending action by the National Assembly on this subject, Executive Order No. 8, January 2, 1936, was issued in order to give immediate force and effect to the civil-service provisions of the constitution. It prescribes that all appointments shall be made subject to competitive examination and requires all persons in the service who are not in the exempt classification permitted by the constitution, to qualify in the appropriate examination within 1 year if they are to be retained in the service.

Subsequently under authority of Commonwealth Act No. 5, December 21, 1935, relative to government reorganization, Executive Order No. 39, June 23, 1936, was issued. The Bureau of Civil Service was raised from second- to a first-class bureau and its reorganization authorized. The office of Director of Civil Service was changed to Commissioner of Civil Service with the rank of under secretary of department. A board of appeals was created consisting of the Commissioner of Civil Service, the Auditor General, the Solicitor General, and the Director of the Budget. In addition to the powers and authority vested in the Bureau of Civil Service under existing law it was charged with all formal administrative investigations against officers and em-

ployees of the civil service, and decisions and recommendations of the commissioner with respect to appointments, removal, separation, and other matters relative to conduct, discipline, and efficiency of the employees, are made final subject only to appeal to the Civil Service Board of Appeals created in the same Executive order. The decision of the board of appeals in all appealed cases is final.

Commonwealth Act No. 177, approved November 13, 1936, provides for the extension of the civil-service law to all branches and subdivisions of the government, and requires complete compliance with the principles of an independent civil service in accord with the constitutional precept.

LEGISLATION

In order to carry out the program of the new government, I immediately called the newly elected National Assembly into a special inaugural session which was held from November 25, 1935, to December 31, 1935. During that special session the National Assembly passed the following acts:

Commonwealth Act No. 1.—Providing for the national defense of the Philippines.

Commonwealth Act No. 2.—Creating the National Economic Council.

Commonwealth Act No. 3.—Creating the court of appeals.

Commonwealth Act No. 4.—Providing for the purchase or redemption of the Manila Railroad bonds.

Commonwealth Act No. 5.—Government reorganization.

Commonwealth Act No. 6.—National-bank charter amended.

Commonwealth Act No. 7.—Creating the National Loan and Investment Board.

Commonwealth Act No. 8.—Providing for the transfer of port-works fund to general fund.

Commonwealth Act No. 9.—Inauguration-expenses deficit.

Commonwealth Act No. 10.—Providing for compensation and expenses of the Resident Commissioner of the Philippines to the United States.

Commonwealth Act No. 11.—Vesting in the President the votes on stock of government companies.

Commonwealth Act No. 12.—Locust-campaign fund.

Commonwealth Act No. 13.—Public-calamities fund.

Commonwealth Act No. 14.—Fixing the speaker's salary.

Commonwealth Act No. 15.—Providing for the operating expenses of the junior college at Cebu.

Commonwealth Act No. 16.—Olympics fund.

Commonwealth Act No. 17.—Designating the date for the regular session of the National Assembly.

Commonwealth Act No. 18.—Providing for the construction of agricultural colony roads.

Commonwealth Act No. 19.—Providing for the expenses of the National Assembly.

Pursuant to the provisions of Commonwealth Act No. 17, the National Assembly met in regular session on June 16, 1936, which lasted until October 8, 1936. The assembly also held a special session beginning October 19, 1936, for a period of 6 days, which was extended by subsequent proclamations up to October 30, 1936. During the

first regular session and during the special session, a total of 236 laws were enacted. Six of these measures have been submitted to the President of the United States for approval under the provisions of the Tydings-McDuffie Law, namely:

Bill No. 1490.—Increasing the customs duties on malts, spirits and other beverages;

Bill No. 1535.—Exempting rock asphalt from the payment of wharfage charges;

Bill No. 2326.—Authorizing the President of the Philippines to increase or decrease the rates of duty on imported products within a certain specific limitation;

Bill No. 11.—Prohibiting the exportation of buntal fibers, seeds, or seedlings;

Bill No. 2257.—Increasing the duty on imported eggs; and

Bill No. 2396.—Amending the Fisheries Act regarding shipment or exportation of shells.

Bills Nos. 1535 and 2257 have been approved by the President of the United States; the others have as yet not been acted upon.

Almost all the measures recommended by the administration were passed by the National Assembly. Twenty-five bills passed were vetoed on the ground that these measures were defective, or that they treated of matters already covered by existing legislation.

A list of the outstanding measures passed during the first regular session and special sessions is included in the appendixes to this report.

OVERSEAS TRADE

The substantial increase in the overseas trade of 1936 with all countries is indicative of the general prosperity of the country. Our overseas trade during the year under review amounted to ₱497,602,664 as against ₱374,905,954 in 1935, both including gold and silver ore, bullion and coins exportation, of ₱22,460,285 and ₱15,366,895, respectively. Of this total trade in 1936, ₱202,252,349 were imports and ₱295,350,315 exports.

The United States continued to hold the dominant position in the foreign trade of the Philippines sharing same percentage (72 percent) as in 1935. In value, however, the total trade with the United States increased from ₱273,970,968 in 1935 to ₱360,505,564 in 1936, or by ₱86,534,596, or 31.59 percent. Since 1930, Japan has held the second position in our foreign trade. Her trade with the Philippines in 1936 amounted to ₱43,314,802, representing an increase of ₱8,253,124, or 23.54 percent over that of her trade with this country in 1935. Japan's share in the total trade showed a slight decrease, being 8.70 percent of the total in 1936 as against 9.75 percent in 1935. The other principal trading countries in the order of their importance were: Great Britain, ₱13,364,249; Germany, ₱10,725,506; the Netherlands, ₱9,137,301; China, ₱7,340,402; Australia, ₱5,571,694; France, ₱5,321,990; British East Indies, ₱4,857,890; Spain, ₱4,692,745; French East Indies, ₱4,287,469; Dutch East Indies, ₱4,060,174; Canada, ₱5,689,556; Belgium, ₱5,492,720; Italy, ₱2,499,157; Hong Kong, ₱2,380,031; Siam, ₱1,976,847; Denmark, ₱1,274,469; Sweden, ₱1,249,481; Switzerland, ₱1,063,768; and all other countries, ₱5,066,981. The trade with the Netherlands increased by ₱5,915,869, or 183.64 percent over that of 1935; Great Britain, ₱4,140,499, or

44.89 percent; Germany, ₱3,746,778, or 53.69 percent; French East Indies, ₱3,423,564, or 396.29 percent; and Italy, ₱2,079,210, or 495.11 percent. Siam registered an increase of 825.97 percent over her trade with the Philippines in 1935, owing largely to the heavy importation of rice from that country in 1936.

The favorable balance of trade, amounting to ₱93,104,066, was substantially greater than in 1935 and 1934, which amounted to ₱32,810,556 and ₱65,267,252, respectively. As usual, the favorable balance of ₱114,510,338 in trade with the Continental United States was more than sufficient to cover the unfavorable balance with the rest of the world. The adverse balance with the Orient amounted to ₱24,233,871, of which ₱9,742,258 was due to trade with Japan, ₱4,217,451 with French Indo-China, ₱3,390,726 with China, ₱2,697,312 with Hong Kong, and ₱291,721 with Japanese-China. The trade balance with European countries was generally favorable.

Imports from the United States increased from ₱108,733,000 in 1935 to ₱122,994,525 in 1936. This was largely due to substantial increases in imports of iron and steel, automobiles and accessories, wheat flour, and electrical machinery and apparatus. There was also a moderate increase in cotton goods. Mineral oils, tobacco products, and paper and manufactures showed slight decreases, and meat and dairy products fairly substantial decreases. The greatest volume of all our imports came from the United States, 60.81 percent having been imported from that country. Japan stood a far second, having supplied 13.12 percent only. Germany and China supplied 3.43 and 2.65 percent, respectively.

The increase of 66 percent in the 1936 Philippine exports was due mainly to big increases in exports of sugar, abaca, gold bullion, and lumber and timber. There were also moderate increases in exports of coconut oil, desiccated coconut and copra meal or cake. As in previous years, the United States was the leading market for Philippine products, taking 80.41 percent, 5.68 percent of exports went to Japan, 2.82 percent to Great Britain, 1.56 percent to Netherlands, and the rest to other countries.

A summary of imports and exports, by countries of origin and destination, during the year 1936 appears in appendix X.

Merchandise valued at ₱27,317,672 was imported through the mails in 1936 as against ₱4,986,615 in 1935, showing an increase of ₱22,331,057. The year under review marked the beginning of air transportation in the Philippines and the value of merchandise transported by air in 1936 amounted ₱6,349.

FOREIGN CARRYING TRADE

During the year under review, a total of 570 vessels having an aggregate net tonnage of 2,234,103 belonging to 15 nations engaged in the foreign trade of the Philippines, compared with 513 vessels with an aggregate net tonnage of 2,055,309 belonging to equal number of nations in 1935. Of these vessels, 175 were British; 102 Japanese; 81 American, including 3 aircraft; 71 Norwegian; 42 Dutch; 36 German; 22 Danish; 16 Chinese; 8 Italian; 7 Swedish; 4 Greek; 3 Panamanian; 2 Philippine; and 1 French. There were recorded during the year 1,298 arrivals that discharged 1,798,500 tons of import cargo and 1,142 departures with 2,058,706 tons of export cargo.

American ships, as in the past, led in the foreign carrying trade of the Philippines in 1936. Merchandise valued at ₱152,597,038 was transported by American bottoms, ₱126,412,375 by British, ₱77,692,147 by Japanese, ₱45,374,828 by Norwegian, ₱22,331,574 by Dutch, ₱15,999,350 by German, ₱14,541,637 by Danish, ₱7,296,829 by Panamanian, ₱3,592,147 by Swedish, ₱2,165,270 by Chinese, ₱1,496,439 by Italian, ₱519,431 by Greek, ₱228,764 by Philippine, and ₱30,814 by French.

In the trade between the Philippines and the United States the total value of merchandise carried by American vessels amounted to ₱137,203,687, of which ₱55,997,864 represented imports and ₱81,205,823 exports.

AGRICULTURE

With the prospect of curtailment of free entry of Philippine products in the American market, the Philippines cannot depend, as it now does, almost entirely on crops enjoying tariff protection in the United States. The situation calls for a program of crop diversification and the Bureau of Plant Industry of the Department of Agriculture and Commerce has concentrated its efforts on the production of crops that are not dependent upon such tariff protection.

Along with crop diversification experiments in plant utilization are being intensified by the Plant Utilization Division of the Bureau of Plant Industry in order that farm products, from old and new crops, may find greater utilization.

One of the most important steps that have been taken to promote agriculture in line with this new objective is the approval by the National Assembly of Commonwealth Act No. 85, requiring that 5 percent of provincial and municipal funds be set aside for the development of farming and home industries in every part of the Philippines. Adequate facilities for carrying out agricultural extension service are being provided. The ultimate objective of these measures is to raise the standard of living of the people of the Philippines.

ANIMAL INDUSTRY

Hand in hand with agricultural progress is the development of animal industry. The improvement of the quality of our domestic animals has been made possible by the introduction of foreign breeds from other countries, such as the United States, Australia, and India, and by crossing them with the native stocks. An extensive program for this development work can now be carried out more effectively through the enactment of Commonwealth Act No. 118, creating the Philippine livestock promotion fund, which makes it possible to improve the breed of animals at a cost within the reach of the poor people.

Owing to the use of modern methods of controlling animal diseases, rinderpest, once the scourge of the livestock population in this country, has completely been eradicated, and other diseases placed under control, thereby permitting the multiplication of draft animals so essential to the development of our agriculture, and of beef cattle necessary to supply local demand. The ban against the importation of beef cattle on the hoof from foreign countries has remained in force.

DISPOSITION OF PUBLIC LANDS

Greater impetus has been given to the occupation of public lands, especially through colonization. In order to facilitate settlement, the administration is conducting, through the Bureau of Lands, an extensive survey of public lands, especially in areas where new roads or highways are to be opened. A new policy has been adopted, embodied in proclamation No. 71, to the effect that only lands that have been surveyed and subdivided are to be made available for occupation, in order to prevent overlapping and endless disputes, which characterized land distribution in the past between claimants of unsurveyed and unsubdivided parcels of land.

In connection with the opening of new roads, an arrangement has been made so that areas 3 kilometers from each side of a road running through public land is to be subdivided into parcels of 5 and 10 hectares, the area becoming larger as it recedes from the road. These small parcels of land are reserved for small home seekers. This is to prevent the grabbing of large choice areas especially by absentee landlords. With this new policy it is possible to direct more successfully migration of laborers from thickly populated regions of the islands to the sparsely populated ones.

LOCAL COMMERCE

The fostering of local commerce and trade is an important part of the program of the administration. The Bureau of Commerce is giving valuable assistance to local merchants, industrialists, farmers, and consumers all over the country. During 1936 no less than 500 small struggling manufacturers and handicraft workers were assisted in the marketing of the products of their toil or manufacture.

