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THIRD ANNUAL REPORT
OF
THE PRESIDENT
OF THE
PHILIPPINES
TO THE
PRESIDENT AND THE CONGRESS
OF THE UNITED STATES
COVERING THE CALENDAR YEAR
ENDED DECEMBER 31, 1938



JANUARY 8, 1940.—Referred to the Committee on Insular Affairs
and ordered to be printed

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MESSAGE FROM THE PRESIDENT

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 Third Annual Report of the President of the Philippines to the President and the Congress of the United States, covering the calendar year ended December 31, 1938.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
January 8, 1940.

ANNUAL REPORT OF THE PRESIDENT OF THE COMMONWEALTH OF THE PHILIPPINES FOR THE YEAR 1938

MALACAÑAN PALACE, MANILA, *June 1, 1939.*

The PRESIDENT AND CONGRESS
OF THE UNITED STATES,
Washington, D. C.

SIRS: Complying with the provisions of section 7 of the Act of Congress of March 24, 1934, Public, No. 127, known as the Tydings-McDuffie law, which are embodied in the ordinance appended to the Constitution of the Philippines, section 1, paragraph 20, I have the honor to submit my annual report of the proceedings and operations of the government of the Commonwealth of the Philippines for the year 1938.

RELATIONS WITH THE UNITED STATES HIGH COMMISSIONER

The cordial relations between the Commonwealth government and the office of the United States High Commissioner, referred to in my last report, have continued. In all matters affecting relations with the United States and foreign countries the sympathetic and helpful attitude of the High Commissioner, Paul V. McNutt, is deeply appreciated. During the year a number of important questions required consideration. Among these were questions relating to immigration, asylum for political refugees, overseas shipping, matters affecting trade relations with the United States, assistance to Filipinos traveling or residing abroad, the repatriation of Filipinos from the United States, and from China and Spain, and the deportation of undesirable aliens from the Philippines.

The most urgent of these questions is that of political refugees seeking asylum in the Philippines from certain areas of Europe, and an increasing number of Chinese who are seeking to escape the unhappy conditions growing out of the Sino-Japanese conflict. In these matters involving the welfare of many thousands of people suffering the misfortunes imposed by political or war conditions in their homelands, the policy of the government of the Commonwealth has always been governed by generous and humane considerations, and the High Commissioner has given us his unstinted cooperation.

I quote below from my remarks made at the banquet tendered in honor of the United States High Commissioner and Mrs. Paul V. McNutt, on the Fortieth anniversary of American occupation of the Philippines, on the evening of August 13, 1938:

We have tendered this banquet to High Commissioner McNutt and his charming wife as a fitting climax to the ceremonies of the day. However, Mrs. Quezon and I are not only honoring the representatives of the United States in the Philippines on this day when the people of my country have given testimony of their

sentiments and gratitude for the work done here by America, but are also honoring a man who is possessed of rare qualities of A-1 statesmanship and who is endowed with manly virtues. It is a pleasure to see that this public demonstration of the sentiments of friendship and gratitude on the part of the Filipino people toward the United States should take place precisely at the time when the man who represents America in the Philippines also represents in his person the ideals which have made of America the one single inspiration of the whole world in these times of distress.

High Commissioner McNutt has given evidences, during the short time that he has been with us, that he believes not only in the principles of democracy but also in the effectiveness of democracy. * * *

I have seen and known all the American Governors General of the Philippines. Strange as it may seem, those who were popular with the Filipinos usually were not popular with the Americans, and vice versa. But where most of your predecessors failed, you have succeeded—for you have won the respect and admiration of both Filipinos and Americans.

GENERAL CONDITIONS

The progress recorded in 1937 continued along most lines throughout 1938. General health conditions were good. A disastrous typhoon in the Bicol region, a severe flood in the Cagayan Valley, and several destructive fires, created serious relief problems. The measures taken in all localities were effective in alleviating distress and in preventing the appearance of epidemic diseases.

In general, peace and order prevailed. There were, however, conflicts between capital and labor but without serious consequences. Strikes by organized labor have become more frequent. These incidents emphasize the growing unrest and discontent of labor, both agricultural and industrial, and demand a satisfactory adjustment of relations between employers and employees. The situation has been more acute in certain agricultural areas. The government is earnestly committed to the policy of an equitable solution of these social problems, with the objective of establishing a better standard of living for the less favored groups of our people.

In the domain of public instruction, which includes education and health, new public schools have been opened and the enrollment increased by over 250,000 during the year. The services of doctors, dentists, and nurses have been extended to many communities where these services were not heretofore available.

Public roads have been further extended, and a number of new bridges, public school buildings, post offices, radio stations, airplane landing fields, and waterworks projects have been constructed.

Finances are sound. The ordinary income of the government exceeded ordinary expenditures. There remained on hand a large cash balance from the extraordinary income received from coconut-oil excise taxes collected in the United States. The public debt remains at a low level, and sinking funds and interest payments have been provided for all outstanding Philippine government bonds.

NATIONAL ECONOMY

The program of economic adjustment and development continued to progress along several lines according to plans previously approved by the National Economic Council.

Its general program includes projects for (a) the organization and establishment of new settlements in Mindanao to accommodate families from congested areas in Luzon and other islands and to afford

landholdings for farm tenants. The National Land Settlement Administration has been organized and given the responsibility of carrying out this project by promoting land ownership and agricultural development in the rich but sparsely settled areas of Mindanao; (b) improving the present inadequate banking and credit facilities available to agriculture, commerce, and industry; (c) the control and operation by the government of the principal sources of cheap electrical power; and (d) the further increase of domestic and foreign trade by greater extension of manufactures of the products of the country.

In line with the industrialization program, studies and surveys of several industrial projects were continued through 1938. For these diversified researches, the National Development Co. has set aside ₱474,920, out of which sum ₱186,295.09 had been spent at the end of the year. The projects included the study of asbestos clay shingles, resurvey of the Malangas Coal Mine, the possibilities of establishing railroad lines in Mindanao, the development of water power in Mindanao, survey and exploration of the Surigao iron-ore deposits, the utilization of certain waste products for the manufacture of paper pulp, investigation and survey of the home weaving industry, the development of abaca centrals with the aim of improving the quality of the fiber and the marketing conditions, the possibilities of making rayon from low-grade and waste abaca fiber, the manufacture of "guinit" (coconut fiber) hats, and organization of the National Fiber Corporation, under Commonwealth Act 332. The government, through the National Development Co., has also started a geological exploration of the Philippines with a view to determining its resources in mineral oil.

PUBLIC FINANCES

In the following statements the conditions of the funds representing ordinary income and expenditures and extraordinary income (coconut-oil tax) and expenditures therefrom are shown separately in line with separate budgets that have been set up.

Ordinary income and expenditures.—The net total revenues of the Commonwealth government for 1938 amounted to ₱131,414,287.84, of which ₱20,486,581.12 represented the proceeds of coconut-oil tax and interest on deposits in the United States, thus leaving ₱110,927,706.72 as the net total of ordinary receipts for 1938, as compared with ₱116,974,198.69 in 1937, or a decrease of ₱6,046,491.97.

The total expenditures in 1938, inclusive of expenditure from the coconut-oil excise-tax fund of ₱31,869,994.70, amounted to ₱139,343,695.93. The net total of expenditures from ordinary income was, therefore, ₱107,473,701.23, leaving a net surplus of ordinary income over ordinary expenditures of ₱3,454,005.49.

Coconut-oil excise-tax fund.—Up to December 31, 1937, there had been received a total of ₱111,179,383.32¹ from the excise tax on coconut oil collected in the United States, of which there had been expended ₱28,509,522.50, thus leaving a cash balance of ₱82,669,860.82. During 1938 total receipts amounted to ₱20,486,581.12, making a total available in 1938 of ₱103,156,441.94, of which there was expended ₱31,869,994.70, thus leaving as of December 31, 1938, a cash balance of ₱71,286,447.24.

¹ Adjusted by deduction of ₱2,646,444.88, representing overstatement of receipts in 1937.

The balance of outstanding appropriations at the end of the year amounted to ₱110,902,403.80, or an excess of appropriations over cash balances of ₱39,615,956.56.

Although the total authorized appropriations largely exceed the total amount of the funds received to date, they constitute a part of a 4-year program, and no deficits are incurred because of the policy of releasing the funds in amounts less than the total amounts actually received, under authority vested in the President to suspend the expenditure of any part or all of appropriations made against these funds under Commonwealth Acts 304, 330, 347, 369, and 403.

Bonded debt.—At the end of the year 1938 the total bonded indebtedness of the Commonwealth government amounted to ₱148,937,000, of which ₱67,617,149.58 is covered by sinking funds, thus leaving a net outstanding debt of ₱81,319,850.42, most of which is held in the United States. The servicing of the debt of the national government for the year amounted to a total of ₱8,196,818.86, including ₱5,804,239.66 for interest and exchange and ₱2,392,579.20 for sinking funds.

GOVERNMENT-OWNED CORPORATIONS

The Philippine National Bank.—During the year 1938 the Philippine National Bank continued to improve its position, making a net profit of ₱4,038,319. Of this amount, ₱1,247,855.30 represents recoveries of charged-off assets, so that the net operating profit of the bank amounted to ₱2,790,463.70, or an increase over 1937 of ₱470,734.42.

In accordance with the provisions of the Rehabilitation Act, a portion of the profits amounting to ₱142,932.78 was used to build up the surplus account of the bank to the maximum of ₱10,000,000, and the balance of ₱3,895,386.22 is what is left as available for transfer to the government. The present net worth of the Philippine National Bank, therefore, as of December 31, 1938, amounts to ₱26,736,126.89, represented by a capital and surplus of ₱20,000,000 and reserves and undivided profits of ₱6,736,126.89, or an increase of ₱174,570.35 compared with figures for December 31, 1937.

A comparative statement of the net operating profit of the bank, exclusive of recoveries during the years 1935, 1936, 1937, and 1938, shows the marked progress attained by the bank in its strictly banking operations:

	Amount	Percent
Year:		
1935	₱1,052,999.07	100
1936	1,700,461.52	161
1937	2,319,729.28	220
1938	2,790,463.70	265

The total deposits in the bank on December 31, 1938, amounted to ₱127,896,973.72, compared with ₱115,888,753.25 on December 31, 1937, or an increase of ₱12,008,220.47. Its total resources amounted to ₱160,538,913.80 in 1938, compared with ₱156,496,328.90 in 1937, or an increase of ₱4,042,584.90.

The Manila Railroad Co.—The total income of the Manila Railroad Co. from all sources amounted to ₱11,640,025.84, an increase of

₱733,864.02, or 6.73 percent over total income from all sources in 1937. The total railway operating revenues of ₱8,668,336.39 showed an increase of ₱191,536.12, or 2.26 percent over those for 1937. The operating expenses of ₱6,885,269.52 increased by ₱757,957.50, or 12.37 percent over the operating expenses during the preceding year. In addition to railway operations, miscellaneous operations (highway motor transportation, Manila port terminal, steamship *Mayon*) produced a net income of ₱459,752.82 in 1938, which was a decrease of ₱48,925.83 under the corresponding income from miscellaneous operations in 1937. The rate of return on railway property investment was 1.65 percent, as compared with 2.22 percent in 1937 and 1.01 percent in 1936. The net income, after allowing for taxes and bond interest of approximately ₱2,000,000, amounted to ₱393,770.81, as compared with ₱944,418.97 in 1937. The outstanding feature of 1938 operations as compared with 1937 is that although total revenues increased, operating expenses increased almost three times as much as revenues, due to higher labor and material costs.