In this connection, the Bureau of Commerce is conducting an extensive campaign for greater consumption of Philippine-made goods. Small farmers are being assisted in the organization of cooperative marketing associations, and small retail merchants are being induced to adopt cooperative buying. Trade centers have been established in selected places with the object of assisting local merchants, industrialists, and farmers in their respective businesses. Another practical service rendered to them has been the rehabilitation of 571 rural credit organizations many of which have been reorganized so as to be more effective in providing credit facilities.

MINING

Unprecedented activity in the mining industry featured the year 1936. Discovery and development of new gold mines, chromite, manganese, iron, etc., brought about the organization of new mining companies. As a result of this activity, production of gold and other minerals is becoming one of the most important industries. Last year gold and silver bullion production amounted to ₱44,953,245 as against ₱32,079,977 in 1935.

These developments were accompanied by extensive speculation in mining stocks. It was apparent that as the mining boom continued, there was necessity for the enactment of laws and the adoption of rules and regulations in order to properly safeguard the mining interests of the country. A Bureau of Mines was created and placed under the

Department of Agriculture and Commerce. The National Assembly enacted a mining law providing for rules and regulations for the reservation, disposition, and development of mineral lands and minerals. Another law was passed regulating the sale of securities and providing for the creation of a Securities and Exchange Commission. With these measures, it is believed that the mining industry in the Philippines can be profitably developed and the interests of the investing public sufficiently protected.

DOMESTIC SUGAR ADMINISTRATION

The allocation of the domestic consumption and emergency reserve sugar quotas under the provisions of Act No. 4166, otherwise known as the Sugar Limitation law, a function which was formerly exercised by the Governor General, passed to the jurisdiction of the President after the inauguration of the Commonwealth. To carry out the provisions of this law, an office called the Domestic Sugar Administration was created by Executive Order No. 14, on January 21, 1936, whose duty was to enforce the terms of the Sugar Limitation law with the exception of the provisions of that law with regard to the allocation of sugar for export to continental United States.

However, the enforcement of the provisions of the Jones-Costigan Act with respect to the allocation of the quota of sugar for the Philippine Islands which might be transported to, received in, processed or marketed in continental United States remained with, and continued to be exercised by, the United States High Commissioner, who was the "United States sugar authority in the Philippines" pursuant to authority conferred upon him by the United States Secretary of Agriculture on November 7, 1935. Thus, there have been two separate and distinct agencies to limit, regulate, and control sugar production and exportation in the country: The United States Permit and Allocation Section of the Office of the High Commissioner with regard to sugar shipments to United States and the Domestic Sugar Administration with regard to domestic consumption and emergency reserve sugar. The two authorities have succeeded in working out their problems without serious conflict of authority and a good spirit of cooperation has prevailed in meeting the common interests involved.

PHILIPPINE-AMERICAN TRADE CONFERENCE

Section 13 of the Tydings-McDuffie Act provides for the holding of a conference of representatives of the Government of the United States and the government of the Philippines for the purpose of formulating recommendations as to future trade relations between the Government of the United States and the independent government of the Philippines. It has been thought necessary and expedient that instead of holding the conference at the end of the transition period the date be advanced to the beginning of the Commonwealth period. Both governments have been making preparations to this effect. On the part of the Philippines, it may be stated that even before the Commonwealth Government was organized, preparations for said conference had already been started by former Governor General Murphy who appointed an interdepartmental committee composed of members of the Cabinet having to do with finance, commerce, and trade as well as a technical committee to gather data for

use at the conference. Valuable facts and data have been gathered and are now at the disposal of the Joint Preparatory Committee.

Upon the organization of the Commonwealth, an Economic Commission, at the head of which is the Honorable Sergio Osmeña, Vice President of the Philippines, was appointed for the purpose of carrying forward the work of the interdepartmental committee described above.

Dr. Frank A. Waring and Dr. Ben Dorfman, of the United States Trade Commission, came during the latter part of the administration of Governor General Murphy and remained for 3 months after the inauguration of the Commonwealth, for the purpose of gathering data for the United States Government to be used at the conference. All the facilities of the Commonwealth Government were extended to them.

LIQUIDATION OF PENSION FUNDS

The pension funds relating to the teachers' retirement and disability fund, the pension and retirement fund of the Philippine Constabulary, and the health pension and retirement fund were recognized by several Governors General as being actuarially unsound. Their continuance under the existing provisions of law would have resulted in an unreasonably heavy burden on the revenues of the government. The liquidation of said funds and the reduction of pensions was provided for in Commonwealth Acts Nos. 187, 188, and 189, approved November 14, 1936. The three pension systems were thereby abolished and replaced by a Government Service Insurance System. Every member of the system is entitled to a membership policy under the provisions of the new law.

That there was necessity for a modification of the three pension systems was shown by the actuarial valuation made by the Bureau of Efficiency of the Government of the United States; The Teachers' retirement and disability fund had, on December 31, 1929, a deficit of ₱45,000,000; the pension and retirement fund of the Philippine Constabulary a deficit of ₱10,500,000; and the health pension and retirement fund, a deficit of ₱7,500,000. And, according to the actuarial investigations made by Dr. Luis R. Salvosa, a government actuary, the total estimated amount of deficits in the three pension funds was increased from ₱63,000,000 in 1929 to ₱83,000,000 in 1935, and would be about ₱89,000,000 in 1936. It was, therefore, obvious that the pension systems had to be reorganized in order to protect, not only the best interests of the government but also of both retired and active members of said pension funds.

PUBLIC INSTRUCTION

With the inauguration of the new regime and in consonance with section 5, article 13, of the constitution, greater impetus has been given to public education. On February 19, 1936, a National Council of Education was created for the purpose of advising the government on educational policies and necessary reforms in the existing educational system. The council is rendering valuable assistance in the study of technical problems relating to public and private education. One of the results of its studies and recommendations is the creation under the Department of Public Instruction of the Office of Adult Education, the objectives of which are to eliminate illiteracy

among adults and to give them vocational and citizenship training. Legislation was also enacted providing for adequate supervision of private schools.

Other problems taken up by the council included revision of elementary curricula, economic and vocational education, reduction of the cost of education, and problems of similar nature. The ultimate aim of the Government is to build upon the existing foundations an educational structure that will be best suited to the changes in our political, economic, and social life.

It is to be noted that for the first time in several years all classes which were in operation in March 1936, at the end of the previous school year, were opened promptly at the beginning of the following term in June. The enrollment in the public schools went up to 1,250,000, the largest in the history of public education in the Philippines and a larger percentage of children remained in school throughout the year than in previous years. The standard of teacher training has been raised to a higher level.

Considerable attention has been given to the problem of adopting and developing a common language, as contemplated in section 3, article 13, of the constitution. The National Assembly passed Act 183, creating the National Language Institute which is charged with the general study of Filipino dialects with a view to selection and adoption of a common national language based on one of the existing native languages. The institute consists of a president and six members each of whom represents one of the principal linguistic groups.

PUBLIC HEALTH

Public-health conditions during 1936 were excellent. The year was marked by a reduction in general mortality and by the absence of outbreaks of major epidemic diseases, such as cholera, smallpox, and plague. Epidemics of minor communicable diseases have been adequately controlled. Improvements in environmental sanitation and in preventive measures were among the main factors responsible for the successful control of the spread of diseases and the occurrences of epidemics. The birth rate increased as compared with that of previous years. The care and treatment of insane persons, which has been a serious problem in the past all over the country, was greatly improved.

The National Assembly appropriated half a million pesos as initial expense for the establishment of three regional leprosaria in central and northern Luzon. The several leper-treatment stations, the San Lazaro Hospital and the Culion leper colony, released a total of 463 patients reported negative during the year.

Increased facilities for the treatment of indigent persons have been provided in many government hospitals. For 1936 the total bed capacity of hospitals operated by the Bureau of Health was 3,932. Research work and diagnostic measures have been continued in government laboratories. Epidemics in regions devastated by typhoons and floods were prevented through the timely aid of the Government with the cooperation of the Philippine Chapter of the American Red Cross, the former using part of the appropriation of ₱100,000 for relief work set aside by the National Assembly by Commonwealth Act No. 13. The American Red Cross contributed ₱60,000 to the

relief of typhoon sufferers during 1936 and grateful acknowledgment for this assistance is made on behalf of the Commonwealth Government and the Filipino people.

LABOR AND SOCIAL JUSTICE

The Commonwealth Government has pledged itself to the cause of social justice, and to this end laws have been enacted to improve the lot of the laboring class. Noteworthy among measures passed by the assembly in this connection is Commonwealth Act No. 103, to afford protection to labor by creating a Court of Industrial Relations, empowered to fix minimum wages for laborers and maximum rentals to be paid by tenants, and to enforce compulsory arbitration between employers and landlords, and employees and tenants, respectively. Under this act the laborer or tenant is assured of, at least, a living wage and of immunity against exorbitant rentals. During the pendency of a dispute between employer and employee or laborer, the former cannot hire a substitute, unless expressly authorized by the court, and in case of a strike, the employer cannot, within 15 days, hire strikebreakers to replace the strikers. Under this act it is unlawful for an employer to discharge or threaten to discharge or in any manner discriminate against any laborer or employee merely because the latter has testified or is about to testify or because such employee believes he may testify in any investigation, proceeding, or public hearing conducted by the court or any board of inquiry.

To improve the lot of tenants, Act No. 20, which authorizes the President to order the institution of expropriation proceedings or to enter into negotiations for the purpose of acquiring portions of large landed estates used as home sites and reselling them at cost to their bona fide occupants, was passed. This will result in breaking up vast tracts of lands in the hands of a few individuals and will give the tenant a chance to possess a home of his own.

Unemployment in the Philippines during the year under review was not acute. Bread lines were unknown and in no case were people recorded to have died of hunger. Under the Workmen's Compensation Law, 2,302 labor accidents were settled, the compensation amounting to ₱203,633.62, including medical and funeral expenses. Sporadic strikes, mostly in tobacco and cigarette factories, were settled amicably, thanks to the Court of Industrial Relations. Violence and disorder were generally absent, in spite of alleged efforts on the part of professional agitators with communistic leanings, and where these were not involved, the strikers merely sought a betterment in the prevailing working conditions and wages.

To push forward the movement for social justice, executive orders were issued increasing and fixing the minimum daily wage to be paid to common laborers employed by the national government in the different Provinces and chartered cities, and fixing the minimum salary to be paid to employees of the national government. Under these executive orders, no day laborers will receive less than one peso a day, and no other employees will receive less than 30 pesos a month.

This action of the government has brought to the attention of private employers the necessity of reforms in their own companies and corporations, and consequently, many of them have followed the example set by the Government. Better working conditions are being

provided for and wages are gradually being improved. Working hours have been shortened and improved sanitary, ventilation, and safety devices are being installed in many factories.

The promotion of greater safety for laborers and employees, especially those working in mines, quarries, metallurgical operations, and other such enterprises has been taken care of by Commonwealth Act No. 104, which authorizes the Secretary of Labor to promulgate and enforce rules, regulations, and orders looking toward the establishment of such safety standards.

The Bureau of Labor handled 2,133 cases of ordinary wage claims for 4,079 claimants involving ₱117,762.21. Of these claims, 1,571 cases for 3,181 claimants, involving ₱88,259.02, were handled by government public defenders as well as 215 cases under the Workmen's Compensation Act for 221 persons involving an aggregate compensation of ₱33,399.87. In sugar-producing Provinces these public defenders collected ₱55,186.19 as claims of laborers against sugar planters, aside from intervening in and settling 424 tenancy cases involving 802 persons and ₱50,040.37 in rice-producing regions. They also handled 226 criminal cases for 252 accused persons who were indigent.

Through the Bureau of Labor the government sent 178 home-seeking families composed of 1,414 persons to Mindanao at government expense, amounting to ₱30,768. These families were given homesteads suitable for agricultural purposes in four municipal districts of Cotabato. From 1932 to 1936 the government spent ₱183,684.72 for free transportation of 1,108 families with 9,021 members that went to Mindanao for homesteading purposes.

PUBLIC WORKS

Continuation of the program of road construction with special emphasis on the opening of new roads in Mindanao was carried out during the period covered by this report. One of the most important phases of the progress of the administration is the development of the rich island of Mindanao in which extensive road building is being undertaken. A total of 412 kilometers of road were opened through the most fertile agricultural regions of this island for the purpose of facilitating the settlement of this virgin country by immigrants.

During the year the sum of ₱15,466,458.59 was made available for road and bridge work. This sum made possible the construction of 272 kilometers of first-class roads, 524 kilometers of second-class roads, and 444 kilometers of third-class roads. Twenty-one bridges were also completed. Approximately ₱2,000,000 and ₱1,500,000 were expended for port improvement and maintenance, respectively, during the year.

In order to develop air travel in the Philippines, a Bureau of Aeronautics was created through the passage of Commonwealth Act No. 168. And to coordinate the construction, administration, and maintenance of airports, Executive Order No. 73 was issued, classifying these into (a) national airports, (b) national emergency landing fields, (c) Provincial airports and landing fields, (d) municipal airports and landing fields, (e) military airports, and (f) private airports and landing fields.

CONCLUSION

I wish to make grateful acknowledgment of the ready cooperation that the administration in Washington has always accorded the Commonwealth Government, particularly the War and State Departments.

I wish also to express our gratitude to the Congress of the United States which has always given careful consideration to legislation affecting the interests of the Filipino people.

I reiterate my appreciation of the assistance of the Office of the High Commissioner of the United States to the Philippines in laying the foundation for cordial relationship between the two Governments.

In submitting this my first annual report, I take pleasure and pride in acknowledging the loyalty and cooperation that I have unstintedly received from my associates in the government, from the National Assembly, members of the Cabinet, and even from the lowest employee of the Commonwealth, without which the achievement recited in this report could not have been possible.

Respectfully,

MANUEL L. QUEZON.

APPENDIXES

APPENDIX I. CONDITION OF THE NATIONAL GOVERNMENT'S FINANCES AT THE TIME OF THE CHANGE OF GOVERNMENT

Upon the inauguration of the Commonwealth Government on November 15, 1935, it received from the outgoing Insular Government the following assets, liabilities, and surplus:

CURRENT ASSETS, LIABILITIES, AND SURPLUS

Fund	Assets	Liabilities	Surplus
General fund.....	P52,616,087.57	P13,267,497.21	P39,348,590.36
Special fund.....	39,696,025.83	9,147,062.13	30,548,963.70
Bond fund.....	11,342,894.85	695,918.30	10,646,976.55
Total.....	103,655,008.25	23,110,477.64	80,544,530.61

RESERVE AND OTHER ASSETS, LIABILITIES, AND SURPLUS

Sinking funds.....	P59,287,944.66	P42.93	P59,287,901.73
Exchange and standard fund.....	48,748,035.27	26,366.75	48,721,668.52
Treasury certificate fund.....	102,314,882.00		102,314,882.00
Fiduciary funds.....	19,887,201.32	19,887,201.32	
Depository funds.....	26,823,606.55	26,823,606.55	
Retirement gratuities.....	2,942,605.06	2,942,605.06	
Contingent assets.....	48,289,097.61		48,289,097.61
Total.....	308,293,374.47	49,679,822.61	258,613,549.86
Total current, reserved, and other assets.....	411,948,380.72	72,790,300.25	339,158,080.47

INVESTED AND FIXED ASSETS, LIABILITIES, AND SURPLUS

Permanent and long-term investments.....	P90,026,121.12	P33,994,700.00	P56,031,421.12
Real property and equipment, and public domain ¹	181,586,467.52	112,950,000.00	68,636,467.52
Determined losses, agricultural bank loans.....	21,972.53		21,972.53
Total.....	271,634,561.17	146,944,700.00	124,689,861.17
Grand total.....	683,582,941.89	219,735,000.25	463,847,941.64

¹ The public domain is carried in the accounts at the nominal value of P1 only.

The surplus.—The surplus above shown consisted of cash and other forms of assets as follows:

CURRENT SURPLUS

Fund	Total surplus	Cash	Other liquid assets, including investments and securities
General fund.....	P39,348,590.36	P33,519,553.68	P5,829,036.68
Special funds.....	30,548,963.70	10,742,206.32	19,806,757.38
Bond fund.....	10,646,976.55	521,515.37	10,125,461.18
Total.....	80,544,530.61	44,783,275.37	35,761,255.24

RESERVED AND OTHER SURPLUS

Fund	Total surplus	Cash	Other liquid assets, including investments and securities
Sinking funds.....	P59,287,901.73	P3,681,429.23	P55,606,472.50
Exchange standard fund.....	48,721,668.52	47,811,682.33	909,986.19
Treasury certificate fund.....	102,314,882.00	102,314,882.00	
Contingent assets.....	48,289,097.61		48,289,097.61
Total.....	258,613,549.86	153,807,933.56	104,805,556.30
Total current reserved and other surplus.....	339,158,080.47	198,591,268.93	140,566,811.54

INVESTED SURPLUS

			Including fixed assets
Permanent and long-term investments.....	P56,031,421.12		P56,031,421.12
Real property and equipment, and public domain ¹	68,636,467.52		68,636,467.52
Determined losses, agricultural bank loans.....	21,972.53		21,972.53
Total.....	124,689,861.17		124,689,861.17
Grand total.....	463,847,941.64	198,591,268.93	265,256,672.71

¹ The public domain is carried in the accounts at the nominal value of P1 only.

The net current surplus, general fund.—The current surplus of P39,348,590.36 in the general fund included the unexpended balances of appropriations which were authorized by the outgoing administration, altogether amounting to P15,868,507.42, so that the net current surplus in the general fund at the time the new government was installed was only P23,480,082.94.

Allocation of net current surplus, general fund.—Of the net current surplus of P23,480,082.94 in the general fund, only P2,784,149.05 was unencumbered and available for appropriation, the rest being allocated as follows:

Advances to money-order fund.....	P5,465,284.34
Advances to disbursing officers.....	7,847,210.83
Advances to irrigation fund.....	1,554,402.04
Continuing assets (including items of liquid assets other than cash).....	5,829,036.68
Total.....	20,695,933.89

The special and other funds.—The special, bond, reserve, depository, and other funds listed above derive their incomes from revenue collections or deposits that accrue exclusively thereto or from transfers from the general fund, and are spent or reserved solely for the purposes for which they have been created.

Among the special funds are the port-works fund, which derives its income from the collection of wharfage fees, and is used for the investigation, construction, improvement, and maintenance of seaports, airports, landing fields, buoys, lighthouses, and other aids to navigation; the highway special fund and motor-vehicles fund, the incomes of which come from the proceeds of the gasoline tax under Act No. 3248, as amended, and the collection of fees in connection with the registration and operation of motor vehicles under Act No. 3992, as amended, respectively; the fiber-inspection fund; the tobacco-inspection fund; and others.

APPENDIX II. FINANCIAL OPERATION OF THE COMMONWEALTH GOVERNMENT FROM NOVEMBER 15 TO DECEMBER 31, 1935

The result of the financial operation of the Commonwealth Government during the period from November 15 to December 31, 1935, insofar as the current funds are concerned, can be seen from the following statement of income, expenditures, and surplus of the same for the fiscal year 1935, segregated into the two periods corresponding to the past and the present administrations:

INCOME

Fund	Jan. 1-Nov. 14	Nov. 15-Dec. 31	Total
General fund.....	P60, 447, 773. 89	P8, 316, 588. 18	P68, 764, 362. 07
Special funds.....	17, 646, 914. 85	3, 249, 794. 59	20, 896, 709. 44
Bond fund.....	490, 987. 50	28, 125. 00	519, 112. 50
Total.....	78, 585, 676. 24	11, 594, 507. 77	90, 180, 184. 01

EXPENDITURES

General fund.....	P57, 999, 675. 72	P8, 099, 682. 95	P66, 099, 358. 67
Special funds.....	15, 220, 648. 38	1, 434, 975. 67	16, 655, 624. 05
Bond fund.....	10. 95	519, 101. 55	519, 112. 50
Total.....	73, 220, 335. 05	10, 053, 760. 17	83, 274, 095. 22

SURPLUS

General fund.....	P2, 448, 098. 17	P216, 905. 23	P2, 665, 003. 40
Special funds.....	2, 426, 266. 47	1, 814, 818. 92	4, 241, 085. 39
Bond fund.....	490, 976. 55	(490, 976. 55)	-----
Total.....	5, 365, 341. 19	1, 540, 747. 60	6, 906, 088. 79

The operation of the reserve funds of the Commonwealth Government for the same periods is shown in the following statement:

INCOME

Fund	Jan. 1-Nov. 14	Nov. 15-Dec. 31	Total
Sinking funds.....	P5, 492, 166. 62	P203, 062. 73	P5, 695, 229. 35
Exchange standard fund.....	186, 319. 74	6, 035. 05	192, 354. 79
Treasury certificate fund.....	75, 571, 585. 00	13, 905, 010. 00	89, 476, 595. 00
Total.....	82, 930, 428. 70	14, 447, 128. 62	97, 377, 557. 32

EXPENDITURES

Sinking funds.....	P7, 099, 476. 71	P94, 507. 86	P7, 193, 984. 57
Exchange standard fund.....	186, 319. 74	6, 035. 05	192, 354. 79
Treasury certificate fund.....	64, 479, 744. 00	9, 850, 186. 00	74, 329, 930. 00
Total.....	71, 765, 540. 45	9, 950, 728. 91	81, 716, 269. 36

SURPLUS

Sinking funds.....	(P1, 607, 310. 09)	P108, 554. 87	(P1, 498, 755. 22)
Exchange standard fund.....	1, 680, 357. 34	333, 020. 84	2, 013, 378. 18
Treasury certificate fund.....	11, 091, 841. 00	4, 054, 824. 00	15, 146, 665. 00
Total.....	11, 164, 888. 25	4, 496, 399. 71	15, 661, 287. 96

Appropriations to carry out outstanding policies of the new administration.—During the period under review, laws appropriating funds for the establishment of an adequate national defense, for laying out a comprehensive plan for the economic development of the country, for reorganizing the services of the national government, and for additional protective and relief services were enacted. Most important among them are the following:

Commonwealth Act No.	Purpose	Amount
1	For the national defense (part of ₱8,879,045.50, the rest having been charged to 1936 income).....	₱3,459,741
2	Creating the National Economic Council.....	150,000
3	Creating the Court of Appeals.....	175,000
4	For loan to the Manila Railroad Co. for the redemption of its Southern Lines bonds (part of ₱13,350,000, the remainder having been covered by the Philippine National Bank).....	19,990,000
5	Creating the Government Survey Board.....	50,000
12	For the extermination and control of locusts.....	100,000
13	For the relief and rehabilitation of indigent sufferers from typhoons, floods, and other public calamities.....	100,000
	Total.....	14,024,741

¹ This item was set up in the accounts for the year 1936.

The current surplus, general fund.—As affected by the result of the financial operation of the Commonwealth Government and by the appropriations that were authorized as above stated, the current surplus in the General Fund at the end of the fiscal year 1936 was as follows:

Current surplus on Nov. 14, 1935.....	₱39,348,590.36
Plus surplus realized from Nov. 15 to Dec. 31, 1935.....	216,905.23
Total current surplus on Dec. 31, 1935.....	39,565,495.59
Less unexpended balances of continuing appropriations.....	12,148,101.58
Net current surplus on Dec. 31, 1935.....	27,417,394.01

Allocation of net surplus.—Of the above stated net current surplus in the general fund on December 31, 1935, only ₱9,239,957.05 remained unencumbered and available for appropriation, the remainder being allocated as follows:

Advances to money-order fund.....	₱4,515,836.21
Advances to disbursing officers.....	7,636,463.03
Advances to irrigation fund.....	1,530,302.06
Continuing assets (including items of liquid assets other than cash).....	4,494,835.66
Total.....	18,177,436.96

APPENDIX III. FINANCIAL OPERATION OF THE COMMONWEALTH GOVERNMENT DURING THE FISCAL YEAR 1936

Income, expenditures, and surplus.—During the fiscal year 1936 the national government realized a total income of ₱103,502,237.61 for all the current funds, while the total expenditures from the same

amounted to ₱92,366,192.69. The following statement shows the result of the operation of each of the current funds during the year:

Fund	Collections	Expenditures	Surplus
General fund.....	₱84,927,915.67	₱76,585,742.37	₱8,342,173.30
Special fund.....	20,821,674.34	18,027,802.72	2,793,871.62
Bond fund.....	499,042.00	499,042.00	-----
Total.....	106,248,632.01	95,112,587.09	11,136,044.92
Less—			
General fund appropriations considered as income of special funds.....	1,164,355.74	1,164,355.74	-----
Reversions of surplus to general fund considered as expenses of the special funds.....	1,082,996.66	1,082,996.66	-----
Reversion of income to general fund considered as expenses of bond fund.....	499,042.00	499,042.00	-----
Total.....	2,746,394.40	2,746,394.40	-----
Net total.....	103,502,237.61	92,366,192.69	11,136,044.92

The operation of the reserve funds during the same period is shown in the following statement:

Fund	Collections	Expenditures	Surplus
Sinking funds.....	₱5,682,541.58	₱2,302,048.41	₱3,380,493.17
Exchange standard fund.....	2,006,199.72	307,490.75	1,698,708.97
Treasury certificate fund.....	80,164,714.12	54,379,420.12	25,785,294.00
Total.....	87,853,455.42	56,988,959.28	30,864,496.14

1936 and 1935 income, general fund, compared.—The collections for the general fund that were realized in 1936 compared with those of 1935 were as follows:

Source	Amount	Percent	Amount	Percent	Increase (+) or decrease (—)	
					Amount	Percent
Revenue from taxation.....	₱57,917,312.36	68.19	₱49,689,626.67	72.26	+₱8,227,685.69	+16.56
Incidental revenue.....	5,425,422.36	6.39	4,455,406.80	6.48	+970,015.56	+21.77
Earnings and other credits.....	9,068,168.59	10.68	10,874,142.06	15.81	−1,805,973.47	−16.61
Extraordinary income.....	12,517,012.36	14.74	3,745,186.54	5.45	+8,771,825.82	+234.21
Total.....	84,927,915.67	100.00	68,764,362.07	100.00	+16,163,553.60	+23.51

The decrease in the item “earnings and other credits” was due to the readjustment in the “prior-year credits” in 1935, which caused an apparent and unusual increase in the income under this item for that year by ₱1,917,477.15. No such readjustment was made in 1936.