As mentioned in the last annual report, regular through passenger and freight service from Manila to Legaspi, Province of Albay, was started on January 31, 1938. The opening of this line has been attended with very gratifying results, as the time of travel between Manila and the Bicol provinces has not only been reduced by several hours, but the company has also been enabled to cut down passenger and freight rates, with a resultant stimulation of traffic. Bulk freight shipments, such as lumber, livestock, and others which formerly could not be moved from the Bicol region except at prohibitive costs, are now conveniently and economically transported to the Manila market by this new all-rail route.

The most important railway construction work undertaken during the year was the extension of the San Jose branch line from its former terminus at Muñoz to San Jose, Province of Nueva Ecija, a town located at the foothills of the Caraballo Mountains separating central Luzon from the Cagayan Valley provinces. This line was completed at the end of the year and opened for commercial operation on February 1, 1939. The resulting arrangement will facilitate travel between the provinces comprising central Luzon and the Cagayan Valley.

The Manila Hotel Co.—The total revenues of the Manila Hotel for the year under review amounted to ₱1,207,669.78 and operating expenses of ₱1,072,884.36, resulting in a net profit of ₱134,785.40, as compared with ₱276,916.96 in 1937, and ₱190,330.82 in 1936. In addition to the air-conditioned annex completed in April 1937, at a cost of over ₱1,000,000, the facilities of the Manila Hotel have been greatly improved during 1938 by the construction of a beautiful swimming pool and bathhouse for the convenience of hotel guests, the remodeling and enlargement of the dining pavilion, and other improvements which make the Manila Hotel one of the finest hotels in the Far East.

The National Development Co.—During the year 1938 the National Development Co. has established two subsidiary companies, namely, the National Warehousing Corporation and the People's Homesite Corporation, and has acquired the Insular Sugar Refining Corporation. It has invested in the stocks of these corporations the sum of ₱5,855,500. It has also purchased the export sugar quota rights and machinery of the Malabon Sugar Co. for the sum of ₱600,000. For

the manufacture of cotton textiles, it has invested ₱3,000,000 in machinery, buildings, and equipment. The cotton mills commenced operation in May 1939. It also contemplates establishing a rayon factory. The National Development Co. continues the exploration work of the iron mines at Dahican, Surigao, and the Malangas coal fields at Zamboanga. The steamship *Mayon* was purchased from the Philippine Interisland Steamship Co. for ₱1,200,000 and transferred to the Manila Railroad Co. at cost. Active study of the establishment of an abaca central and a pulp and paper factory has been followed progressively during the year and will be pushed in 1939.

The Cebu Portland Cement Co.—This company operates the cement plant at Naga, Cebu, which produces a daily average of 2,000 barrels of Apo and Hi-Silik cement. To meet the increased demand for cement, the company has installed new units of machinery involving an investment of ₱1,500,000, financed out of its accumulated surplus earnings. Since March 1939, with the duplication of the plant, the company has been manufacturing a daily average of 4,000 barrels of cement.

The company has constructed an 800-meter tunnel in the Uling coal fields preparatory to commencing active mining of coal, with a view of reducing the cost of fuel due to rising prices of imported coal.

During the year 1938 the company realized a net profit of ₱504,342.73, thus bringing its accumulated and surplus earnings at the end of the year to ₱3,112,874.60. The company's net worth at the close of the year was ₱5,863,674.60.

The National Rice & Corn Corporation.—The activities of the National Rice & Corn Corporation, a subsidiary of the National Development Co., were directed mainly toward maintaining the price of rice at a reasonable level for the protection of the consuming population. The crop for the year 1937-38 is estimated at 3,282,044 pounds of palay, as compared with the record production of the year 1936-37, which amounted to 3,449,485,640 pounds. Were it not for the considerable surplus carried over to 1938, the country would have faced a more serious problem of supplying the demand and keeping prices within proper bounds. Thanks, however, to the 109,287,000 pounds of palay held, and milled later, by the National Rice & Corn Corporation, the emergency which came to a head in the third and last quarters of the year did not develop into serious proportions. There was considerable expense for storage of this palay.

The N. A. R. I. C. also purchased from abroad almost half a million bags of rice, including 4,480,000 pounds of extra fancy screenings of American rice. It also imported some full-duty rice and absorbed a loss to insure to the people a steady supply of the cereal at a price within their means. The corporation sold 73,735,200 pounds of native rice, 1,002,500 pounds of California rice, and 47,902,800 pounds of Saigon and Siam rice, or a total of 122,640,500 pounds. Operations during the year yielded a net profit of ₱29,295.29, thereby increasing its accumulated surplus earnings to ₱2,431,765.70.

The National Warehousing Corporation.—This corporation, a subsidiary of the National Development Co., was incorporated on July 27, 1938, to fill the need of minor producers and farmers in the matter of marketing their products at the opportune time. Its functions will

be to engage in the general warehousing business; to construct, maintain, and operate warehouses; to negotiate warehouse receipts; to grant advances or loans to depositors on the security of warehouse receipts covering deposits of goods or merchandise in any of its warehouses; and to grant other facilities and aids to producers, importers, exporters, merchants, or traders in connection with goods deposited by them. A survey of the provinces is being made to determine the strategic places where warehouses will be established for the convenience and benefit of the producers. This corporation is capitalized at ₱1,000,000.

The National Food Products Corporation.—The National Food Products Corporation, another subsidiary of National Development Co., has constructed a fish cannery at Guagua, Pampanga, and a can-making plant at the Pureza compound in Manila. The capital invested in machinery and buildings, together with the necessary working capital for the operation of the can-making plant and the Guagua cannery, amounts to ₱1,000,000. Full operation of these plants commenced in January 1939. It also maintains a pilot plant for experimental and demonstration purposes at Pureza. The cannery at Guagua is operated as a central, after the manner of a sugar central, in that fishpond owners enter into contracts with the corporation to deliver their produce to the cannery at agreed prices. The fishpond owners are granted loans by the corporation under terms similar to those of crop loans granted to sugar planters, the loans being secured by mortgages on the fishponds and their produce.

The Insular Sugar Refining Corporation.—The National Development Co. acquired by purchase the entire capital stock and sugar-quota rights of the Insular Sugar Refining Corporation at Mandaluyong, Rizal, for ₱3,600,000, and the sugar-quota rights and machinery of the Malabon Sugar Co. for ₱600,000, or a total of ₱4,200,000. The refinery for both factories, which has now become a subsidiary of the National Development Co., is located at Mandaluyong, Rizal.

The sugar refinery business was taken over by the government, through the National Development Co., in the belief that government operation of the refineries would make possible the local marketing of higher grades of refined sugar at a cost materially lower than the prevailing price levels. A greater increase in the local consumption of high-grade sugar is the main objective of this project.

The purchase of the Insular Sugar Refining Corporation by the National Development Co. was made effective as of June 1, 1939, and the latter's participation in the net profits for the fiscal year that ended on November 30, 1938, amounted to ₱233,400.

The People's Homesite Corporation.—To remedy the unsatisfactory living conditions of the workmen and the low-salaried employees residing in the city of Manila, the government has launched an extensive public housing program, involving the establishment of a model city on a site of 1,600 hectares lying in the outskirts of Manila. Here the government will give an opportunity to workmen and low-salaried employees to acquire lots, on easy terms, on which to build homes of their own, with government aid whenever necessary, thus enabling this class of citizens to live in healthful surroundings with modern facilities and conveniences.

The People's Homesite Corporation, a subsidiary of the government-owned National Development Co., capitalized at ₱2,000,000,

will have the responsibility of constructing and administering this project. Other activities along this line have included, in a limited way, the construction of modern tenement houses for laborers in the old tenement districts of Manila, but the above is the first large-scale, long-range program designed to provide the low-income groups an opportunity to buy their own homes.

The National Produce Exchange.—The National Produce Exchange, organized in 1937, is making some progress as an aid to producers in marketing agricultural products. Produce was received from 24 provinces, which indicates a growing use of the Exchange. Sugar, rice, tobacco, peanuts, corn, copra, rubber, and cassava starch were the leading agricultural products that were sold. Sales during 1938 amounted to ₱87,777.91.

The Metropolitan Water District.—The total income of the Metropolitan Water District for 1938 amounted to ₱2,631,517.07 and the total expenditures to ₱1,512,924.80, thus showing a profit of ₱1,118,592.27, the biggest ever made by it since its organization. Of this amount, ₱842,291.25 was reinvested to meet payments for the sinking fund of the bonded indebtedness and to improve and extend facilities in order that the District may be of greater service to the public, thus leaving only ₱276,300.32 which went to the surplus.

During the year under review, the remaining balance of ₱2,000,000 worth of bonds issued under Act No. 1323, representing the last part of the ₱8,000,000 bonded indebtedness transferred from the Manila sewer and waterworks system, were redeemed by the District. On the other hand, another block of bonds issued under Act No. 3255, with a total par value of ₱500,000, was sold on April 25, 1938, at a total premium of ₱30,250. The net worth of the District as of December 31, 1938, amounted to ₱16,914,851.51.

OVERSEAS TRADE

The total overseas trade, excluding gold and silver shipments, amounted to ₱496,805,649, or a decrease of ₱23,778,341 under 1937. Of the above amount ₱265,215,095 constitutes imports and ₱231,590,554 exports, showing an increase of ₱47,163,605, or 21.63 percent, in imports and a decrease of ₱70,941,946, or 23.45 percent, in exports.

Imports from the United States, representing 68.13 percent of the total, amounted to ₱180,714,457, an increase of ₱54,110,385 over 1937. A marked increase is noted in (1) iron and steel construction materials, tin plates and machinery, about 80 percent of which came from the United States; (2) cotton goods, 63.48 percent from the United States; (3) mineral oils, about 75 percent from the United States; (4) automobiles, about 99 percent from the United States; (5) tobacco products, over 99 percent from the United States; (6) meat and dairy products—United States occupies second place, with less than 30 percent, the Netherlands first place, with about 44 percent; (7) paper and manufactures thereof, over 75 percent from the United States; (8) wheat flour, 63.46 percent from the United States; (9) chemicals, drugs, dyes, and medicines, 70.39 percent from the United States; (10) electrical machinery, apparatus, and appliances, about 86 percent from the United States.

Exports to the United States, representing 77.24 percent of the total, amounted to ₱178,889,989, or a decrease of ₱62,596,054 under

1937. Although the volume of exports was somewhat greater than in 1937, the value was considerably less, due to lower prices of several principal products both in the United States and foreign countries.

For the first time in many years there was an unfavorable balance against the Philippines in the ordinary merchandise trade. However, the shipments of gold and silver to the United States, amounting to ₱62,410,757, added to the exports of merchandise, gave a favorable balance for the year in favor of the Philippines, amounting to ₱28,786,216.

MINING

Judged by the value of production, mining has become the second major industry in the Philippines, being exceeded only by the sugar industry. The gold production, including silver as a byproduct, amounted to ₱64,548,850. Adding to it the sum of ₱6,972,663, which represents the value of iron, manganese, chromite, copper, and lead produced in the country, the total value of mineral production for 1938 was ₱71,521,513.

Precious metals.—Gold and silver (mine returns), ₱64,548,850.

Base metals

	Tonnage	Value
Iron.....	894,416	₱4,138,586
Manganese.....	36,985	965,639
Chromite.....	48,400	989,373
Copper.....	121,991	742,286
Lead (11 months only).....	20,366	227,779
Total value of mineral products.....		71,521,513

The gold production was 26 percent greater than that of 1937 and exceeded that of any State in the United States with the exception of California. All the gold produced in the Philippines was shipped to the United States. The production of iron ore in 1938 increased by 48 percent over that of the preceding year, manganese ore increased three times, and copper production was 13 percent higher, while lead returns for the first 11 months of 1938 were 141 percent more than that of 1937. There was, however, a considerable falling off in the chromite-ore production, as compared with the preceding year.

As in previous years, Philippine iron ore was shipped to Japan; manganese ore to Japan and the United States; copper, almost entirely to Japan; and lead bullion, to the United States and Japan. Chromite, during the year, was exported mostly to the United States; minor amounts were also shipped to Japan, Germany, Sweden, Belgium, Italy, and Hong Kong.

Gold and silver mining is in a very satisfactory condition and remains as the mainstay of Philippine mining. Base metals mining, however, is not generally so reassuring, due to the undeveloped condition of foreign markets.

The progress of the mining industry in the Philippines is due largely to private initiative and American capital.

NATIONAL DEFENSE

In the army the year 1938 was one of steady progress along lines already established rather than one of initiation of new projects and activities.

At the beginning of the year the training cadres, through which is given military instruction to the military manpower of the islands, had been in operation for a complete year. By that time, two semi-annual classes of trainees, numbering 36,601, selected by lot from enrolled registrants, had already been trained and transferred to the reserve, as contemplated by law. By the end of 1938 an additional 33,247 conscripts were trained in the different arms and services. On the basis of acquired experience, necessary partial corrections in organization and in training and administrative methods were accomplished, so as to assure close conformity of results to the clear-cut objectives of the defense plan. This objective is the production in the 10 military districts, into which the islands have been divided, of reserve units so distributed among the several arms and services as to develop in each district a tactical division approximately every 3 years. By the end of 1938 the training patterns had been so adjusted and balanced that little, if any, revision will be required in the reasonably proximate future.

In routine administrative procedure personnel has become better acquainted with unaccustomed tasks, and daily improvement is apparent.

The supply system became of vastly greater effectiveness through the construction in the various districts of essential depots, including a number of mobilization warehouses where will be stored and maintained the property required by local reserve units.

In the Air Corps progress has been particularly noticeable. Zablan Field, at Camp Murphy, was enlarged and improved to meet the essential requirements of a primary training school. Arrangements were made with the department commander, United States Army, for stationing at Clark Field a tactical unit of the Philippine Army Air Corps, which will be trained under the close supervision of, and in coordination with, American Air Corps organizations. The initial allotment of airplanes for this unit has already reached Manila, and within a few months the Philippines will have in being and undergoing daily training its first air squadron. At the end of the year there was a total of 21 airplanes in possession of the Philippine army. Unfortunately, the year was marred by two serious airplane accidents, one of which, on January 30, resulted fatally to Lt. Col. James B. Ord, a brilliant and valuable officer of the American Army, who had been on duty with the Military Mission since the date of its establishment.

In the Offshore Patrol necessary studies respecting available sources of supply of motor torpedo boats reached a point where it became possible to place initial orders for equipment of this kind. As previously reported, long negotiations were carried out with American authorities in the hope that vessels of this kind could be purchased in the United States. This hope, however, was not fulfilled. Arrangements were finally made for the purchase of two models of a thoroughly tested type from British commercial sources. The first of these arrived in Manila during the early part of 1939. In the meantime, satisfactory progress has been attained in the development of a marine base and

an instructional center, so that by the time the first unit arrived trained crews were ready for operation and maintenance.

Acquisition of necessary armanent and equipment, over and above that available on loan from the American Army, became a matter of first importance during 1938. Allotment of any considerable funds for this purpose has necessarily awaited the satisfaction of initial requirements in construction, basis organization, and training. Through the cooperation of the American Army observance of this sequence in the use of appropriations has not obstructed general progress, since, with equipment and facilities made available by the department commander, preliminary training and organization needs have been satisfactorily met. With the actual establishment of reserve units, however, immediate demand arose for a synchronous procurement of weapons and equipment, certain items of which cannot be furnished by the American Army. Toward the close of the year definite purchase orders were placed in the United States for sufficient quantities of this type of material to round out in satisfactory fashion the tactical equipment of units so far organized.

Early in 1938 trainees from the second, third, and fourth military districts took part in the first maneuvers held jointly by the American and Philippine Armies in the Province of Pampanga. Although no tactical problems of particular importance were solved, the process of assembling the troops was conducted very creditably. Late in the year the First Regular Division held its annual maneuvers in the Province of Rizal.

Among other developments of the year that will have marked future effect upon military efficiency are the separation of the constabulary from the army, so that the latter force may devote its full attention and resources to the solution of security problems; the enactment of a law providing for articles of war; the initiation, in accordance with plans previously perfected, of coast artillery training at Fort Wint under the supervision of the American Army; and the steadily increasing excellence of the Military Academy course of instruction. This last institution has progressed so far in attainment of model disciplinary and academic standards that its efficiency as a future source of excellent officer material is assured.

Three years of operation under the provisions of the National Defense Act have served to demonstrate the basic soundness and local applicability of the security plan therein prescribed. In this progressive development the year 1938 became, almost naturally, a period of stabilization, following the exploratory and foundational work of 1936 and 1937. Emphasis in effort now transfer to the vital task of organizing, maintaining, and perfecting the reserve divisions, upon which the future defense of the Philippines will primarily depend.

THE PHILIPPINE CONSTABULARY

In January 1936 the Philippine Constabulary became the nucleus of the Philippine army. At the same time, the national state police was organized to take over the police duties of the constabulary and was charged with the major function of maintaining internal peace and order. This arrangement proved unsatisfactory, and pursuant to the provisions of Commonwealth Act No. 343, approved May 24, 1938, the national state police was dissolved after about 2½ years of

existence. The Philippine Constabulary division was detached from the army and reorganized as a national police force under its former name, Philippine Constabulary. This reorganization was made effective on June 23, 1938. The act provided that for the remainder of the year 1938, expenses, including salaries, allowances for quarters, and rations for all personnel, were to be taken from army appropriations for 1938. An additional appropriation of ₱500,000 was made available for the purchase of motor and other equipment to meet the immediate needs of the reorganized constabulary. At the end of the year its authorized strength was 350 officers and 4,500 men.

For the year 1939, ₱3,250,000 has been appropriated for the Philippine Constabulary as a separate national police unit.

On February 1, 1939, the organization was placed under the control of the Department of the Interior.

PUBLIC INSTRUCTION

Education.—Commonwealth Act 381, approved August 23, 1938, established the policy that primary education shall be supported by the national government and that instruction in the intermediate grades shall be supported by the chartered cities, municipalities, and municipal districts beginning with the school year 1939.

Noteworthy progress was made in 1938 in the realization of several important objectives in public education, chief among which is the extension of education facilities for primary instruction. The total enrollment in the public schools increased from 1,482,025 in 1937 to 1,734,038 in 1938. Of this increase in the enrollment of approximately a quarter of a million children, 220,000 were in the primary grades. This emphasis on primary education is in compliance with the constitutional requirement which makes it the duty of the national government to provide at least free primary instruction for all children of school age. To take care of the large increase in the enrollment, more than 2,000 new schools were opened and 5,529 additional teachers were employed. An appropriation of over ₱10,000,000 was made from the coconut-oil tax fund for the construction of school buildings in which to house the new classes.

The large increase in enrollment in the elementary schools has created a serious problem in securing an adequate number of trained teachers. The Bureau of Education now maintains five normal schools on the collegiate level. In order to meet the increased demand for professionally trained teachers, plans are being made for the establishment of at least two more.

With a view to further encouraging vocational education, Commonwealth Act 313 was enacted, which authorizes the establishment of regional agricultural and trade schools to be supported by the national government. These schools will be able to offer more advanced instruction than that given in the local provincial schools, with a view to training leaders in the field of agriculture.

There are 114 public high schools in the Philippines, with a total enrollment of 76,084. Of these schools, 26 are trade, 15 are agricultural, 9 are rural, and 2 are normal, which offer teacher training on the secondary level. More than half of the remaining 62 offer the general curriculum, which is a combination of academic and vocational

courses. All these schools will in the future be supported by the chartered cities, municipalities, and municipal districts.

Greater impetus is being given to physical education, not only among the school but also among the nonschool population, through athletic associations and meets in Manila and the provinces. Some provinces have been given financial aid for the improvement of their athletic facilities. As in previous years, a summer school for coaching was also organized during the month of May 1938, with a 50-percent increase in enrollment over that of the previous year.

In 1938 there was under the control and supervision of the Office of Private Education 429 private educational institutions offering various collegiate, secondary, intermediate, primary, and kindergarten courses, with a total enrollment of 129,591 students.

Adult education, referred to in my last report, continued to make satisfactory progress as an agency for the elimination of illiteracy and for instruction in the fundamentals of citizenship. Through two adult schools "on wheels," meetings, conferences, open forums, study circles, and instruction in citizenship, vocational guidance, and recreation were organized and various educational films exhibited in almost all the Provinces of Luzon, Panay, and Cebu. At the end of December 1938 more than 25,000 volunteer workers were devoting time in some 2,000 centers, while adult education enrollment numbered 125,000 adults.

Special classes in women's education were also opened. Instruction for illiterate trainees in 107 cadres of the Philippine army was also given during the year. Provincial, municipal, and city governments continue to extend their financial support for the promotion of adult education in their respective communities.

Health and sanitation.—With the exception of minor outbreaks of diseases which were immediately controlled, the state of public health in 1938 was quite satisfactory. Tuberculosis, however, remains as a serious health problem confronting the government. A national tuberculosis program has been introduced, thereby centralizing the direction of antituberculosis activities. The organization of four additional traveling X-ray and pneumothorax units have facilitated dispensary treatment and discovery of new cases.

Leprosy-control activities were intensified in 1938. Provincial skin dispensaries made diagnosis and treatment of early closed cases of leprosy more accessible to several areas.

Research activities and control operations in malaria work were continued. Antimalarial drugs were distributed free to the people. Owing to these control operations, there was a marked reduction not only in the larva and adult mosquito densities in certain areas but also in the incidence of malaria.

Industrial hygiene work consisted of correcting insanitary environments and sanitary deficiencies in commercial, industrial, and agricultural establishments.

The administration, direction, and supervision of puericulture centers, community health-social centers, the Maternity and Children's Hospital, and the training of nurses have been improved.

Quarantine service.—During the year 1938 the Philippines is the only country in the Orient where cholera, plague, or smallpox did not occur. Rigid quarantine inspection was kept in 11 Philippine ports

of entry. As no equipment for the treatment of infected vessels or their personnel has been provided except at Manila and Cebu, vessels requiring treatment which arrive at the smaller ports were always remanded to either the Mariveles or the Cebu Quarantine Stations. Arriving and departing aircraft were properly disinfected, while ship cargoes were carefully inspected and given lethal-gas fumigations.

Twenty-four thousand two hundred and seventy-four persons who composed the passengers and crews of 41 ocean liners passed through the cholera quarantine. Of those bacteriologically examined, 134 persons were found positive for cholera vibrios. They were placed in quarantine until further examinations showed negative results. Bills of health numbering 2,335 were also given to outgoing vessels. Alien immigrants to the Philippines were also carefully examined by public health service officers.

As noted in my last report, I take this opportunity to repeat my special commendation of the services of Senior Surgeon Howard F. Smith, United States Public Health Service, as chief quarantine officer of the Philippines.

ADMINISTRATION OF JUSTICE

During the year 1938, greater efforts were exerted to unclog the dockets of the various courts throughout the Philippines. In view of the ever-mounting dockets, the administration recommended the enactment of legislative measures designed to secure greater efficiency and dispatch in the administration of justice. Commonwealth Act No. 259 was enacted, increasing the number of justices of the Court of Appeals from 11 to 15; Commonwealth Act No. 348, increasing the number of judges of first instance by 9—2 district judges and 7 judges at large; Commonwealth Act No. 254, providing for 2 more judges for the Court of Industrial Relations; and Commonwealth Act No. 361, increasing the number of judges of the municipal court of the city of Manila from 3 to 4. At the close of 1938 the judicial branch of the Commonwealth government was composed of 7 justices of the Supreme Court, 15 justices of the Court of Appeals, 62 judges of first instance, 3 judges of the Court of Industrial Relations, 737 justices of the peace, and 10 judges of chartered cities.