APPENDIX IV

1936 and 1935 expenditures, by functional purposes, general fund, compared.—The same expenditures compared by functional purposes are shown as follows:

	1936		1935		Increase (+) or decrease (—)	
	Amount	Percent	Amount	Percent	Amount	Percent
REVENUE SERVICE						
Expense of revenue collection.....	P1, 508, 303. 12	1. 97	P1, 451, 868. 81	2. 20	+P 56, 434. 31	+3. 89
Operating expense of commercial and industrial units.....	4, 698, 117. 94	6. 14	4, 504, 895. 95	6. 81	+193, 221. 99	+3. 00
	6, 206, 421. 06	8. 11	5, 956, 764. 76	9. 01	+249, 656. 30	+4. 19
DEBT SERVICE						
Interest and exchange charges on insular bonds.....	5, 854, 175. 42	7. 64	5, 983, 938. 22	9. 05	—129, 762. 80	—2. 17
Contributions to sinking funds of insular bonds.....	2, 541, 174. 71	3. 32	2, 515, 316. 75	3. 81	+25, 857. 96	+1. 03
	8, 395, 350. 13	10. 96	8, 499, 254. 97	12. 86	—103, 904. 84	—1. 22
GENERAL WELFARE SERVICE						
Executive direction and control.....	3, 184, 841. 04	4. 16	3, 240, 365. 78	4. 90	—55, 524. 74	—1. 71
Legislation.....	1, 250, 573. 34	1. 63	1, 890, 347. 65	2. 86	—639, 774. 31	—33. 84
Adjudication.....	2, 754, 656. 81	3. 60	2, 629, 346. 12	3. 98	+125, 310. 69	+4. 77
National defense (law and order).....	11, 190, 452. 27	14. 61	5, 753, 610. 24	8. 70	+5, 436, 842. 03	+94. 49
Public health.....	4, 231, 848. 26	5. 53	4, 157, 856. 11	6. 29	+73, 992. 15	+1. 78
Protection against force majeure.....	132, 822. 63	. 17	137, 049. 16	. 21	—4, 226. 53	—3. 08
Regulation of public utilities.....	75, 093. 43	. 10	72, 753. 96	. 11	+2, 339. 47	+3. 22
Other protective service.....	344, 150. 51	. 45	246, 470. 67	. 37	+97, 679. 84	+39. 63
Public correction.....	756, 959. 60	. 99	682, 062. 34	1. 03	+74, 897. 26	+10. 98
Public education.....	17, 223, 751. 86	22. 49	19, 630, 825. 53	29. 70	—2, 407, 073. 67	—12. 26
Public charity.....	339, 654. 45	. 44	684, 859. 72	1. 04	—345, 205. 27	—50. 41
Other social improvement.....	10, 984. 28	. 01	14, 898. 38	. 02	—3, 914. 10	—26. 27
Conservation of national resources.....	737, 157. 55	. 96	754, 003. 37	1. 14	—16, 845. 82	—2. 23
Development of commerce.....	2, 005, 193. 38	2. 62	1, 550, 564. 01	2. 35	+454, 629. 37	+29. 32
Development of agriculture.....	3, 249, 277. 22	4. 24	2, 678, 963. 40	4. 06	+570, 313. 82	+21. 49
Development of industrial arts and sciences.....	240, 447. 36	. 31	259, 376. 69	. 39	—18, 929. 33	—7. 39
Development of mineral resources.....	5, 737. 18	. 01	—	—	+5, 737. 18	—
Other economic development.....	310, 791. 11	. 41	3, 470, 403. 40	5. 25	—3, 159, 612. 29	—91. 04
Philippine publicity.....	124, 044. 73	. 16	249, 997. 36	. 38	—125, 952. 63	—50. 38
	48, 168, 437. 01	62. 89	48, 103, 753. 89	72. 78	+64, 683. 12	+1. 13
Investments.....	12, 690, 908. 32	16. 57	2, 434, 520. 00	3. 68	+10, 256, 388. 32	+421. 29
Retirement gratuities.....	1, 124, 625. 85	1. 47	1, 105, 065. 05	1. 67	+19, 560. 80	+1. 77
Total.....	76, 585, 742. 37	100. 00	66, 099, 358. 67	100. 00	+10, 486, 383. 70	+15. 86

1936 and 1935 expenditures by departments, general fund, compared.—The 1936 expenditures from the general fund as incurred by the different departments compared with those of 1935 were as follows:

	1936		1935		Increase (+) or decrease (—)	
	Amount	Per-cent	Amount	Per-cent	Amount	Per-cent
Legislative.....	₱1,314,509.86	1.72	₱2,015,646.36	3.05	—₱701,136.50	—34.78
Resident Commissioner to United States.....	51,200.00	.07	10,645.16	.02	+40,554.84	+380.97
Executive:						
Office of the President.....	2,837,630.28	3.71	3,037,244.70	4.59	—199,614.42	—9.57
Philippine Army.....	10,693,556.78	13.96	10,693,556.78			
Department of the Interior.....	938,566.35	1.23	6,574,030.49	9.94	+5,635,464.14	+185.72
Department of Finance.....	24,655,413.21	32.19	13,616,726.87	20.60	+11,038,686.34	+453.10
Department of Justice.....	3,444,338.47	4.49	3,367,458.21	5.10	+76,880.26	+2.30
Department of Agriculture and Commerce.....	3,694,188.55	4.82	7,610,304.59	11.51	—3,916,116.04	—53.31
Department of Public Works and Commerce.....	7,839,981.25	10.24	6,574,489.47	9.94	+1,265,491.78	+39.94
Department of Public Instruction.....	19,389,985.22	25.32	21,728,092.06	32.87	—2,338,106.84	—104.14
Department of Labor.....	238,161.81	.31	247,459.11	.38	—9,297.30	—42.23
Supreme Court.....	198,230.61	.26	340,098.00	.52	—141,867.39	—141.71
Court of appeals.....	262,624.24	.34			+262,624.24	
University of the Philippines.....	1,027,355.74	1.34	977,163.65	1.48	+50,192.09	+5.14
Total.....	76,585,742.27	100.00	66,099,358.67	100.00	+10,486,383.70	+15.86

NOTE.—The expenses of the Department of the Interior in 1935 included the expenses of the Philippine Constabulary which, in 1936, formed part of the expenses of the Philippine Army.

The increase in the expense for revenue service was well compensated by the substantial increase in the Government income which resulted therefrom. On the other hand, there was a noticeable decrease in the expenses for executive direction and control. The large decrease in the expense for legislation was due to the establishment here of a unicameral legislature. The increase in the expense for adjudication was caused by the creation of the court of appeals. There were also considerable increases in the expenses incurred for national defense and for the development of agriculture and trade. The decrease in the expense for public charity and other social improvement was due to the fact that these services have been receiving a large share of the funds that are needed for their support from the proceeds of the Philippine Charity Sweepstakes. During the year 1936, this institution distributed the sum of ₱988,174.40 to different charitable and social welfare institutions. However, the expenses for the maintenance of the public health, public correction, and other protective service increased on account of the efforts of the Government to improve the lot of the masses and to extend to them the maximum of social justice that is possible.

The current surplus, general fund.—As shown in the statements, the total income for 1936 reached the sum of ₱84,927,915.67, while the total expenditures amounted to ₱76,585,742.37, thereby leaving a surplus of ₱8,342,173.30 for the year. This amount, added to the

accumulated current surplus of ₱39,565,495.59 existing at the end of the fiscal year 1935, gave a total accumulated current surplus of ₱47,907,668.89 on December 31, 1936. This latter amount, however, includes the unexpended balances of authorized appropriations existing on December 31, 1936, amounting to ₱18,485,336.68, so that the net current surplus on the said date was only ₱29,422,332.21, of which ₱7,614,344.46 was unencumbered and available for appropriation, the rest having been allocated as follows:

Advances to money-order fund.....	₱5,622,986.80
Advances to disbursing officers.....	9,155,552.86
Advances to irrigation fund.....	1,461,650.71
Continuing assets (including items of liquid assets other than cash).....	5,567,797.38
Total.....	21,807,987.75

APPENDIX V. STATEMENT OF TOTAL ASSETS, LIABILITIES, AND SURPLUS, ALL FUNDS

Total assets, liabilities, and surplus, all funds.—As affected by the result of the financial operations during the period from November 15, 1935, to December 31, 1936, the total assets, liabilities, and surplus of all funds of the Commonwealth Government at the end of the fiscal year 1936 were as follows:

CURRENT ASSETS, LIABILITIES, AND SURPLUS

	Funds	Liabilities	Surplus
General fund.....	₱63,840,090.81	₱15,932,421.92	₱47,907,668.89
Special funds.....	44,579,130.43	12,617,093.05	31,962,037.38
Bond fund.....	10,165,592.00	9,592.00	10,156,000.00
Total.....	118,584,813.24	28,559,106.97	90,025,706.27

RESERVED AND OTHER ASSETS, LIABILITIES, AND SURPLUS

Sinking funds.....	₱62,919,010.52	₱142,060.75	₱62,776,949.77
Exchange standard fund.....	44,758,604.10	6,863.21	44,751,740.89
Treasury certificate fund.....	132,155,000.00		132,155,000.00
Fiduciary funds.....	33,348,593.32	33,348,593.32	
Depository funds.....	32,755,526.95	32,755,526.95	
Retirement gratuities.....	2,463,482.98	2,463,482.98	
Contingent assets.....	43,359,848.77		43,359,848.77
Total.....	351,760,066.64	68,716,527.21	283,043,539.43
Total current, reserved, and other assets.....	470,344,879.88	97,275,634.18	373,069,245.70

INVESTED AND FIXED ASSETS, LIABILITIES, AND SURPLUS

Permanent and long-term investments.....	₱104,110,119.03	₱35,067,000.00	₱69,043,119.03
Real property and equipment and public domain ¹	191,440,049.90	110,950,000.00	80,490,049.90
Determined losses—agricultural bank loans.....	21,972.53		21,972.53
Total.....	295,572,141.46	146,017,000.00	149,555,141.46
Grand total.....	765,917,021.34	243,292,634.18	522,624,387.16

¹ The public domain is carried in the accounts at the nominal value of ₱1 only.

Detailed statement of all the outstanding bonds by the various branches and entities of the Commonwealth of the Philippines showing the history and the present status of each as of Dec. 31, 1936

Name of bond	Nature of bond	Authority of issue			Date of—		Duration in years	Interest rate per annum	Amount authorized			Sinking-fund reserve				Net bonded liability	Purpose of issue
		Act of Congress of the United States	Act of the Philippine Islands Legislature		Issue	Maturity			Total	Issued	Unissued	Cash	Investments	Canceled bonds, Act 3014	Total		
			No.	Date approved													
National Government:																	
Public improvement of 1909.....	Registered.....	Feb. 6, 1905	1954	May 20, 1909	Aug. 1, 1909	Aug. 1, 1939	10-30	Percent	₱3,000,000	₱3,000,000	-----	₱45,099.20	₱791,000.00	₱1,744,000	₱2,580,099.20	₱419,900.80	To construct public-works projects, etc.
Railroad purchase.....	do.....	Aug. 29, 1916	2615	Feb. 4, 1916	Dec. 1, 1916	Dec. 1, 1946	10-30	1 4	8,000,000	8,000,000	-----	21,302.74	1,218,000.00	3,156,000	4,395,302.74	3,604,697.00	To purchase capital stock of the M. R. R. Co.
Public improvement of 1921.....	Coupon.....	July 1, 1921	2940	Feb. 5, 1921	Aug. 1, 1921	Aug. 1, 1941	20	2 5½	20,000,000	20,000,000	-----	362,839.00	8,572,500.00	4,910,000	13,845,339.00	6,154,661.00	To construct irrigation system and other public improvements.
Financial interest protection.....	do.....	do.....	2999	Feb. 2, 1922	Feb. 1, 1922	Feb. 1, 1952	30	2 5	10,000,000	10,000,000	-----	(15,870.73)	982,000.00	2,568,000	3,534,129.27	6,465,870.73	To protect the financial interests of the Government.
Irrigation and other permanent public works.....	do.....	May 31, 1922	3013	Mar. 5, 1922	July 1, 1922	July 1, 1952	30	2 4½	43,000,000	23,600,000	₱19,400,000	(7,307.03)	1,754,000.00	6,476,000	8,222,692.97	15,377,307.03	To provide funds for the construction of public improvements, etc.
Currency.....	do.....	do.....	3058	June 13, 1922	July 15, 1922	July 15, 1952	30	2 4½	47,000,000	46,000,000	1,000,000	(27,687.74)	4,192,000.00	11,840,000	16,004,312.26	29,995,687.74	To provide funds with which to constitute the exchange standard fund and the Treasury certificate fund.
Cebu port works and improvement, first series.....	do.....	do.....	3413	Dec. 7, 1927	Mar. 1, 1928	Mar. 1, 1958	30	2 4½	1,500,000	1,500,000	-----	1,686.07	95,000.00	174,000	270,686.07	1,229,313.93	To provide funds for the extension and improvement of the port of Cebu.
Cebu port works and improvement, second series.....	do.....	do.....	3413	do.....	Sept. 15, 1929	Sept. 15, 1959	30	2 4½	1,500,000	1,500,000	-----	14,353.74	136,000.00	78,000	228,353.74	1,271,646.26	
Cebu port works and improvement, third series.....	do.....	do.....	3413	do.....	Mar. 15, 1920	Mar. 15, 1960	30	2 4½	1,000,000	1,000,000	-----	4,400.94	126,000.00	-----	130,400.94	869,599.06	
Iloilo port works and improvement, first series.....	do.....	do.....	3417	do.....	Apr. 1, 1928	Apr. 1, 1958	30	2 4½	1,500,000	1,500,000	-----	4,918.94	61,000.00	204,000	269,918.94	1,230,081.06	To provide funds for the construction and improvement of the port of Iloilo.
Iloilo port works and improvement, second series.....	do.....	do.....	3417	do.....	Oct. 15, 1929	Oct. 15, 1959	30	2 4½	1,000,000	1,000,000	-----	23,796.31	108,000.00	20,000	151,796.31	848,203.69	
Iloilo port works and improvement, third series.....	do.....	do.....	3417	do.....	Apr. 15, 1930	Apr. 15, 1960	30	2 4½	1,850,000	1,850,000	-----	5,557.08	235,000.00	-----	240,557.08	1,609,442.92	
Total (excluding collateral bonds in the amount of ₱16,567,000 which are shown and indicated below by (*) under the respective entities).									139,350,000	118,950,000	20,400,000	433,088.52	18,270,500.00	31,170,000	49,873,588.52	69,076,411.48	
Provincial governments:																	
Iloilo public improvement*.....	Registered.....	do.....	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	2 4½	1,121,000	1,121,000	-----	3,461.55	81,000.00	181,000	265,461.55	855,538.45	To construct waterworks system, etc.
Pangasinan public improvement*.....	do.....	do.....	3228	Nov. 12, 1925	Mar. 1, 1926	Mar. 1, 1956	30	2 4½	857,000	857,000	-----	2,789.73	84,000.00	118,000	204,789.73	652,210.27	
Occidental Negros public improvement*.....	do.....	do.....	3229	Nov. 14, 1925	Apr. 1, 1926	Apr. 1, 1956	30	2 4½	800,000	800,000	-----	2,956.35	116,000.00	72,000	190,956.35	609,043.65	
Marinduque public improvement*.....	do.....	do.....	3268	Dec. 9, 1925	May 1, 1926	May 1, 1956	30	2 4½	111,000	111,000	-----	1,418.63	25,000.00	-----	26,418.63	84,581.37	
Laguna public improvement*.....	Coupon.....	do.....	3265	Dec. 7, 1925	May 1, 1927	May 1, 1957	30	2 4½	196,000	196,000	-----	1,470.70	51,000.00	2,000	54,470.70	141,529.30	
Ilocos Norte public improvement*.....	Registered.....	do.....	3266	do.....	June 1, 1926	June 1, 1956	30	2 4½	442,000	442,000	-----	1,486.74	61,000.00	42,000	104,486.74	337,513.26	
Ilocos Sur public improvement*.....	Coupon.....	do.....	3278	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	2 4½	260,000	260,000	-----	352.57	17,500.00	36,000	53,852.57	206,147.43	
Tarlac public improvement*.....	do.....	do.....	3279	do.....	July 1, 1926	do.....	30	2 4½	343,000	342,000	1,000	565.35	18,000.00	52,000	70,565.35	271,434.65	To construct public works, etc.
Pampanga public improvement*.....	do.....	do.....	3282	do.....	July 1, 1927	do.....	30	2 4½	955,000	954,000	1,000	1,660.26	59,000.00	138,000	198,660.26	755,339.74	
Nueva Ecija public improvement*.....	do.....	do.....	3329	Dec. 7, 1926	do.....	do.....	30	2 4½	690,000	690,000	-----	1,185.69	23,000.00	118,000	142,185.69	547,814.31	
Bulacan public improvement*.....	do.....	do.....	3331	do.....	do.....	do.....	30	2 4½	474,000	474,000	-----	1,801.47	34,000.00	62,000	97,801.47	376,198.53	
Camarines Sur public improvement*.....	do.....	do.....	3280	Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	2 4½	160,000	160,000	-----	4,403.20	18,500.00	10,000	32,903.20	127,096.80	
La Union public improvement*.....	do.....	do.....	3281	do.....	Jan. 1, 1928	Jan. 1, 1958	30	2 4½	330,000	220,000	110,000	1,274.93	67,000.00	-----	68,274.93	151,725.07	
Occidental Negros public improvement, first issue*.....	Registered.....	do.....	3987	Dec. 3, 1932	July 1, 1933	July 1, 1963	30	2 5	1,500,000	1,277,700	222,300	2,467.19	74,000.00	-----	76,467.19	1,201,232.81	To construct road and to reimburse insular government of outstanding loans contracted for permanent improvements.
Occidental Negros public improvement, second issue*.....	do.....	do.....	3987	do.....	May 16, 1936	May 16, 1966	30	2 5									
Cebu public improvement*.....	do.....	do.....	3471	Dec. 7, 1928	May 4, 1936	May 4, 1966	30	2 5	500,000	500,000	-----	-----	-----	-----	-----	500,000.00	To construct provincial capital, Cebu, Cebu.
Total.....									8,739,000	8,627,000	112,000	27,294.36	729,000.00	831,000	1,587,294.36	7,039,705.64	
Municipal governments:																	
Cebu sewer and waterworks, Cebu.....	Registered.....	July 1, 1902	2009	Dec. 27, 1910	Jan. 1, 1911	Jan. 1, 1941	10-30	1 4	250,000	250,000	-----	1,653.28	102,000.00	102,000	205,653.28	44,346.72	
Majayjay sewer and waterworks, Laguna.....	do.....	Aug. 29, 1916	2773	Mar. 8, 1918	Jan. 1, 1919	Jan. 1, 1949	30	1 5	60,000	40,000	20,000	1,333.59	17,000.00	-----	18,333.59	21,666.41	
Santa Cruz sewer and waterworks, Laguna.....	do.....	do.....	2773	do.....	do.....	do.....	30	1 5	90,000	90,000	-----	875.62	41,000.00	-----	41,875.62	48,124.38	
Bangued sewer and waterworks, Abra.....	do.....	do.....	2838	Mar. 8, 1919	do.....	do.....	30	1 5	40,000	40,000	-----	474.55	18,000.00	-----	18,474.55	21,525.45	
Cabatuan waterworks system, Iloilo*.....	do.....	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	2 4½	8,000	8,000	-----	318.04	1,000.00	-----	1,318.04	6,181.96	
Dingle waterworks system, Iloilo*.....	do.....	do.....	3222	do.....	do.....	do.....	10-30	2 4½	20,000	20,000	-----	1,180.11	1,500.00	2,000	4,680.11	15,319.89	
Iloilo waterworks system, Iloilo*.....	do.....	do.....	3222	do.....	do.....	do.....	10-30	2 4½	338,000	338,000	-----	1,931.07	36,000.00	42,000	79,931.07	258,068.95	
Jaro waterworks system, Iloilo*.....	do.....	do.....	3222	do.....	do.....	do.....	10-30	2 4½	94,000	94,000	-----	2,126.55	10,000.00	10,000	22,126.55	71,873.45	
La Paz waterworks system, Iloilo*.....	do.....	do.....	3222	do.....	do.....	do.....	10-30	2 4½	80,000	80,000	-----	449.34	11,500.00	7,000	18,949.34	61,050.66	
Maasin waterworks system, Iloilo*.....	do.....	do.....	3222	do.....	do.....	do.....	10-30	2 4½	3,000	3,000	-----	681.72	-----	-----	681.72	2,318.28	
Pavia waterworks system, Iloilo*.....	do.....	do.....	3222	do.....	do.....	do.....	10-30	2 4½	25,000	25,000	-----	361.26	3,500.00	2,000	5,861.26	19,138.74	
Pototan waterworks system, Iloilo*.....	do.....	do.....	3222	do.....	do.....	do.....	10-30	2 4½	159,300	159,200	100	1,006.09	12,500.00	24,000	37,506.09	121,693.91	
Santa Barbara waterworks system, Iloilo*.....	do.....	do.....	3222	do.....	do.....	do.....	10-30	2 4½	104,800	104,800	-----	1,366.20	12,500.00	11,000	24,866.20	79,933.80	
Bacarra waterworks system, Ilocos Norte*.....	do.....	do.....	3266	Dec. 7, 1925	do.....	June 1, 1956	30	2 4½	7,000	7,000	-----	1,570.28	-----	-----	1,570.28	5,429.72	
Laoag waterworks system, Ilocos Norte*.....	do.....	do.....	3266	do.....	do.....	do.....	30	2 4½	89,000	89,000	-----	763.21	12,000.00	8,000	20,763.21	68,236.79	
Pasquin waterworks system, Ilocos Norte*.....	do.....	do.....	3266	do.....	do.....	do.....	30	2 4½	10,000	10,000	-----	1,265.69	1,000.00	-----	2,265.69	7,734.31	
Vigan waterworks system, Ilocos Sur*.....	Coupon.....	do.....	3278	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	2 4½	90,000	90,000	-----	1,272.53	7,000.00	10,000	18,272.53	71,727.47	
Camaligan waterworks system, Camarines Sur*.....	do.....	do.....	3280	do.....	Aug. 1, 1927	Aug. 1, 1957	10-30	2 4½	5,000	5,000	-----	986.37	-----	-----	986.37	4,013.63	
Canaman waterworks system, Camarines Sur*.....	do.....	do.....	3280	do.....	do.....	do.....	10-30	2 4½	5,000	5,000	-----	986.37	-----	-----	986.37	4,013.63	
Magarao waterworks system, Camarines Sur*.....	do.....	do.....	3280	do.....	do.....	do.....	10-30	2 4½	15,000	15,000	-----	2,004.10	1,000.00	-----	3,004.10	11,995.90	
Naga waterworks system, Camarines Sur*.....	do.....	do.....	3280	do.....	do.....	do.....	10-30	2 4½	37,500	37,000	500	575.92	7,000.00	-----	7,575.92	29,424.08	
Iloilo public improvement bonds*.....	do.....	do.....	4205	July 25, 1935	May 16, 1936	May 16, 1966	30	2 5	350,000	350,000	-----	-----	-----	-----	-----	350,000.00	
Total.....									1,880,600	1,880,000	20,600	23,681.89	294,500.00	218,000	536,181.89	1,323,818.11	
City of Manila:																	
Public improvement, Act 2894*.....	Coupon.....	May 31, 1922	3051	Mar. 11, 1922	June 1, 1922	Dec. 1, 1950	28½	2 4½	5,500,000	5,500,000	-----	715.83	878,000.00	1,390,000	2,268,715.83	3,231,284.17	To construct public works and other improvements.
Lowland improvement*.....	do.....	do.....	3352	Nov. 17, 1927	May 1, 1928	May 1, 1958	10-30	2 4½	1,000,000	1,000,000	-----	1,603.23	83,000.00	100,000	184,603.23	815,396.77	To fill lowlands in the city of Manila.
Public improvement, first issue.....	do.....	do.....	3456	Dec. 3, 1928	Apr. 1, 1929	Apr. 1, 1959	30	2 4½	10,000,000	1,000,000	8,500,000	911.35	94,000.00	60,000	154,911.35	845,088.65	To construct permanent public improvement.
Public improvement, second issue.....	do.....	do.....	3456	do.....	Dec. 16, 1935	Dec. 16, 1965	30	2 5									
Total.....									16,500,000	8,000,000	8,500,000	12,916.08	1,055,000.00	1,550,000	2,617,916.08	5,382,083.92	
Metropolitan water district:																	
Sewer and waterworks (Manila), second series.....	Registered.....	July 1, 1902	1323	Apr. 14, 1905	Jan. 2, 1907	Jan. 2, 1937	10-30	1 4	4,000,000	4,000,000	-----	1,407,911.68	144,000.00	2,468,000	4,019,911.68	(19,911.68)	To provide funds for the construction and extension of sewer and water works system for the city of Manila.
Sewer and waterworks (Manila), third series.....	do.....	do.....	1323	do.....	Jan. 2, 1908	Jan. 2, 1938	10-30	1 4	2,000,000	2,000,000	-----	15,818.75	1,166,472.50	788,000	1,970,291.25	29,708.75	
Metropolitan water district.....	Coupon.....	May 31, 1922	3204	Dec. 3, 19													

*Total collateral bonds, P16,567,000.