While the effect of the increase in the number of justices and judges cannot as yet be fully felt because appointments to the newly created positions were made only during the latter part of the year, it is, however, expected that within a few years the courts throughout the islands will be up to date in their work and the law's delays will be minimized.

In order to improve the provincial fiscal service, Commonwealth Act No. 350 was also enacted. This provides retirement gratuities for those provincial and assistant provincial fiscals who were actually in the service but by reason of their age and service record had to be retired and replaced by younger men better qualified to meet the exigencies of the service. Gratuities have likewise been provided by Commonwealth Act No. 331 for those justices of the peace who, by virtue of the reorganization of the justice of the peace courts, were separated from the service and replaced by lawyers.

The organization of a division of investigation under the Department of Justice was started in 1937. This division is patterned on a

small scale after the Federal Bureau of Investigation in Washington. It fills a long-felt need. It is the aim of the division to cooperate with the police authorities in the prevention of crimes and to assist in solving those still unsolved. The division has been functioning since January 1, 1938, and, judged by its accomplishments during the first year of its existence, it has already more than justified its creation.

LABOR AND SOCIAL JUSTICE

The Department of Labor continued the policy of improving the conditions of labor.

Factory inspection.—Factory inspections were further extended and during the year included 3,974 establishments employing 242,539 laborers, as against 3,174 establishments with 200,733 in 1937. This has resulted in many of the industrial houses providing their laborers with conveniences which are designed to safeguard life and health as required by law.

Wage claims.—The Bureau of Labor settled 3,863 cases of wage claims involving ₱393,547.49 for 11,806 claimants, as against 2,300 claims involving ₱314,413.42 in 1937. Of the claims settled in 1938, 2,821 were in favor of the claimants, resulting in the recovery of ₱197,716.35 for them. The Bureau of Labor also brought to court 486 cases of wage claims, of which 400 were decided favorably for the claimants, involving ₱30,586.31.

Criminal cases handled.—Owing to the extension of the government's public defender service to almost all provinces, the rights of indigents who were accused of crimes were more amply protected. The public defenders took charge of 467 criminal cases involving 877 accused persons, the charges ranging from violation of municipal ordinances to murder.

Workmen's compensation.—Nine thousand six hundred and one accident cases were handled, of which 5,175 were new ones, as compared with 4,277 in 1937. Of these cases 6,770 were closed and ₱303,376.18 was paid as compensation to injured laborers or their dependents. Claimants in 58 accident cases which were decided by the courts through the intervention of the Bureau of Labor were awarded ₱18,602.80 as compensation.

Strikes.—During the year there were 125 strikes and minor disputes involving 20,426 laborers, as against 57 strikes affecting 4,667 laborers in 1937. Of those registered in 1938, 60 were settled advantageously for the laborers and 57 cases were referred to the Court of Industrial Relations. It should also be noted that unionists brought about 105 of these disputes and unorganized laborers 20.

The Department of Labor also intervened in 764 tenancy cases filed by 2,723 tenants; 592 of these cases were decided in favor of the tenants, involving a recovery of ₱46,332.15 for them.

Free employment agencies.—There were 5,007 registered applicants for employment, of which 1,632 were placed in Manila and the provinces by the Bureau of Labor, as compared with 3,129 registered and 1,107 placed in 1937.

Interisland migration.—Three thousand four hundred and eighty-nine home seekers, including members of families, were recruited and transported to Mindanao during 1938, at a per capita expense of ₱23.36.

PUBLIC WORKS

An unusually large amount of ₱51,041,088.02 for roads and bridges was made available in the appropriation for 1938, of which ₱24,217,916.59 was expended. This made possible a large extension of national highways for inter-provincial and intercoastal communication and for the opening up to development of rich agricultural lands, the construction and improvement of rural roads for the social and economic welfare of the rural districts, and the extensive laying of concrete pavements on national highways that are subjected to excessively heavy traffic.

Five hundred and twenty-seven kilometers of first-class roads, 321 kilometers of second-class roads, and 705 kilometers of third-class roads were built, which increased the total kilometerage of such highways to 19,175. Of this total 9,991 kilometers are national roads and 9,184 are provincial roads. Some 18 provinces received benefits from the extension of national highways alone. Fifteen bridges were completed, with an aggregate span of 1,002.6 meters, at a cost of ₱712,133.69. Expenditures for port improvements and maintenance amounted to approximately ₱3,500,000.

AIR SERVICE

Forty-nine airports and landing fields were under the direct supervision and control of the Bureau of Aeronautics. In addition, 5 were operated by the United States Army, 4 by the Philippine army, and 23 by private persons and entities.

Four civil airways were maintained and supervised, namely: (1) Manila-Baguio, 125 miles; (2) Manila-Iloilo-Davao, 600 miles; (3) Manila-Legaspi, 210 miles; and (4) Iloilo-Bacolod, 27 miles. Two air-line companies were authorized to operate scheduled air transportation services over these airways. Air commerce permits for chartered services were also granted to five persons and entities.

The number of passengers carried by commercial planes in the Philippines during the year 1938 was 21,728, while the number of airplane-miles flown was 783,893.

The Bureau of Aeronautics conducted research and experimentation on the feasibility of using Philippine woods for aircraft construction. Several propellers were made out of manggachapui. One airplane was locally constructed, the wing ribs of which were made of kalantas. This airplane was duly licensed for air commerce. Another airplane is in the process of construction; white lauan will be used for its wing ribs and formers, and manggachapui for spars.

To intensify the campaign for the promotion and development of civilian aviation, the Philippine Aeronautical Association and the Manila Glider Club were organized, upon the initiative of the Bureau of Aeronautics.

BUREAU OF LANDS

More applications for public lands were received than in the preceding year. A definitely increasing interest in the acquisition of public lands is being manifested by the people. The surveyed lands are not adequate for the applications received.

The acceptance of applications for surveyed lands only (since July 1, 1936) has greatly reduced the number received. Six thousand and

eighty-four applications were approved, covering 65,022 hectares—4,248 for homesteads, 1,087 free patents, 291 sales, 48 leases, and 410 revocable permits.

BUREAU OF FORESTRY

Reforestation work of the bureau has been extensively and intensively carried out and made possible the employment of more than 15,000 laborers. The number of reforestation projects has been increased from 17 to 29 and there are now reported growing some 73,000 trees over an area of nearly 7,000 hectares.

Lumber industry.—From January 1 to October 31, 1938, there were cut 2,005,000 cubic meters, as compared with 2,569,000 for 12 months in 1937.

About 292,000,000 board feet of lumber were sawn up to October 31, 1938, as compared with 315,870,000 board feet for 1937.

<i>Investments</i>	<i>Percent</i>
Filipino capital-----	30.1
Americans-----	41.9
Chinese-----	10.2
Japanese-----	4.1
British-----	4.9
Mixed Filipino-American-----	1.2
Filipino-all foreigners-----	7.6

NATIONAL RELIEF

There were a number of storms, floods, and fires in 1938 that called for relief in the affected areas. These disasters destroyed or damaged some 23,000 buildings and homes, killed 282 persons, and injured 105 others. On August 8 the Tondo district of Manila suffered a disastrous fire—the second in 16 months—which destroyed more than 600 buildings and required assistance for more than 6,000 persons. On the same day a fire swept the business and residence districts of San Pablo, Laguna, which destroyed over 600 buildings and rendered more than 9,000 people homeless.

On November 25 a heavy flood struck the Cagayan Valley in northern Luzon and rendered temporarily homeless more than 9,000 persons.

On December 7 a disastrous typhoon struck in the Bicol provinces and northern Visayas, causing over 200 deaths, enormous loss of property and crops in six provinces, and calling for relief assistance to about 45,000 people.

The eruption of Mount Mayon in June 1938, although causing no serious damage, necessitated the precautionary evacuation of several thousand people from nearby towns.

At the end of 1937 the National Relief Board had on hand a balance of ₱650,000. It further received appropriations amounting to ₱1,300,000 and on December 31, 1938, had on hand ₱987,220.47.

The Philippine army extended aid in the major disasters by assigning personnel to assist in carrying out relief work and in maintaining peace and order in relief concentration camps.

Philippine Red Cross.—During the year the Philippine Red Cross (American National Red Cross) had total receipts of ₱729,238.37 and total expenditures of ₱553,488.10 for all its services, leaving total cash resources of ₱175,750.27 at the end of the year. In the areas

affected by disasters, the Red Cross rendered assistance to more than 184,000 persons who were victims of fires, floods, and typhoons. The national headquarters of the American Red Cross in Washington contributed ₱15,037.50 to assist the local organization in its relief work in the Bicol provinces following the disastrous typhoon of December 7. In all major disasters during the year, the Red Cross worked in close cooperation with the national relief administration.

Although no necessity presented itself for the United States Army and Navy to render assistance in major relief operations, their facilities were available at all times during the year. In the serious fire at Baguio in March 1938, which threatened the entire business section, United States troops rendered effective assistance in quelling the fire.

NATIONAL ELECTIONS

National elections for members of the Second National Assembly under the Commonwealth government were held on November 8, 1938. The result was a complete victory for the Nacionalista Party.

PHILIPPINE-AMERICAN TRADE CONFERENCE

The conclusions and recommendations contained in the report of the Joint Preparatory Committee on Philippine Affairs, which was signed by the representatives of both the United States and the Philippines on May 28, 1938, present well-considered plans for completing the program of adjustment of trade relations between the two countries as contemplated in section 13 of the Tydings-McDuffie Act. The report of the Committee is now before the Seventy-fifth Congress, and it is hoped the legislation necessary to make effective the Committee's recommendations will be enacted in the near future. Prompt action along lines recommended in the report will remove, in large measure, the widespread feeling of uncertainty regarding future American-Philippine trade relations.

THE CENSUS COMMISSION

The work of the Census Commission during the year 1938 consisted mainly in making preparations for the actual enumeration which was scheduled to begin on Census Day, January 1, 1939, and continue for 20 consecutive days. The enumeration personnel consisted of 57 chief census supervisors, 689 assistant chief census supervisors, 1,198 municipal census supervisors, 1,207 assistant municipal census supervisors, 24,021 enumerators, 4,031 substitute enumerators, 1,621 special area enumerators, and 108 census clerks. Including other field officials, however, the field census personnel totaled 33,335 persons.

Of the amount of ₱1,289,786 available at the beginning of the year, the Census Commission expended at the end of 1938 a total of ₱458,797.64, leaving a balance of ₱830,988.76. The commission, under Commonwealth Act No. 346, was given an additional appropriation of ₱2,100,000 for field expenses, thereby making a total of ₱2,930,988.76 available for census work in 1939, although ₱48,120 is estimated to be expended out of this amount for the compensation of municipal census supervisors and assistant municipal census supervisors who had been engaged in census work in December 1938.

The population of the Philippines, as determined by the recent census, has increased from 10,314,000 in 1918 to 15,984,000 at the beginning of 1939.

IMMIGRATION AND EMIGRATION

During the year 1938, a considerably lesser number of persons arrived and departed from the Philippines than during the previous year. Excluding enlisted men and persons attached to the military and naval forces of the United States, a total of 33,369 persons arrived and 19,297 persons departed, as compared with 44,310 arrivals and 25,331 departures in 1937.

Among the arrivals were 9,551 immigrants, consisting of 6,064 Chinese, 2,487 Japanese, and 1,000 other nationalities. Among the departures were 2,839 emigrants, consisting of 851 Chinese, 1,675 Japanese, and 313 other nationalities. The number of Chinese immigrants was greater but the number of Japanese immigrants and other nationalities was considerably lower than in 1937.