^b Unissued bonds under Acts 3013 and 3058 in the sums of ₱19,400,000 and ₱1,000,000, respectively, are authorized to be canceled under Act 3383.

¹ Payable quarterly.

² Payable semiannually.

APPENDIX VI. PUBLIC DEBT

At the time of the inauguration of the Commonwealth Government, the total bonded indebtedness, including the collateral bonds issued by the provincial, city, and municipal governments, and the Metropolitan Water District, amounted to ₱154,364,700, of which ₱59,287,901.73 was covered by existing sinking funds, thus leaving a net outstanding bonded debt of only ₱95,076,798.27. During the period under review, payment was made on the public-improvement bonds of 1906, Act No. 1444, in the amount of ₱2,000,000. During the same period, however, the following collateral bonds were issued:

Occidental Negros public-improvement bonds, Act No. 3987.....	₱222, 300
Cebu public-improvement bonds, Act No. 3471.....	500, 000
City of Iloilo public-improvement bonds, Act No. 4205.....	350, 000
City of Manila public-improvement bonds, Act No. 3456.....	500, 000
Total.....	1, 572, 300

As a result of the above-stated transactions, the total bonded indebtedness at the end of the fiscal year 1936, amounted to ₱153,937,000, of which ₱62,776,949.77 was covered by existing sinking funds. Facing this page is a detailed statement of the status of the bonded debt on the said date.

Bonded indebtedness of the Manila Railroad Co.—The bonded indebtedness of the Manila Railroad Co. as shown in its general balance sheet on December 31, 1936, and the government advances were as follows:

Refunding mortgage 5-percent gold bonds due July 1, 1956.....	₱26, 472, 000. 00
First mortgage 4-percent gold bonds due May 1, 1939.....	₱31, 182, 000
Less 4-percent gold bonds:	
Pledged.....	₱17, 850, 000
Retired.....	3, 680, 000
Reacquired and held by the company.....	710, 000
	22, 240, 000
First mortgage 4-percent gold bonds due May 1, 1959.....	2, 246, 000
Less—	
Retired.....	46, 000
Reacquired and held by the company.....	100, 000
	146, 000
7-percent sinking-fund bonds due May 1, 1937.....	2, 100, 000. 00
Philippine government advances on interest on 4-percent and 7-percent bonds.....	3, 000, 000. 00
Philippine government loans for redemption of 4-percent bonds due May 1, 1939.....	5, 212, 523. 49
	9, 990, 000. 00
Total long-term debt.....	55, 716, 523. 49

The same balance sheet shows a sinking fund reserve in the amount of ₱4,385,042.68 against the above-stated bonded indebtedness.

APPENDIX VII.—THE CURRENCY

Composition.—The money in circulation on December 31, 1936, was as follows:

Philippine pesos, silver half pesos, subsidiary and minor coins:

Issued:	
Silver pesos.....	₱21, 802, 541. 00
Silver half pesos.....	6, 272, 494. 50
Subsidiary coins.....	9, 549, 041. 10
Minor coins.....	3, 461, 176. 45
	₱41, 085, 253. 05

Philippine pesos, silver half pesos, subsidiary and minor coins—Continued.

Less amount in treasury vaults pertaining to general and other miscellaneous funds:		
Silver pesos.....	P17,461,107.00	
Silver half pesos.....	2,898,829.50	
Subsidiary coins.....	620,426.70	
Minor coins.....	172,490.90	
Amount estimated destroyed, unknown.....	100,000.00	
		P21,252,854.10
Net amount in circulation.....		19,832,398.95
Philippine treasury certificates:		
Issued.....	P132,155,000.00	
Less amount in treasury vaults pertaining to general and other miscellaneous funds.....	P23,559,443.00	
Add amount estimated destroyed, unknown.....	350,000.00	
		23,909,443.00
Net amount in circulation.....		108,245,557.00
Bank notes:		
Issued by the Bank of the Philippine Islands.....	3,921,320.00	
Less amount estimated destroyed, unknown.....	40,000.00	
		3,881,320.00
Issued by the Philippine National Bank.....	7,900,000.00	
Add Philippine National Bank emergency notes.....	54,745.42	
Total.....	7,954,745.42	
Less amount estimated destroyed, unknown.....	150,000.00	
		7,804,745.42
Net amount in circulation of bank notes.....		11,686,065.42
Total net circulation, Dec. 31, 1936.....		139,764,021.37

Reserves.—The reserve behind the treasury certificates consists of silver pesos and half pesos on deposit in the Philippine treasury in the amount of 100 percent of all treasury certificates in circulation and available for circulation, or the equivalent in United States currency on deposit in the United States Treasury or in those United States banks which are designated by proper authority as depositories.

The reserve behind the bank notes in addition to the resources of the issuing banks consists of a deposit with the insular treasurer or the Treasurer of the United States of 25 percent of the notes in circulation.

In order to maintain the parity between the Philippine peso and the United States dollar at the rate of 2 pesos for \$1 and to serve as an additional reserve behind the Philippine currency, a fund known as the exchange standard fund was established in an amount not less than 15 percent of the Philippine coins and treasury certificates in circulation or available for circulation. Provision was made for accretions to this fund by profits of seigniorage, sale of exchange, and other items of income; but it was stipulated that when the fund reached an amount equal to 25 percent of the Philippine coins and treasury notes in circulation or available for circulation, any surplus above this percentage might be transferred in whole or in part to the general fund. In conformity with this stipulation, P6,050,000 of the surplus in the exchange standard fund was transferred to the general fund during the period under review.

The amount of Philippine coins and treasury certificates in circulation (a legal computation) and available therefor on December 31, 1936, was P152,383,173.68. The minimum limit of the exchange standard fund on that date was P22,857,476.05. The amount actually on hand in the Philippine treasury and deposited in the Treasury of the United States and in United States banks was P43,763,192.36 which was, therefore, P20,905,716.31 above the minimum limit and P5,667,398.94 still above the 25-percent provision mentioned above. This latter sum also could have been legally transferred to the general fund on December 31, 1936.

APPENDIX VIII. GOVERNMENT-OWNED CORPORATIONS

The following statement reflects the financial condition of the government-owned corporations on December 31, 1936:

Corporation	Outstanding capital stock			
	Total	Held by the central government	Held by government-owned companies	Held by private parties
Philippine National Bank.....	₱10,000,000.00	₱9,852,200	-----	₱147,800
Manila R. R. Co.....	25,427,000.00	25,427,000	-----	-----
Manila Hotel Co.....	900,000.00	-----	₱871,600.00	28,400
National Development Co.....	6,935,000.00	6,935,000	-----	1,000
Cebu Portland Cement Co.....	2,750,800.00	-----	2,750,000.00	800
Sabani Estate (administered by the National Development Co.).....	288,338.90	-----	288,338.90	-----
National Rice & Corn Corporation.....	2,000,000.00	-----	2,000,000.00	-----

Corporation	Surplus or deficit		
	Dec. 31, 1936	Dec. 31, 1935	Increase (+) or decrease (-)
Philippine National Bank.....	₱15,744,010.44	₱15,122,356.74	+₱621,653.70
Manila R. R. Co.....	19,953,378.11	18,265,309.11	+1,688,069.00
Manila Hotel Co.....	1,120,523.49	930,077.98	+190,445.51
National Development Co.....	1,090,385.14	1,280,501.89	-1,090,116.75
Cebu Portland Cement Co.....	2,306,581.99	2,882,162.75	-575,580.76
National Rice & Corn Corporation.....	2,421,551.31	-----	+2,421,551.31

¹ Deficit.

The Philippine National Bank.—As can be seen from the above statement, the net worth of the Philippine National Bank was increased by ₱621,653.70 during the year 1936 over that of the preceding year. During this period 136 shares of stock were repurchased by the Government from private parties at their par value, leaving ₱147,800 worth of shares outstanding in private ownership. In accordance with section 4 of Act No. 3174, and Commonwealth Act No. 6, during the period covered by this report, the bank reimbursed the Government for advances the latter made to cover the former's previous losses in the sum of ₱4,679,248.84. The remaining contingent obligations of the bank to the Government for such advances on December 31, 1936, stood as follows:

Original amount of advances made by the Government.....	₱61,951,931.75
Less payments made by bank under sec. 4 of Act No. 3174 to Dec. 31, 1936.....	18,592,082.98
Balance still payable as profits are realized.....	43,359,848.77

A consolidated balance sheet showing the financial condition of the Philippine National Bank on December 31, 1936, follows:

RESOURCES	
Cash and due from banks:	
Cash on hand.....	₱5,941,088.82
Circulation reserve deposited with United States banks.....	2,500,000.00
Due from United States banks (time).....	2,900,000.00
Due from United States banks (demand).....	18,177,670.81
Due from foreign banks (demand).....	296,010.94
Due from local banks (demand).....	547,948.32
Checks and other cash items.....	228,992.61
	₱30,591,711.50

RESOURCES—Continued

Bonds:		
U. S. Government bonds	₱14,551,000.00	
Philippine government bonds	13,221,183.75	
State, municipal, and other bonds	16,552,000.00	
Total (par value)	44,324,183.75	
Bond premiums	639,371.74	
		₱44,963,555.49
Other investments		53,230.00
Loans and discounts:		
Bankers' acceptances, import, export, and other similar self-liquidating bills	10,454,173.20	
Real-estate mortgage loans	11,115,417.76	
Other loans	42,632,002.54	
		63,601,593.50
Assets acquired in settlement of loans		679,623.26
Interoffice float (net)		430,079.51
Bank sites and office equipment		1,493,490.31
Other assets		141,927.38
Total resources		141,955,210.95

LIABILITIES

Present net worth:		
Capital paid up	₱10,000,000.00	
Surplus	9,057,604.02	
Reserve for contingencies	6,088,819.09	
Reserve for self-insurance	596,000.00	
Undivided profits	1,587.33	
		25,744,010.44
Deferred profits:		
Discount collected not earned	280,815.17	
Reserve for uncollected interest	826,680.48	
Reserve for uncollected profits	2,778,792.76	
		3,886,288.41
Deposits:		
Government	38,283,056.26	
Individual	53,664,738.38	
Trust department	139,929.53	
Cashier's and manager's checks	906,776.02	
Due to United States banks	162,056.90	
Due to foreign banks	71,479.85	
Due to local banks	3,842,161.75	
Due to government under Act No. 3174 and Commonwealth Act No. 6	4,968,139.06	
		102,038,337.75
Bank notes in circulation		7,635,836.00
Other liabilities:		
Philippine National Bank real-estate mortgage 6-percent bonds	17,100.00	
Interest accrued payable	401,047.53	
Reserve for taxes	890,660.55	
Accounts payable and others	1,341,930.27	
		2,650,738.35
Total liabilities		141,955,210.95

CONTINGENT ACCOUNTS

Exchange contracts	4,686,682.48
Letters of credit	2,729,028.81
Bills on hand—collection	1,356,707.33
Items for safekeeping and held as collateral	1,039,369.17
Assets held in trust	5,715,121.74
Total	15,526,909.53

The above statement shows that the strong liquid position of the Philippine National Bank was further improved during the year 1936. The reserve for contingencies in the amount of ₱6,088,819.09 is sufficient to cover all past-due paper, all items in litigation and reasonable depreciation on the bonds owned by the bank.

The Manila Railroad Co.—This government enterprise registered an increase of ₱799,009.20 as of December 31, 1936, in its total assets over those of the preceding year. On the other hand, it showed a decrease of ₱1,889,051.68 in its long-term debt and ₱156,913.52 in its current and deferred liabilities; and an increase of ₱856,905.40 in its unadjusted credits consisting mainly of accrued depreciation on equipment and other property, thus resulting in an increase in net worth of ₱1,988,069 on December 31, 1936, as compared with that on December 31, 1935.

The Manila Hotel Co.—During the fiscal year 1936 the Manila Hotel Co. enjoyed a profitable business and realized an increase of ₱190,445.51 in its surplus over that of the preceding year.

National Development Co.—At the close of business on December 31, 1936, the National Development Co. showed an increase of ₱1,090,216.75 in its net worth, which was principally due to dividends received on the company's investment in stock of the Cebu Portland Cement Co.

Cebu Portland Cement Co.—The Cebu Portland Cement Co. is a subsidiary of the National Development Co. Its total outstanding capital stock is in the amount of ₱2,750,800, of which ₱800 has been subscribed by private stockholders, and the rest is owned by the National Development Co.

At the beginning of the year 1936 the accumulated earnings amounted to ₱2,882,162.75, but a cash dividend of 40 percent was paid on April 7, 1936, in the sum of ₱1,100,320, thereby leaving as accumulated earnings the sum of ₱1,781,842.75.

During the year under review the company realized a net profit of ₱524,739.24 as against ₱342,745.44 for 1935, or an increase of ₱181,993.80.

The total assets of the company on December 31, 1936, aggregated ₱5,224,046.76 as against its total liabilities in the sum of ₱166,664.77, or an excess of assets over liabilities in the sum of ₱5,057,381.99, representing its net worth, consisting of ₱2,750,800 in paid-up capital stock and ₱2,306,581.99 of surplus derived entirely from accumulated earnings.

National Rice & Corn Corporation.—The National Rice & Corn Corporation was created on April 24, 1936, as a subsidiary corporation of the National Development Co. for the purpose of stabilizing the supply and price of rice and corn, the staple food of the people, and thereby solve the recurring food crisis due to occasional shortage in the supply of these commodities.

The financial condition of the National Rice & Corn Corporation on December 31, 1936, is reflected in the following condensed balance sheet of the company:

Assets:	
Cash.....	₱2, 812, 220. 50
Receivables.....	155, 852. 41
Inventories.....	1, 721, 341. 66
Deferred charges.....	6, 543. 86
Fixed assets.....	18, 482. 03
Total assets.....	4, 714, 440. 46
Liabilities and capital:	
Liabilities.....	292, 889. 15
Outstanding capital stock.....	2, 000, 000. 00
Surplus.....	2, 421, 551. 31
Total liabilities and capital.....	4, 714, 440. 46

As may be seen from the above figures, the total assets of the corporation on December 31, 1936, aggregated ₱4,714,440.46, as against its total liabilities of ₱292,889.15, or an excess of assets over liabilities in the sum of ₱4,421,551.31 representing its net worth of which ₱2,000,000.00 is the paid-up capital stock and ₱2,421,551.31 surplus derived mostly from profits in the sale of rice.

APPENDIX IX. LIST OF OUTSTANDING MEASURES PASSED AT THE FIRST REGULAR SESSION AND SPECIAL SESSION OF THE NATIONAL ASSEMBLY

Commonwealth Act No. 20.—Authorizing the President of the Philippines to institute expropriation proceedings and to enter into negotiations for the purpose of acquiring big-landed estates with a view to subdividing them into home sites and selling them at cost.

Commonwealth Act No. 34.—Providing for the holding of a plebiscite on the question of woman suffrage.

Commonwealth Act No. 77.—Extending the provisions of the Sugar Limitation Act to a period of 6 years after the 1934-35 crop.

Commonwealth Act No. 80.—Creating the Office of Adult Education.

Commonwealth Act No. 83.—Regulating the sale of securities and creating a Securities and Exchange Commission.

Commonwealth Act No. 87.—Giving the President authority to administer the irrigation systems constructed by the Government.

Commonwealth Act No. 88.—Providing the reorganization and maintenance of a State police force.

Commonwealth Act No. 90.—Appropriating ₱1,500,000 for the relief of communities and indigent sufferers from typhoons.

Commonwealth Act No. 94.—Coordinating the information, and publicity agencies of the Government.

Commonwealth Act No. 103.—Affording protection of labor by creating a Court of Industrial Relations empowered to fix minimum wages for laborers and maximum rentals to be paid by tenants and unforeseen compulsory arbitration between employers and landlords and employees and tenants.

Commonwealth Act No. 106.—An act increasing the rates of inheritance tax.

Commonwealth Act No. 108.—Punishing acts of evasion of the laws of the nationalization of certain rights, franchise, or privileges.

Commonwealth Act No. 114.—Liberalizing the marriage law.

Commonwealth Act No. 117.—Increasing the rates of income tax.

Commonwealth Act No. 120.—Creating the National Power Corporation to undertake the development of hydraulic power and the production of power from other sources.

Commonwealth Act No. 122.—Increasing the rates of the tax on motor spirits.

Commonwealth Act No. 123.—Increasing the rates of registration fees of motor vehicles.

Commonwealth Act No. 124.—Providing that one peso of cedula tax shall accrue to the school fund of the municipality wherein collected.

Commonwealth Act No. 125.—Creating a revolving fund for the construction of water works.

Commonwealth Act No. 136.—Creating the Bureau of Mines.

Commonwealth Act No. 137.—Providing for the conservation and disposition of mineral lands and minerals.

Commonwealth Act No. 138.—Giving preference to products manufactured in the Philippines or in the United States in the purchase of government supplies.

Commonwealth Act No. 139.—Transferring the Immigration Division of the Bureau of Customs, Department of Finance, to the Department of Labor.

Commonwealth Act No. 141.—Amending and compiling all the laws relating to lands of the public domain.

Commonwealth Act No. 145.—Reorganization of the Courts of First Instance.

Commonwealth Act No. 168.—Providing for the protection and development of civil aviation in the Philippines and creating the Bureau of Aeronautics.

Commonwealth Act No. 170.—Providing for the taking of census in the Philippines.

Commonwealth Act No. 177.—Extending the provisions of civil-service laws to all branches and subdivisions of the Government.

Commonwealth Act No. 180.—Providing for a more strict supervision of private schools and colleges.

Commonwealth Act No. 182.—Creating the National Development Co.

Commonwealth Act No. 184.—Establishing the Institute of National Language.

Commonwealth Act No. 186.—Establishing the government service insurance system.

Commonwealth Act No. 187.—Providing for the liquidation of the teachers' retirement and disability fund.

Commonwealth Act No. 188.—Providing for the liquidation of the pension and retirement fund of the Philippine Constabulary.

Commonwealth Act No. 189.—Providing for the liquidation of the health pension and retirement fund.

Commonwealth Act No. 190.—Establishing the retirement system for the Philippine Army.

Commonwealth Act No. 191.—Authorizing the President of the Philippines to negotiate with the President of the United States for an economic trade conference.

Commonwealth Act No. 192.—Creating a National Produce Exchange

Commonwealth Act No. 213.—Defining and regulating legitimate labor organizations.

Commonwealth Act No. 216.—Providing for a revolving fund for the establishment of public markets.

Commonwealth Act No. 223.—Providing for the award of air-mail contracts.

APPENDIX X

Countries of origin of imports and destination of exports	Imports		Exports		Total trade	
	Value	Percent	Value	Percent	Value	Percent
United States.....	P122,994,525	60.81	P237,504,863	80.41	P360,499,388	72.45
Hawaii.....	635,863	.31	613,364	.21	1,249,227	.25
Guam.....	73,321	.04	311,331	.11	384,652	.08
Puerto Rico.....	-----	-----	100,771	.03	100,771	.02
Virgin Islands of the United States.....	-----	-----	1,394	-----	1,394	-----
Japan.....	26,528,530	13.12	16,786,272	5.68	43,314,802	8.70
Great Britain.....	5,046,729	2.50	8,317,520	2.82	13,364,249	2.69
Germany.....	6,933,933	3.43	3,791,573	1.28	10,725,506	2.16
Netherlands.....	4,516,406	2.23	4,620,895	1.56	9,137,301	1.84
China.....	5,365,564	2.65	1,974,838	.67	7,340,402	1.47
Australia.....	4,717,144	2.33	854,550	.29	5,571,694	1.12
France.....	2,095,968	1.04	3,226,022	1.09	5,321,990	1.07
British East Indies.....	3,656,915	1.81	1,200,975	.41	4,857,890	.98
Spain.....	501,194	.25	4,191,551	1.42	4,692,745	.94

APPENDIX X—Continued

Countries of origin of imports and destination of exports	Imports		Exports		Total trade	
	Value	Percent	Value	Percent	Value	Percent
French East Indies.....	P4, 252, 460	2.10	P35, 009	.01	P4, 287, 469	.86
Dutch East Indies.....	3, 378, 743	1.67	681, 431	.23	4, 060, 174	.81
Canada.....	2, 402, 771	1.19	1, 286, 785	.44	3, 689, 556	.74
Belgium.....	1, 991, 972	.99	1, 500, 748	.51	3, 492, 720	.70
Italy.....	141, 854	.07	2, 357, 303	.80	2, 499, 157	.50
Hong Kong.....	1, 526, 311	.76	853, 720	.29	2, 380, 031	.48
Siam.....	1, 667, 916	.82	308, 931	.10	1, 976, 847	.40
Denmark.....	69, 344	.03	1, 205, 125	.41	1, 274, 469	.26
Sweden.....	887, 024	.44	362, 457	.12	1, 249, 481	.25
Switzerland.....	1, 046, 308	.52	17, 460	.01	1, 063, 768	.21
Norway.....	96, 994	.05	492, 068	.17	589, 062	.12
Czechoslovakia.....	345, 027	.17	-----	-----	345, 027	.07
Japanese-China.....	312, 797	.15	21, 076	.01	333, 873	.07
Egypt.....	98, 259	.05	162, 596	.06	280, 855	.06
Ireland.....	211, 827	.10	26, 329	.01	238, 156	.05
Uruguay.....	209, 958	.10	1, 313	-----	211, 271	.04
Argentina.....	43, 288	.02	62, 771	.02	106, 059	.02
Austria.....	98, 512	.05	-----	-----	98, 512	.02
Other countries.....	404, 892	.20	2, 459, 274	.83	2, 864, 166	.57
Total.....	202, 252, 349	100.00	295, 350, 315	100.00	497, 602, 664	100.00

PRINCIPAL IMPORTS

The 10 principal imports of the Philippines during the year under review in the order of their importance in respect to value were as follows:

1. IRON AND STEEL AND MANUFACTURES THEREOF

Imported from—	1936		1935	
	Value	Percent	Value	Percent
United States.....	P24, 561, 115	76.74	P17, 032, 080	76.80
Germany.....	2, 272, 932	7.10	1, 634, 140	7.37
Japan.....	1, 860, 757	5.81	1, 225, 474	5.53
Belgium.....	1, 193, 065	3.73	880, 151	3.97
Great Britain.....	1, 016, 995	3.17	451, 062	2.03
Sweden.....	453, 180	1.42	466, 016	2.10
Czechoslovakia.....	142, 071	.44	55, 775	.25
France.....	119, 945	.37	81, 012	.37
Luxemburg.....	119, 460	.37	63, 794	.29
China.....	76, 508	.24	55, 811	.25
Other countries.....	195, 580	.61	231, 524	1.04
Total.....	32, 031, 608	100.00	22, 176, 839	100.00

2. COTTON GOODS

United States.....	P13, 564, 911	44.42	P13, 534, 941	44.23
Japan.....	10, 947, 354	35.85	13, 071, 817	42.72
Great Britain.....	1, 875, 347	6.14	1, 294, 905	4.23
China.....	1, 718, 890	5.63	1, 181, 666	3.86
Hong Kong.....	1, 082, 360	3.55	3, 234	.01
France.....	590, 422	1.93	683, 517	2.23
Switzerland.....	510, 748	1.67	635, 790	2.08
Germany.....	76, 110	.25	59, 444	2.19
Korea.....	38, 646	.13	476	-----
British East Indies.....	35, 220	.12	44, 619	.15
Other countries.....	95, 249	.31	89, 432	.30
Total.....	30, 535, 257	100.00	30, 599, 841	100.00

3. MINERAL OILS

Imported from—	1936		1935	
	Value	Percent	Value	Percent
United States.....	P12,508,295	85.34	P13,334,552	87.19
Dutch East Indies.....	2,104,091	14.36	1,887,113	12.34
Germany.....	28,906	.20	15,539	.10
Other countries.....	15,546	.10	55,978	.37
Total.....	14,656,838	100.00	15,293,182	100.00

4. AUTOMOBILES, PARTS OF, AND TIRES FOR

United States.....	P11,348,579	99.48	P9,155,711	99.36
Japan.....	33,336	.29	26,456	.29
Germany.....	9,744	.09	8,019	.09
Great Britain.....	8,751	.08	9,563	.10
Canada.....	3,054	.03	2,128	.02
China.....	2,650	.02	706	-----
Other countries.....	2,023	.01	11,703	.14
Total.....	11,408,137	100.00	9,214,286	100.00