The figures also reflect a considerable falling off in tourist and business travel of all nationalities (to and from the Philippines in 1938) as compared with 1937.

CIVIL SERVICE

A noteworthy activity of the Bureau of Civil Service during the year was the giving of quarterly examinations for the thousands of laborers employed in the government service and other laborers who meet the qualifications required. The holding of these examinations finds justification in the desire of this administration to give the laborer the opportunity to enjoy the benefits conferred by law on classified employees. As a result, 5,357 laborers all over the Philippines applied for examination, of whom 4,534 qualified. At the same time, the giving of other examinations to fill newly created positions and to qualify employees who have been covered into the classified service by operation of the new civil-service law was continued.

There were 20,472 appointments made during the year 1938. The big increase in the number of appointments was due to the fact that positions formerly not in the civil service or in the exempt class are now classified by operation of the constitution and of Commonwealth Act No. 177, except those which are policy-determining, primarily confidential, or highly technical in nature. One hundred and eighty-six persons, including 20 Americans, were granted retirement under Acts Nos. 2589 and Commonwealth Acts Nos. 331 and 350.

THE FORTIETH ANNIVERSARY OF OCCUPATION DAY, AUGUST 13, 1938

On August 13, 1938, the Philippines celebrated the fortieth anniversary of the occupation of the Philippines by the armed forces of the United States.

The exercises consisted of a grand review on the New Luneta in Manila by the Philippine army, the Philippine Military Academy, the military units of schools and colleges, veterans of the Philippine Revolution, civil government, civic organizations, and floats representing the important events in the development of self-government under

American jurisdiction over 4 decades. Following is the full text of my address at the conclusion of the review:

Mr. High Commissioner, honored guests, my fellow countrymen, we have assembled in this setting of tranquillity and peace to celebrate reverently great events and heroic actions; to commemorate deeds whereby a new culture was implanted in our land; to memorialize a great Nation for its beneficent altruism.

Forty years ago, this day and hour, an American army stormed to the attack of the beleaguered Spanish city of Manila. I was a witness to that epoch-making event. In memory's eye, I can see them now, forming grimly for the advance in the hazy mists of the morning's glow, tight-lipped, covered with sludge and mud, sweated and seared by tropical heat, driving home to their objective, and for some of them, to the judgment seat of God. Green's brigade sweeps over San Antonio Abad and along the beach, while over to the east General MacArthur drives up the Singalong Road, to be met by a hail of fire from Blockhouse 14. He calls for an officer to volunteer to lead a close assault and clear the way, and history writes its first chapter in the career of the future American World War Chief of Staff—Peyton C. March. By nightfall the town is theirs.

Many in this audience contributed their services to their government that day. For such, one of the special purposes of this particular public proceeding is to express to you some small degree of appreciation for your many acts of good soldiery. You no doubt recall vividly the spirit of adventure that animated you as young soldiers on mobilization, when mirth and romance beckoned and the vision of the world was decorated with wonder and ambitious hopes. You remember, too, how you entered into the service with cheerful hearts and fervid patriotism; how you rejoiced when the war was over and victory attained, and how you made your way home amidst the joyful acclamations of a grateful nation. In memory of those days, millions of people, bound together by an impulse of sympathy, turn with love and devotion not only to the graves of the dead, but they cling to and cherish with reverential awe the living remnants of those former armies and navies. In your youth and strength, your love and loyalty, you gave all that mortality can give. You need no eulogy from me or from any man. You belong to history as furnishing one of the greatest examples of successful and disinterested patriotism. You belong to posterity as the instructor of future generations in the principles of liberty and right. You belong to the present, to us, by your virtues and by your achievements. I think it safe to assert on your behalf that you feel amply repaid for all that you suffered and for all that you did.

The angry passions of those warlike days are now calmed and soothed. The sense of personal misfortune has passed away, and we live far enough from those times of trial and test to know that the honesty and sincerity were not all on one side; and reflective minds recall with pleasure that the efforts of the genius, courage, and virtue of those heroic periods are now our common heritage. Feelings of reciprocal respect unite the warring factions in bonds of understanding and reverence for our mutual dead.

But, poignant as are the sentiments I have expressed, the main purpose of this gathering is not to extol the actual incidents or participants in the conflict of that eventful day but to express the boundless gratitude of the Filipino people to the the United States for the measureless benefits she has bestowed during the four decades that have passed since then.

As I saw in that late afternoon of August 13, 1898, the sun set in the clouds that crown Mariveles with purple and gold, in the gathering darkness of the Pacific, the royal flag of Spain came down and for the first time in my life I saw the Stars and Stripes run to the fore. Little did I realize then that I was witnessing what in ultimate result may prove to be the greatest event of modern civilization in the Orient. Little did I know in my immaturity that I was beholding the birth of a new ideology in Asia—an ideology based upon what was then a strange, new conception in this part of the world—a conception that government is "of the people, by the people, and for the people"—a conception based upon the magic words "liberty" and "freedom." To me, as I watched in the sunset glow the Spanish colors being lowered, it seemed the setting sun was symbolical of the falling flag—the waning of a great empire. Little did I dream then that the first pangs of Philippine nationhood were in their beginnings, that 40 years later I would be speaking as I am today. All I could see then was the symbol that once I loved passing away. I paid it then the meed of affection I felt for Spain as I voice now the measure of my lasting gratitude

to her as mother of our Christianity and of that indefinable but delightful thing the world calls Spanish culture.

Strange the hold that a national flag has upon its people. The mystery of symbols lies deep in human nature. It is probable that almost as soon as men began to gather together for common purposes, some kind of conspicuous object was used as an emblem or symbol of the common interests. Impulses to that end rise spontaneously in the hearts of men. They do not issue from any pre-arranged culture of sentiment but by process of instinctive fervor spring from the honest and simple-hearted simplicity which prompts mankind to cherish and to stand by kith and kin; which engenders those sentiments of devotion to home and fireside upon which the perpetuity of nations depend. Symbols in all ages have played a large part in human affairs by stimulating the actions of men, through their sentiments and through their imaginations. All written forms containing injunctions and rules of action and duty are precise and appeal strongly to the understanding, but are destitute of the warmth and color that awaken the immeasurable emotions of the heart. The signs and emblems of great movements have always laid hold of their followers with more vigor and tenacity than the history and written rescripts of the movements themselves. Attachment to the flag has been quite as potent as loyalty to the law as a factor of national stability.

What manner of flag, then, was this Stars and Stripes? I asked myself as I saw it for the first time fluttering from Santiago's ramparts in the gathering gloom. History has taught me.

It was more than a century and a half ago, on June 14, 1777, that the flag of the United States was formally adopted by official resolution. It began in all the sobriety of an act of the Continental Congress. It ended in one of those rare bursts of poetry which occasionally distinguished the Revolution. It provides that the union should be "thirteen stars, white, in a blue field, representing a new constellation." The fathers of the struggling Republic were under no illusions; they knew they had shaken the foundations of an already crumbling world, and they hung that constellation definitely in the western sky with all the superb confidence which illuminated the opening years of the modern era.

The world has turned over more than once since June 14, 1777, but the constellation has never set. It pictures the vision of a people whose eyes are turned to the rising dawn. It represents the hope of a nation for posterity. It speaks with the sanctity of revelations. It has a meaning unrivalled, a message which gladdens all races, a strength and power of influence which inspires people to bravest thoughts and deeds. The struggle for human rights and liberty gave it birth; battles for freedom scared it with holy markings; and the spirit of sacrifice, service and devotion has made it blessed.

It symbolized two great acts of national statesmanship—the Declaration of Independence and the Constitution.

The first proclaimed a philosophy of government new to the world of that day. It was based upon the thought that the rights of men—life, liberty, and the pursuit of happiness—are of supreme concern. It ascribed their origin and sanctity not to the tolerance of society nor to the benevolent whim of any monarch, but to the august gift of the Divine Creator of the Universe. It declared man's title to his estate of freedom to be self-evident, no longer to be debated or denied, and therefore no longer to be gainsaid by any majority of his fellowmen, however overwhelming. And it grounded the claim to national existence upon the ultimate predicate that "it is to secure these rights that governments are instituted among men." The regimen of democracy is rule of the majority. But it is the great contribution of the American Revolution that these fundamental, essential human rights became the purpose and prime concern of government; that it took them out of the category of things debatable, where the will of the majority may prevail, and placed them in the fellowship of things unchangeable because eternal.

Woven into the very warp and woof of the Constitution were the principles of the Declaration of Independence. But now, instead of being an announcement of a philosophy of government, they are enacted into immutable law. In its wise distribution of governmental powers and the establishment of effective checks and balances, insofar as human sagacity can control human nature, it shut the gates of power against the intrusion of tyranny, corruption, and selfish ambition. Creating a strong central government, adequate to the common defense, to the securing of domestic tranquillity, and to the fulfillment of international obligations, it taught the world that democracy may be made safe for mankind. But more than all this, more than had as yet entered into the mind of man save in his fond dreams of a coming Golden Age, it solved the great problem of the reconciliation of

government and liberty. In England the doctrine of the omnipotence of Parliament was fully established. But here the omnipotence of the legislative body was emphatically denied. Over and above the power of the lawmakers was set the high power of the Constitution. And in confiding to the Federal judiciary the final interpretation and application of the Constitution and the laws, the founders of the Republic placed upon them the supreme duty and responsibility of refusing to give recognition to enactments violative of the organic act. Other free and popular governments there are—constitutional monarchies or republics, where the rights of the people are more or less definitely respected. But there liberty and justice, even the sanctity of the Constitution itself, depends upon the good will of the legislators or their fear of political consequences. But here, let but the least attempt be made to thwart or deny what is written in the organic law, let but the meanest citizen be stripped of the rights which this great charter of liberties guarantees him, and it is the voice of justice, unimpassioned but irresistible, which interposes the categorical negative of the Constitution.

All this and more was written on that flag as it unfurled above the Pasig before my uncomprehending eyes that fateful afternoon. All this and more it was to transcribe, to implant, to bequeath to me and mine. Under its folds, peace and prosperity have come to this favored land. Materially we have developed education, sanitation, agricultural and industrial enterprise. Security and happiness, freedom from financial pressure, a higher mode of life all are ours. A new and progressive outlook upon the modern problems of life is in the making. All of this we owe to that starry flag and to the great people it represents. When it finally comes down from Port Santiago in 1946 it will find somewhere in its folds the grateful hearts of a people—a new and vibrant republic facing with optimistic hope its rising dawn. No words can adequately thank you, great American people. We can only hold you in the reverence of our hearts and pray for you as we render homage to the great guider of all destinies, our Father who art in heaven.

Occupation Day—40 years ago—we will not forget—we cannot forget.

Mr. High Commissioner, as a symbol of the endless chain of friendship which binds together our two peoples, I wish to present to you, sir, for your exalted leader, the President of the United States, these two flags—that of your own country and that of the new country to which it has given birth. The tie that binds us together, which they represent, does not depend upon an alliance, nor a declaration, nor a treaty. It consists of those eternal, spiritual kinships and relationships which defy all quarrels, all oppositions, all aspirations. It is that extraordinary indefinable longing for the same sort of things. Our aims, our hopes, our appreciations are the same. In the great moral causes, the great causes of righteousness, of liberty, of peace, the great causes which mean the perpetuation of the spiritual things of life, the United States and the Philippines are going on in complete unison with each other, not dominating nor conspiring against each other but going on in complete accord with each other, because in the essential things we are in absolute and hearty agreement.

VISIT OF THE CHIEF OF THE BUREAU OF INSULAR AFFAIRS OF THE WAR DEPARTMENT

Brig. Gen. Charles Burnett, Chief of the Bureau of Insular Affairs, visited the islands between November and December 1938. His visit gave him the opportunity to observe conditions in many parts of the islands and to establish personal contacts that are of interest in the relations between the United States and the Philippines. The Bureau of Insular Affairs is the agency through which the War Department has administered the civil affairs of the Philippines throughout the whole period of American jurisdiction. The government and people of the Philippines are aware of the great services the Bureau has rendered to the islands, and are deeply appreciative of the Bureau's sympathetic and understanding attitude toward Philippine problems. General Burnett's visit was accordingly welcomed both officially and personally.

COMMENT

It is again a pleasure to record my appreciation of the helpfulness and continued cooperative attitude of the agencies of the United States in the Philippines. The Army and Navy have been ever ready to render assistance in emergencies, and the United States Public Health Service continued its former close relations with the Philippine Quarantine Service.

Assistance rendered by the Army included the detail of officers with the Military Adviser's office, provisions for using portions of United States military reservations by the Philippine army, making air photographs of areas for flood control and water development, and serial air photographs of Mount Mayon in eruption. United States troops also rendered assistance in controlling a destructive fire in Baguio which threatened the entire business district of the city.

The United States Navy assisted the Bureau of Customs and the Manila Railroad Co. through inspection of equipment and installations on the steam yacht *Casiana* and the revenue cutter *Arayat* and in drydocking the steamship *Mayon* for repairs. The Navy also assisted the Department of Public Works and Communications in securing certain ship supplies.

The Naval Shore Patrol of the United States Asiatic Fleet cooperated effectively with the Philippine police and prosecuting authorities in the task of law enforcement and crime prevention.

Executive Order No. 151 promulgates rules and regulations governing the arrest, custody, and control of persons subject to the military or naval laws of the United States. Both the Army and Navy authorities of the United States are cooperating closely with the Philippine authorities in carrying out the spirit and purpose of this order.

During the early stages of the Sino-Japanese hostilities Filipino citizens were accorded evacuation privileges on vessels of the United States Asiatic Fleet. The fleet also rendered assistance in searching for lost aviators of the Philippine Aerial Taxi Co., and naval vessels have always stood ready to proceed to the assistance of merchant vessels in distress in Philippine waters.

I wish to add a further personal appreciation of the sympathetic and cooperative attitude of Maj. Gen. John H. Hughes, commanding the Philippine Department of the United States Army, and of Rear Admiral George J. Myers, commanding the sixteenth United States naval district in the Philippines.

The services of Mr. George L. Brandt, United States State Department, and of Mr. Irving F. Wixon, United States Labor Department, have been available as advisers in connection with immigration matters and the drafting of new immigration legislation.

The various departments of the Commonwealth government have made progress in improving their organization, and the close of the year witnessed a more effective set-up for serving the people than has heretofore existed. The loyalty and conscientious efforts of officials and personnel of the government are noted with pride and satisfaction.

The Joint Preparatory Committee on Philippine Affairs in its findings and conclusion has shown definite accomplishment in the way of mutual understanding and agreement that goes far toward clarifying some of the uncertainties of the future.

In view of all the favorable factors that exist, and the great measure of good will between the two governments in meeting problems of common interest, we approach the future with confidence.

Respectfully,

MANUEL L. QUEZON.

APPENDIXES

APPENDIX I. FINANCIAL OPERATION OF THE COMMONWEALTH GOVERNMENT DURING THE FISCAL YEAR 1938

Income, expenditures, and surplus.—During the fiscal year 1938 the national government realized a total income of ₱131,414,287.845 for all the current funds, including the coconut-oil excise tax, while the total expenditures from the same amounted to ₱139,343,695.93. The following statement shows the result of the operation of each of the current funds during the year:

Fund	Collections	Expenditures	Surplus
General fund:			
(a) Ordinary income.....	₱88,350,981.425	} ₱129,905,930.91	1 ₱21,068,368.365
(b) Coconut-oil excise tax.....	20,486,581.12		
Special funds.....	27,671,422.44	14,532,462.16	13,138,960.28
Bond fund.....	450,803.88	450,803.88	-----
Total.....	136,959,788.865	144,889,196.95	1 7,929,408.085
Less:			
General fund appropriations considered as income of special funds.....	3,688,299.05	3,688,299.05	-----
Reversions of surplus to general fund considered as expenses of the special funds.....	1,406,398.09	1,406,398.09	-----
Reversion of income to general fund considered as expense of bond fund.....	450,803.88	450,803.88	-----
Total.....	5,545,501.02	5,545,501.02	-----
Net total ²	131,414,287.845	139,343,695.93	1 7,929,408.085

¹ Deficit.

² The net total consists of: (a) Ordinary income, ₱110,927,706.725; (b) coconut-oil excise tax, ₱20,486,581.12

The operation of the reserve funds for the same period is shown in the following statements:

Fund	Collections	Expenditures	Surplus
Sinking funds.....	₱5,632,469.39	₱2,131,141.75	₱3,501,327.64
Exchange standard fund.....	2,555,561.95	645,862.87	1,909,699.08
Treasury certificate fund.....	170,280,809.00	140,850,622.00	29,430,187.00
Total.....	178,468,840.34	143,627,626.62	34,841,213.73

Income in 1938 and 1937, all funds (general, special, and bond funds, consolidated), compared.—The combined collections of the general, special, and bond funds realized in 1938, compared with those of 1937, were as follows:

	Fiscal year 1938		Fiscal year 1937		Increase (+), decrease (—)	
	Amount	Ratio to total income	Amount	Ratio to total income	Amount	Percentage based on 1937 figures
Revenue from taxation.....	₱84,155,833.38	<i>Percent</i> 64.04	₱92,232,195.87	<i>Percent</i> 40.42	—₱8,076,362.49	—87.54
Coconut-oil excise tax in United States and interest on deposits.....	20,486,581.12	15.59	111,179,383.32	48.73	—90,692,802.20	—81.57
Incidental revenue.....	4,784,124.02	3.64	4,837,255.92	2.12	—53,131.90	—1.10
Earnings and other credits.....	19,651,754.295	14.96	18,281,892.26	8.02	+1,369,862.035	+7.49
Repayment of loans and advances.....	199,800.00	.15	409,354.64	.18	—209,554.64	—51.19
Proceeds of loans for the construction of permanent bridges.....	1,447,000.00	1.10	1,213,500.00	.53	+233,500.00	+19.24
Reversion of Manila Harbor Board fund surplus.....	689,195.03	.52	0	0	+689,195.03	-----
Total receipts and reversions.....	131,414,287.845	100.00	1228,153,582.01	100.00	—96,739,294.165	—41.40

¹ Adjusted by ₱2,646,444.88, representing overstatement of coconut-oil excise tax reported in 1937 (per national treasurer's debit memorandum No. 6, dated July 1, 1938).

APPENDIX II. THE COCONUT-OIL EXCISE-TAX FUND

- A. Loans, investments, commercial enterprises, revolving fund; i. e., returnable or self-liquidating.
 B. Capital items or nonrecurring or extraordinary expenditures.
 C. Ordinary expenditures and others.

1937

A. LOANS, INVESTMENTS, AND COMMERCIAL EXPENDITURES (NOT TRUE EXPENDITURES)

Item	Appropriated	Released	Expended
1. Subscription to the stocks of the National Development Co.-----	₱10,000,000.00	₱10,000,000.00	₱10,000,000.00
(a) Subscription to stocks of the Manila Railroad Co.-----	1,000,000.00	1,000,000.00	1,000,000.00
2. (b) Subscription to stocks of the Manila Railroad Co.-----	1,300,000.00	1,300,000.00	1,300,000.00
3. Loan to Manila Railroad Co. (Commonwealth Act No. 4)-----	9,990,000.00	9,990,000.00	9,990,000.00
4. Purchase of large landed estates used as home-sites (Commonwealth Act No. 20)-----	1,000,000.00	1,000,000.00	1,000,000.00
5. Acquisition of land and construction of buildings for laborers (Act No. 4184)-----	250,000.00	250,000.00	1 250,000.00
6. Revolving fund for waterworks (Commonwealth Act No. 125)-----	2,000,000.00	2,000,000.00	2 2,000,000.00
7. Restoration and replacement of sinking-fund investments in Manila Railroad Co. and Philippine Railway Co. bonds (Act No. 3227)-----	369,522.50	369,522.50	3 369,522.50
Total-----	25,909,522.50	25,909,522.50	25,909,522.50

B. CAPITAL ITEMS

1. Reforestation of watersheds (Commonwealth Act No. 119)-----	₱250,000.00	₱250,000.00	₱250,000.00
2. For organizing the National Power Corporation (Commonwealth Act No. 120)-----	250,000.00	250,000.00	4 250,000.00
Total-----	500,000.00	500,000.00	500,000.00

C. ORDINARY EXPENDITURES

1. For stabilizing the price of buntal fiber (Commonwealth Act No. 147)-----	₱500,000.00	₱500,000.00	5 ₱500,000.00
2. Survey and subdivision of agricultural lands (Commonwealth Act No. 166)-----	100,000.00	100,000.00	100,000.00
3. Census (Commonwealth Act No. 170)-----	1,500,000.00	1,500,000.00	1,500,000.00
Total-----	2,100,000.00	2,100,000.00	2,100,000.00

1938

A. LOANS, INVESTMENTS, AND COMMERCIAL EXPENDITURES (NOT TRUE EXPENDITURES)

Item	Appropriated	Released	Expended
1. Subscription to stocks of the Manila R. R. Co.-----	₱2,000,000.00	₱2,000,000.00	₱2,000,000.00
2. Purchase of large landed estates as home sites (Commonwealth Act No. 260)-----	2,000,000.00	-----	-----
3. Reimbursement of appropriation for irrigation systems (Commonwealth Act No. 369)-----	4,800,000.00	10,000.00	6 10,000.00
4. For lease of landed estates to be sublet to occupants-----	1,500,000.00	-----	-----
5. Creation of revolving fund for permanent markets, slaughterhouses, and waterworks (Commonwealth Act No. 403)-----	10,000,000.00	1,315,500.00	6 1,315,500.00

¹ Transferred to the special fund.² Reverted to the unappropriated surplus of the general fund.³ Transferred to the sinking fund.⁴ Advanced to the National Power Corporation.⁵ Transferred to the National Development Co.⁶ Transferred to the special fund.