5. MEAT AND DAIRY PRODUCTS

United States.....	P4,229,083	38.36	P5,131,443	55.14
Netherlands.....	4,058,709	36.82	2,110,865	22.68
Australia.....	1,567,798	14.22	661,880	7.11
China.....	343,791	3.12	559,824	6.02
Uruguay.....	209,958	1.90	223,356	2.40
Japan.....	189,967	1.72	195,726	2.10
Switzerland.....	143,941	1.31	144,216	1.55
Great Britain.....	81,652	.74	64,714	.70
Denmark.....	54,727	.50	36,171	.39
Argentina.....	38,501	.35	69,961	.75
Other countries.....	106,227	.96	107,664	1.16
Total.....	11,024,354	100.00	9,305,822	100.00

6. WHEAT FLOUR

United States.....	P3,093,477	39.16	P2,444,690	42.80
Australia.....	2,516,286	31.85	1,716,349	30.05
Canada.....	1,626,864	20.59	1,105,445	19.36
Japan.....	636,020	8.05	409,433	7.17
China.....	27,426	.35	35,248	.62
Other countries.....	356	-----	89	-----
Total.....	7,900,519	100.00	5,711,254	100.00

7. TOBACCO PRODUCTS

United States.....	P7,031,197	98.60	P7,392,173	98.55
Dutch East Indies.....	88,314	1.24	92,128	1.23
China.....	9,567	.13	12,343	.16
Other countries.....	1,782	.03	3,915	.06
Total.....	7,130,860	100.00	7,500,559	100.00

8. PAPERS AND MANUFACTURES THEREOF

United States.....	P4,626,491	71.81	P4,959,642	74.92
Germany.....	656,405	10.19	536,943	8.11
Japan.....	303,390	4.71	280,386	4.24
France.....	247,558	3.84	237,459	3.59
Canada.....	148,862	2.31	84,192	1.27
Spain.....	90,767	1.41	72,710	1.10
Great Britain.....	71,373	1.11	67,656	1.02
Sweden.....	64,307	1.00	87,275	1.32
China.....	56,276	.87	73,817	1.12
Austria.....	48,368	.75	43,746	.66
Other countries.....	128,850	2.00	175,969	2.65
Total.....	6,442,647	100.00	6,619,795	100.00

9. *Rice*.—From 1927 to 1935, rice was not listed as one of the principal imports of the Philippines mainly owing to the fact that the annual production was enough to support the people. The destructive typhoons and floods in recent years, however, which wrought untold havoc in the Philippines, especially in the rice-producing regions, changed the whole situation. The Philippine Legislature passed a law, Act No. 4198, adding paragraph 354 to the Philippine Tariff Act of 1909, providing for the free entry of imported food, clothing, etc., for distribution among distressed individuals. This law is enforceable only in cases where the country is declared in a state of emergency by executive proclamation. Pursuant to the provision of this law, the National Rice & Corn Corporation, which was organized to stabilize prices of rice and corn and to help the distressed individuals, imported rice heavily in 1936. Total imports in 1936 were 91,574,177 kilos, valued at ₱5,874,635, compared with 7,270,004 kilos, valued at ₱556,208 in 1935, or an increase of 956 percent in value, as may be seen from the following statistics:

Imported from—	1936		1935	
	Value	Percent	Value	Percent
French East Indies.....	₱4, 173, 755	71.05	₱530, 812	95.43
Siam.....	1, 666, 953	28.38	3, 191	.57
Japan.....	28, 253	.48	17, 516	3.15
United States.....	5, 218	.09	3, 852	.69
Spain.....	444	-----	705	.13
British East Indies.....	12	-----	132	.03
Total.....	5, 874, 635	100.00	556, 208	100.00

10. ELECTRICAL MACHINERY, APPARATUS, AND APPLIANCES

United States.....	₱5, 040, 711	86.45	₱3, 715, 616	86.26
Germany.....	201, 343	3.45	142, 014	3.30
Sweden.....	175, 763	3.02	102, 746	2.39
Japan.....	152, 963	2.62	134, 335	3.12
Canada.....	79, 132	1.36	49, 554	1.15
Great Britain.....	68, 378	1.17	54, 690	1.27
China.....	47, 517	.81	51, 213	1.19
Netherlands.....	39, 194	.67	27, 957	.65
Italy.....	8, 856	.15	5, 364	.12
Hong Kong.....	5, 150	.09	1, 085	.03
Other countries.....	11, 854	.21	22, 762	.52
Total.....	5, 830, 861	100.00	4, 307, 336	100.00

Other imports.—The other imports amounted to ₱69,416,633 in 1936 compared with ₱59,762,577 in 1935, showing an increase of ₱9,654,056 or 16 percent.

PRINCIPAL EXPORTS

The 10 principal exports of the Philippines during the year under review, in the order of their importance as to value, were as follows:

1. *Sugar*.—As usual, sugar maintained its place as the leading export of the Philippines. In 1936, a total of 899,838,367 kilos valued at ₱123,874,644 was exported compared with 516,232,686 kilos valued at ₱65,981,359 in 1935, or an increase of 74.3 percent in quantity and 87.7 percent in value. The greatly reduced shipment in 1935 was due

to the necessity for the absorption of a large surplus of Philippine sugar (about 488,000 short tons) left over in the United States from 1934 when the quotas established under the Jones-Costigan Act became effective. The biggest shipment was recorded in 1934 when the value amounted to ₱130,909,161 and the second in 1933 which amounted to ₱128,666,851. This year's shipment ranked third in respect to value.

As in previous years, the United States was practically the only market for sugar, 99.98 percent having been shipped to that country in 1936, as shown below:

Exported to—	1936		1935	
	Value	Percent	Value	Percent
United States.....	₱123,854,367	99.98	₱65,898,341	99.87
Guam.....	9,510		24,723	.04
Other countries.....	10,767	.02	58,295	.09
Total.....	123,874,644	100.00	65,981,359	100.00

2. *Abaca*.—During the year a total of 167,124,218 kilos of abaca valued at ₱34,177,197 was exported compared with 188,200,505 kilos valued at ₱22,947,933 in 1935. It may be noted that while the quantity decreased by 11.2 percent, the value on the other hand increased by 48.9 percent. This was due to the fact that the prices of this commodity were higher in 1936 than in 1935.

The three principal markets for abaca were the United States, Japan, and Great Britain. We exported 31.23 percent to the first, 27.77 percent to the second and 22.05 percent to the last-mentioned country. The remainder, to the rest of the world as shown in the following:

Exported to—	1936		1935	
	Value	Percent	Value	Percent
United States.....	₱10,673,421	31.23	₱7,622,019	33.21
Japan.....	9,489,950	27.77	6,299,084	27.45
Great Britain.....	7,535,139	22.05	4,899,068	21.35
Belgium.....	945,763	2.77	559,422	2.44
Germany.....	842,396	2.46	446,767	1.95
France.....	650,363	1.90	411,191	1.79
Canada.....	603,349	1.77	485,557	2.12
Australia.....	533,064	1.56	447,788	1.95
Norway.....	470,988	1.38	229,091	1.00
Netherlands.....	354,971	1.04	129,310	.56
Other countries.....	2,077,793	6.07	1,418,636	6.18
Total.....	34,177,197	100.00	22,947,933	100.00

3. *Copra*.—Exports in copra increased both in quantity and value. In 1936, 291,087,730 kilos valued at ₱29,999,568 were exported as against 252,899,640 kilos valued at ₱21,974,660 in 1935, or an increase of 15.1 percent in quantity and 36.5 percent in value.

A great portion of this product valued at ₱19,544,964 and representing 65.15 percent was shipped to the United States. To Netherlands we exported 10.89 percent; France, 6.58 percent; Germany,

6.10 percent; Italy, 5.67 percent; Spain, 2.92 percent; and the rest to the other countries of the world, as shown in the following:

Exported to—	1936		1935	
	Value	Percent	Value	Percent
United States.....	₱19,544,964	65.15	₱18,212,020	82.88
Netherlands.....	3,268,036	10.89	146,417	.67
France.....	1,974,863	6.58	1,277,266	5.81
Germany.....	1,828,739	6.10	83,284	.38
Italy.....	1,702,063	5.67	14,155	.06
Spain.....	877,150	2.92	1,833,698	8.34
Mexico.....	235,697	.79		
Other countries.....	568,055	1.90	407,820	1.86
Total.....	29,999,568	100.00	21,974,660	100.00

4. *Coconut oil*.—Nearly 95 percent of our exports amounting to ₱26,274,342 was shipped to the United States and the rest to other parts of the world, as shown in the following:

Exported to—	1936		1935	
	Value	Percent	Value	Percent
United States.....	₱26,274,342	94.70	₱24,010,197	97.96
Canada.....	552,213	1.99	10,808	.04
Netherlands.....	444,525	1.60	59,546	.24
Germany.....	157,766	.57	91,875	.37
British East Indies.....	135,091	.49	181,817	.74
China.....	71,270	.26	31,403	.13
Other countries.....	108,311	.39	123,516	.52
Total.....	27,743,518	100.00	24,509,162	100.00

5. *Gold bullion*.—Influenced by the ever increasing development of our gold mining industry, exports in gold bullion gained a foothold during the year under review as one of the ten principal exports, and ranked fifth in point of value. In 1936 the total exports amounted to ₱20,493,158 compared with ₱14,911,276 in 1935, or an increase of 37 percent. It constituted 4 percent of the total exports during the year. The United States is the only market for this product.

6. TOBACCO PRODUCTS

Exported to—	1936		1935	
	Value	Percent	Value	Percent
United States.....	₱5,124,099	48.85	₱6,577,130	54.79
Spain.....	2,956,089	28.18	3,177,450	26.47
Italy.....	402,391	3.84	2,119	.02
France.....	387,412	3.69	173,133	1.44
Korea.....	334,506	3.19	739,662	6.16
Japan.....	277,622	2.65	334,428	2.79
China.....	275,408	2.63	288,400	2.40
Hawaii.....	212,631	2.03	205,688	1.71
Hong Kong.....	96,925	.92	93,455	.78
British East Indies.....	91,730	.87	89,185	.74
Other countries.....	330,753	3.15	323,008	2.70
Total.....	10,489,566	100.00	12,003,658	100.00

7. *Desiccated coconut*.—The United States, as in previous years, was practically the only market for this product, 99 percent having been shipped in 1936, as shown in the following:

Exported to—	1936		1935	
	Value	Percent	Value	Percent
United States.....	₱8,706,276	99.00	₱7,883,876	99.49
Canada.....	60,911	.69		
Other countries.....	26,938	.31	40,754	.51
Total.....	8,794,125	100.00	7,924,630	100.00

8. *Embroideries, cotton, and silk*.—As usual, the United States was the only outlet for these articles, nearly 99 percent of the local production having been shipped to that country in 1936 as shown in the following:

Exported to—	1936		1935	
	Value	Percent	Value	Percent
United States.....	₱8,532,672	99.81	₱10,138,446	99.86
Hawaii.....	13,981	.16	10,936	.11
Other countries.....	2,457	.03	3,107	.03
Total.....	8,549,110	100.00	10,152,489	100.00

9. *Lumber*.—Lumber exports in 1936 increased both in quantity and value. The total exported was 462,398 cubic meters valued at ₱6,199,222, compared with 337,662 cubic meters valued at ₱5,023,519 in 1935, or an increase of 36.9 percent and 23 percent, respectively.

Exports to the United States, Japan, British Africa, Korea, British East Indies, and other countries increased, while exports to Great Britain, China, and Australia decreased as shown in the following table:

Exported to—	1936		1935	
	Value	Percent	Value	Percent
United States.....	₱2,373,590	38.29	₱1,944,973	38.72
Japan.....	2,314,114	37.33	1,545,140	30.76
Great Britain.....	558,698	9.01	578,570	11.52
China.....	282,473	4.56	415,739	8.28
British Africa.....	233,054	3.76	180,708	3.60
Australia.....	219,237	3.54	224,171	4.46
British East Indies.....	45,252	.73	12,258	.24
Korea.....	32,484	.52		
Other countries.....	140,320	2.26	121,960	2.42
Total.....	6,199,222	100.00	5,023,519	100.00

10. *Copra meal or cake*.—More than 56 percent of the total copra meal or cake exports amounting to ₱2,068,494 was shipped to the United States, 14.53 percent to Germany, 18.14 percent to Denmark,

4.88 percent to Netherlands, 2.30 percent to Sweden, and the remainder to the other countries of the world, as shown in the following:

Exported to—	1936		1935	
	Value	Percent	Value	Percent
United States.....	P2,068,494	56.53	P1,235,359	37.67
Denmark.....	663,889	18.14	670,616	20.45
Germany.....	531,667	14.53	974,592	29.72
Netherlands.....	178,486	4.88	137,565	4.20
Sweden.....	84,041	2.30	152,384	4.65
Other countries.....	132,502	3.62	108,331	3.31
Total.....	3,659,079	100.00	5,278,847	100.00

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