1938—Continued

A. LOANS, INVESTMENTS, AND COMMERCIAL EXPENDITURES (NOT TRUE EXPENDITURES)—Continued

Item	Appropriated	Released	Expended
6. National Abaca & Other Fibers Corporation (Commonwealth Act No. 332)	₱11,000,000.00	-----	-----
7. National Development Co. stocks (Commonwealth Act No. 182)	10,095,550.50	₱10,095,550.50	₱10,095,550.50
Total for 1938	41,395,550.50	13,421,050.50	13,421,050.50

B. CAPITAL ITEMS

Item	Appropriated	Released	Expended
1. School buildings (Commonwealth Act No. 240)	₱5,050,000.00	₱4,640,950.00	₱4,594,450.00
2. Reforestation of watersheds (Commonwealth Act No. 245)	258,198.00	258,198.00	225,057.95
3. Aid to city of Manila: Public improvements (Commonwealth Act No. 242)	1,000,000.00	1,000,000.00	936,640.00
4. Reforestation of watersheds (Commonwealth Act No. 304)	1,000,000.00	56,101.96	56,101.96
5. Public works fund: Roads, hospitals, and schools	88,688,100.00	47,875,270.00	11,899,008.74
Total	95,996,298.00	53,830,519.96	17,711,258.65

C. ORDINARY EXPENDITURES

Item	Appropriated	Released	Expended
1. Survey of public lands (Commonwealth Act No. 347)	₱2,500,000.00	₱90,252.59	₱90,252.59
2. Promotion of tourist traffic (Commonwealth Act No. 245)	100,000.00	100,000.00	100,000.00
3. Survey of public lands (Commonwealth Act No. 347)	163,980.00	163,980.00	116,337.45
4. Operation of air mail (Commonwealth Act No. 245)	150,000.00	150,000.00	143,825.84
5. Tuberculosis X-ray units (Commonwealth Act No. 245)	65,570.00	65,570.00	65,570.00
6. Malaria control (Commonwealth Act No. 245)	200,000.00	200,000.00	177,865.41
7. Health camps for nourishment (Commonwealth Act No. 245)	50,000.00	50,000.00	-----
8. Census (Commonwealth Act No. 346)	2,100,000.00	2,100,000.00	-----
9. Research: Bureau of science	50,000.00	50,000.00	43,834.26
Total	5,380,550.00	2,969,802.59	737,685.55

AGGREGATE OF EXPENDITURES TO DEC. 31, 1938

Item	Appropriated	Released	Expended
A. Loans, investments, and commercial expenditures:			
Total for 1937	₱25,909,522.50	₱25,909,522.50	₱25,909,522.50
Total for 1938	41,395,550.50	13,421,050.50	13,421,050.50
Aggregate	67,305,073.00	39,330,573.00	39,330,573.00
B. Capital items:			
Total for 1937	500,000.00	500,000.00	500,000.00
Total for 1938	95,996,298.00	53,830,519.96	17,711,258.65
Aggregate	96,496,298.00	54,330,519.96	18,211,258.65
C. Ordinary expenditures:			
Total for 1937	2,100,000.00	2,100,000.00	2,100,000.00
Total for 1938	5,380,550.00	2,969,802.59	737,685.55
Aggregate	7,480,550.00	5,069,802.59	2,837,685.55
Grand aggregate	171,281,921.00	98,730,895.55	60,379,517.20

AGGREGATE OF EXPENDITURES, BY YEARS

Item	1937	1938	Total
Aggregate for 1937	₱28,509,522.50	₱28,509,522.50	₱28,509,522.50
Aggregate for 1938	142,772,398.50	70,221,373.05	31,869,994.70
Grand aggregate	171,281,921.00	98,730,895.55	60,379,517.20

APPENDIX III.—EXPENDITURES, BY FUNCTIONAL PURPOSES

Items	Fiscal year, 1938	Fiscal year, 1937	Increase (+), decrease (-)	Ratio to total expenditures	
				Fiscal year, 1938	Fiscal year, 1937
				Percent	Percent
Revenue service.....	₱12,940,530.42	₱10,557,818.76	+₱2,382,711.66	9.29	9.27
Expense of revenue collection.....	3,538,115.60	2,875,936.20	+662,179.40	2.54	2.52
Operating expense of commercial and industrial units.....	9,402,414.82	7,681,882.56	+1,720,532.26	6.75	6.75
Debt service.....	8,196,818.86	8,065,084.63	+131,734.23	5.88	7.08
Interest and exchange on national government bonds.....	5,804,239.66	5,829,905.42	-25,665.76	4.16	5.12
Contribution to sinking funds of national government bonds.....	2,392,579.20	2,235,179.21	+157,399.99	1.72	1.96
General welfare service.....	104,210,886.53	77,448,356.69	+26,762,529.84	74.79	68.00
Executive direction and control.....	10,695,855.37	4,051,955.46	+6,643,899.91	7.68	3.56
Legislation.....	1,509,289.67	1,342,135.84	+167,153.83	1.08	1.18
Adjudication.....	3,504,595.56	2,733,404.80	+771,190.76	2.52	2.40
National defense.....	19,107,056.68	16,198,275.96	+2,908,780.72	13.71	14.22
Law and order.....	2,340,743.11	582,040.27	+1,758,702.27	1.68	.51
Public health.....	9,145,660.68	4,914,328.31	+4,231,332.31	6.56	4.31
Protection against force majeure.....	178,375.22	150,758.74	+27,616.48	.13	.13
Regulation of public utilities.....	130,171.54	108,231.71	+21,939.83	.09	.09
Other protective service.....	2,038,126.57	2,325,703.48	-287,576.91	1.46	2.04
Public education.....	30,751,997.56	19,962,230.49	+10,789,767.07	22.07	17.53
Public correction.....	1,136,498.56	898,797.08	+237,701.48	.82	.79
Public charity.....	2,073,309.30	879,016.75	+1,197,292.55	1.49	.77
Other social improvements.....	22,669.00	28,111.60	-5,442.60	.02	.02
Conservation of natural resources.....	1,618,518.87	944,299.60	+674,219.27	1.16	.83
Development of commerce.....	8,089,698.08	10,325,176.02	-2,235,477.94	5.81	9.07
Development of agriculture.....	9,741,952.59	10,646,809.97	-904,857.38	6.99	9.35
Development of industrial arts and sciences.....	341,089.81	213,803.46	+127,286.35	.24	.19
Development of mineral resources.....	262,547.50	101,838.91	+160,708.59	.19	.09
Other economic development.....	1,311,038.38	920,923.15	+390,115.23	.94	.81
Public publicity.....	211,692.48	123,515.09	+88,177.39	.15	.11
Investments.....	12,310,553.93	11,982,818.95	+327,734.98	8.83	10.52
Purchase of Philippine National Bank stock (private shares), Act 3174.....	6,500.00	800.00	+5,700.00	-----	-----
Advances for the payment of inter- est and exchange on Philip- pine Railway Co. bonds.....	0	350,936.45	-350,936.45	0	.31
Advances for the payment of inter- est and exchange on Manila Railroad Co. bonds.....	0	211,560.00	-211,560.00	0	.19
Purchase of stocks of the National Development Co.....	10,095,550.50	9,000,000.00	+1,095,550.50	7.24	7.90
Purchase of stocks of the Manila Railroad Co.....	2,000,000.00	2,000,000.00	0	1.44	1.76
Advance to National Power Cor- poration.....	208,503.43	50,000.00	+158,503.43	.15	.04
Restoration and replacement of sinking-fund investments in Philippine Railway Co. and Manila Railroad Co. bonds.....	0	369,522.50	-369,522.50	0	.32
Miscellaneous charges—Retirement gratuities.....	891,765.96	1,053,754.59	-161,988.63	.64	.93
Transfer to government service insur- ance system.....	793,140.23	4,782,137.80	-3,988,997.57	.57	4.20
Total functional expenditures.....	139,343,695.93	113,889,971.42	+25,453,724.51	100.00	100.00

APPENDIX V. PUBLIC DEBT

During the year 1938 the total bonded indebtedness of the national government amounted to ₱148,937,000 of which ₱67,617,149.58 was covered by existing sinking funds, thus leaving a net outstanding bonded debt of only ₱81,319,850.42. The following statement is a detailed account of the status of the bonded debt of the Commonwealth for the year ending December 31, 1938:

Detailed statement of all the outstanding bonds issued 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, 1938

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 1 4	₱3,000,000	₱3,000,000		₱738,853.39	₱401,000	₱1,744,000	₱2,883,853.39	₱116,146.61	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		344,643.25	1,284,000	3,396,000	5,024,643.25	2,975,356.75	To purchase capital stock of the Manila Railroad Co.
Public improvement of 1921	Coupon	July 21, 1921	2940	Feb. 5, 1921	Aug. 1, 1921	Aug. 1, 1941	20	2 5 1/2	20,000,000	20,000,000		1,188,158.33	10,193,500	4,910,000	16,291,658.33	3,708,341.67	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		271,701.65	1,045,000	2,876,000	4,192,701.65	5,807,298.35	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 3/2	43,000,000	23,600,000	₱19,400,000	619,462.42	1,731,500	7,404,000	9,754,962.42	13,845,037.58	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 3/2	47,000,000	46,000,000	₱1,000,000	1,254,158.76	3,472,500	14,260,000	18,986,658.76	27,013,341.24	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 1/2	1,500,000	1,500,000		7,821.30	99,000	244,000	350,821.30	1,149,178.70	To provide funds for the extension and improvement of the port of Cebu, Cebu.
Second series	do	do	3413	do	Sept. 15, 1929	Sept. 15, 1959	30	2 1/2	1,500,000	1,500,000		37,352.85	187,000	80,000	304,352.85	1,195,647.15	
Third series	do	do	3413	do	Mar. 15, 1930	Mar. 15, 1960	30	2 1/2	1,000,000	1,000,000		29,201.68	151,000		180,201.68	819,798.32	
Iloilo port works and improvement:																	
First series	do	do	3417	do	Apr. 1, 1928	Apr. 1, 1958	30	2 1/2	1,500,000	1,500,000		13,327.07	98,500	238,000	349,827.07	1,150,172.93	To provide funds for the construction and improvement of the port of Iloilo, Iloilo.
Second series	do	do	3417	do	Oct. 15, 1929	Oct. 15, 1959	30	2 1/2	1,000,000	1,000,000		83,316.09	94,500	24,000	202,316.09	797,683.91	
Third series	do	do	3417	do	Apr. 15, 1930	Apr. 15, 1960	30	2 1/2	1,850,000	1,850,000		10,926.98	321,500		332,426.98	1,517,573.02	
Total (excluding collateral bonds in the amount of ₱16,567,000 which are shown and indicated below by (4) under the respective entities).									139,350,000	118,950,000	20,400,000	4,599,423.77	19,079,000	35,176,000	58,854,423.77	60,095,576.23	
Provincial governments:																	
Iloilo public improvement 4	Registered	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	2 1/2	1,121,000	1,121,000		35,640.53	87,500	208,000	331,140.53	789,859.47	To construct waterworks system, etc.
Pangasinan public improvement 4	do	do	3228	Nov. 12, 1925	Mar. 1, 1926	Mar. 1, 1956	30	2 1/2	857,000	857,000		4,014.46	114,000	134,000	252,014.46	604,985.54	
Occidental Negros public improvement 4	do	do	3229	Nov. 14, 1925	Apr. 1, 1926	Apr. 1, 1956	30	2 1/2	800,000	800,000		12,744.95	154,000	72,000	238,744.95	561,255.05	
Marinduque public improvement 4	do	do	3268	Dec. 9, 1925	May 1, 1926	May 1, 1956	30	2 1/2	111,000	111,000		5,074.07	28,000		33,074.07	77,925.93	
Laguna public improvement 4	Coupon	do	3265	Dec. 7, 1925	May 1, 1927	May 1, 1957	30	2 1/2	196,000	196,000		4,283.63	54,500	4,000	62,783.63	133,216.37	
Ilocos Norte public improvement 4	Registered	do	3276	do	June 1, 1926	June 1, 1956	30	2 1/2	442,000	442,000		15,046.10	57,500	56,000	128,546.10	313,453.90	
Ilocos Sur public improvement 4	Coupon	do	3278	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	2 1/2	260,000	260,000		10,847.37	13,500	44,000	68,347.37	191,652.63	To construct public works, etc.
Tarlac public improvement 4	do	do	3279	do	do	do	30	2 1/2	343,000	342,000	1,000	12,666.35	15,000	62,000	89,666.35	232,333.65	
Pampanga public improvement 4	do	do	3282	do	do	do	30	2 1/2	955,000	954,000	1,000	29,149.77	59,000	164,000	252,149.77	701,850.23	
Nueva Ecija public improvement 4	do	do	3329	Dec. 7, 1926	do	do	30	2 1/2	690,000	690,000		25,350.60	104,500	136,000	265,850.60	424,149.40	
Bulacan public improvement 4	do	do	3331	do	do	do	30	2 1/2	474,000	474,000		15,361.64	35,000	74,000	124,361.64	349,638.36	
Camarines Sur public improvement 4	do	do	3280	Nov. 30, 1926	Aug. 1, 1927	Aug. 1, 1957	10-30	2 1/2	160,000	160,000		5,023.42	26,000	10,000	41,023.42	118,976.58	
La Union public improvement 4	do	do	3281	do	Jan. 1, 1928	Jan. 1, 1958	30	2 1/2	330,000	220,000	110,000	5,300.19	68,000		73,300.19	146,699.81	
Occidental Negros public improvement:																	
First issue 4	Registered	do	3987	Dec. 3, 1932	July 1, 1933	July 1, 1963	30	2 5	1,500,000	1,277,700		54,813.62	79,500		134,313.62	1,143,386.38	To construct road and to reimburse national government of outstanding loans contracted for permanent improvement.
Second issue 4	Coupon and registered	do	3987	do	May 16, 1936	May 16, 1966	30	2 5		222,300		4,887.47	4,000		8,887.47	213,412.53	
Cebu public improvement 4	do	do	3471	Dec. 7, 1928	May 4, 1936	May 4, 1966	30	2 5	500,000	500,000		11,001.10	9,000		20,001.10	479,998.90	To construct provincial capitol, Cebu, Cebu.
Total									8,738,000	8,627,000	112,000	251,205.27	909,000	964,000	2,124,205.27	6,502,794.73	
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		16,178.42	110,000	106,000	232,178.42	17,821.58	
Majayjay sewer and waterworks, Laguna	do	Aug. 29, 1916	2773	Mar. 8, 1918	Jan. 1, 1919	Jan. 1, 1949	10-30	1 5	60,000	40,000	20,000	3,814.45	17,500		21,314.45	18,685.55	
Santa Cruz sewer and waterworks, Laguna	do	do	2773	do	do	do	10-30	1 5	90,000	90,000		4,293.98	44,500		48,793.98	41,206.02	
Bangued sewer and waterworks, Abra	do	do	2858	Mar. 8, 1919	do	do	10-30	1 5	40,000	40,000		3,644.25	18,000		21,644.25	18,355.75	
Cabatuan waterworks system, Iloilo 4	do	May 31, 1922	3222	Sept. 16, 1925	Jan. 1, 1926	Jan. 1, 1956	10-30	2 1/2	8,000	8,000		807.87	500	1,000	2,307.87	5,692.13	
Dingle waterworks system, Iloilo 4	do	do	3222	do	do	do	10-30	2 1/2	20,000	20,000		2,314.76	1,300	2,000	5,314.76	14,185.24	
Iloilo waterworks system, Iloilo 4	do	do	3222	do	do	do	10-30	2 1/2	338,000	338,000		12,682.92	36,000	51,000	99,682.92	238,317.08	
Jaro waterworks system, Iloilo 4	do	do	3222	do	do	do	10-30	2 1/2	94,000	94,000		5,055.97	10,500	12,000	27,555.97	66,444.03	
La Paz (city of Iloilo) waterworks system, Iloilo 4	do	do	3222	do	do	do	10-30	2 1/2	80,000	80,000		3,618.73	10,000	10,000	23,618.73	56,381.27	
Maasin waterworks system, Iloilo 4	do	do	3222	do	do	do	10-30	2 1/2	3,000	3,000		848.53			848.53	2,151.47	
Pavia waterworks system, Iloilo 4	do	do	3222	do	do	do	10-30	2 1/2	25,000	25,000		1,821.15	2,500	3,000	7,321.15	17,678.85	
Pototan waterworks system, Iloilo 4	do	do	3222	do	do	do	10-30	2 1/2	159,300	159,200	100	6,337.36	11,500	29,000	46,837.36	112,362.64	
Santa Barbara waterworks system, Iloilo 4	do	do	3222	do	do	do	10-30	2 1/2	104,800	104,800		3,937.81	14,000	13,000	30,937.81	73,862.19	To construct sewer and water-supply system, etc.
Bacarra waterworks system, Ilocos Norte 4	do	do	3266	Dec. 7, 1925	June 1, 1926	June 1, 1956	30	2 1/2	7,000	7,000		1,476.54	500		1,976.54	5,023.46	
Laog waterworks system, Ilocos Norte 4	do	do	3266	do	do	do	30	2 1/2	89,000	89,000		3,554.22	12,000	10,000	25,554.22	63,445.78	
Pasquian waterworks system, Ilocos Norte 4	do	do	3266	do	do	do	30	2 1/2	10,000	10,000		1,358.91	1,500		2,858.91	7,141.09	
Vigan waterworks system, Ilocos Sur 4	Coupon	do	3278	Nov. 30, 1926	July 1, 1927	July 1, 1957	30	2 1/2	90,000	90,000		3,833.54	7,500	12,000	23,333.54	66,666.46	
Camaligan waterworks system, Camarines Sur 4	do	do	3280	do	Aug. 1, 1927	Aug. 1, 1957	10-30	2 1/2	5,000	5,000		1,249.70			1,249.70	3,750.30	
Canaman waterworks system, Camarines Sur 4	do	do	3280	do	do	do	10-30	2 1/2	5,000	5,000		1,249.70			1,249.70	3,750.30	
Magarao waterworks system, Camarines Sur 4	do	do	3280	do	do	do	10-30	2 1/2	15,000	15,000		2,316.60	1,500		3,816.60	11,183.40	
Naga waterworks system, Camarines Sur 4	do	do	3280	do	do	do	10-30	2 1/2	37,500	37,000	500	2,604.33	5,000	2,000	9,604.33	27,395.67	
Iloilo public improvement bonds 4	Coupon and registered	do	4205	July 25, 1935	May 16, 1936	May 16, 1966	30	2 5-5	350,000	350,000		7,979.47	6,000		13,979.47	336,020.53	
Total									1,880,600	1,860,000	20,600	90,979.21	310,500	251,000	652,479.21	1,207,520.79	
City of Manila:																	
Public improvement, Act No. 2894 4	Coupon	May 31, 1922	3051	Mar. 11, 1922	June 1, 1922	Dec. 1, 1950	28 1/2	2 1/2	5,500,000	5,500,000		{ 106,542.32 246,799.17 31,022.36 }	851,500	1,476,000	2,680,841.49	2,819,158.51	To construct public works and other improvements.
Lowland improvement 4	do	do	3352	Nov. 17, 1927	May 1, 1928	May 1, 1958	30	2 1/2	1,000,000	1,000,000			103,000	104,000	238,022.36	761,977.64	To fill lowlands in the city of Manila.
Public improvement																	

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

Total assets, liabilities, and surplus, all funds.—The total assets, liabilities, and surplus of all funds of the Commonwealth government at the end of the fiscal year 1938 were as follows:

CURRENT ASSETS, LIABILITIES, AND SURPLUS

Fund	Assets	Liabilities	Surplus
General fund.....	P161,764,873.065	P20,052,204.97	P141,712,668.095
Special fund.....	65,277,752.62	20,786,511.94	44,491,240.68
Bond fund.....	10,165,592.00	9,592.00	10,156,000.00
Total.....	237,208,217.685	40,848,308.91	196,359,908.775

RESERVE AND OTHER ASSETS, LIABILITIES, AND SURPLUS

Sinking fund.....	P67,617,149.58		P67,617,149.58
Exchange standard fund.....	48,789,642.11	P276,347.40	48,513,294.71
Treasury certificate fund.....	174,763,462.00		174,763,462.00
Fiduciary funds.....	27,719,416.16	27,719,416.16	
Depository funds.....	32,269,124.385	32,269,124.385	
Retirement gratuities.....	1,410,724.86	1,410,724.86	
Contingent assets.....	41,890,399.27		41,890,399.27
Total.....	394,459,918.365	61,675,612.805	332,784,305.56
Total current, reserve, and other assets.....	631,668,136.05	102,523,921.715	529,144,214.335

INVESTED AND FIXED ASSETS, LIABILITIES, AND SURPLUS

Permanent and long-term investments.....	P130,598,561.33	P36,067,000.00	P94,531,561.33
Real property and equipment and public domain ¹	216,004,725.16	113,610,500.00	102,394,225.16
Determined losses—Agricultural bank loans.....	21,972.53		21,972.53
Total.....	346,625,259.02	149,677,500.00	196,947,759.02
Grand total.....	978,293,395.07	252,201,421.715	726,091,973.355

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

APPENDIX VI.—CURRENCY CIRCULATION

	Philippine Treasury certificates and bank notes of ₱2 or over	Silver pesos and half silver pesos, treasury certificates, and bank notes of ₱1	Subsidiary and minor currency	Total circulation ¹	Increase (+) or decrease (-) over previous year or month	Percentage of treasury certificates and bank notes of ₱2 or over to the total circulation	Percentage of silver pesos and half silver pesos, treasury certificates, and bank notes of ₱1 to the total circulation	Percentage of subsidiary and minor currency to the total circulation
Dec. 31:								
1934.....	₱76,423,144	₱14,575,002.50	₱11,034,273.44	₱102,032,419.94	+₱1,449,731.98	74.9	14.2	10.9
1935.....	90,174,220	15,829,152.50	11,359,320.42	117,362,692.92	+15,330,272.98	76.8	13.4	9.8
1936.....	110,904,861	17,281,861.00	12,217,299.37	140,404,021.37	+23,041,328.45	79.0	12.3	8.7
1937.....	129,047,761	19,080,157.50	14,014,307.89	162,142,226.39	+21,736,205.02	79.6	11.8	8.6
1938								
January.....	130,899,567	19,475,500.00	14,025,711.37	164,400,778.37	+2,258,551.98	79.6	11.9	8.5
February.....	134,704,400	19,292,271.00	14,070,155.59	168,066,826.59	+3,666,048.22	80.1	11.5	8.4
March.....	141,147,669	19,078,779.00	14,162,885.80	174,389,333.80	+6,322,507.21	80.9	11.0	8.1
April.....	135,878,905	22,052,459.00	14,214,500.58	172,145,864.58	-2,243,469.22	78.9	12.8	8.3
May.....	138,355,713	18,715,830.00	14,220,153.18	171,291,696.18	-854,168.40	80.8	10.9	8.3
June.....	147,784,393	18,251,190.50	14,180,761.33	180,216,344.83	+8,924,648.65	82.0	10.1	7.9
July.....	150,074,267	17,841,675.00	14,158,478.30	182,074,420.30	+1,858,075.47	82.4	9.8	7.8
August.....	152,698,707	17,607,464.00	14,102,685.82	184,408,856.82	+2,334,436.52	82.8	9.6	7.6
September.....	175,279,538	17,702,603.00	14,481,554.49	207,463,695.49	+23,054,838.67	84.5	8.5	7.0
October.....	177,197,738	17,674,182.50	14,481,815.60	209,353,736.10	+1,890,040.61	84.7	8.4	6.9
November.....	176,787,838	17,809,175.00	14,482,832.34	209,079,845.34	-273,890.76	84.5	8.5	7.0
December.....	173,277,638	18,333,036.00	14,493,073.04	206,103,747.04	-2,976,098.30	84.0	9.0	7.0
Total circulation:								
Dec. 31, 1938.....				206,103,747.04				
Dec. 31, 1937.....				162,142,226.39				
Increase in circulation.....					+43,961,520.65			

¹ Includes the estimated amount destroyed, unknown.

² See the following:

Total circulation.....	₱206,103,747.04
Less estimated amount destroyed, unknown.....	665,855.00
Net circulation.....	205,437,892.04

Certified correct.

ANTONIO RAMOS,
Treasurer of the Philippines,
By VICENTE G. GELIA,
Chief, Division of Administration, Currency and Public Debt,

APPENDIX VII. GOVERNMENT-OWNED CORPORATIONS

The following statement shows the financial condition of the Government-owned corporations, December 31, 1938:

Outstanding capital stock

Corporation	Total	Held by the central government	Held by the government-owned companies	Held by private parties
Philippine National Bank	P10,000,000	P9,859,500		P140,500
Manila R. R. Co.	29,427,000	29,427,000		
Manila Hotel Co.	900,000		P873,700	26,300
National Development Co.	26,410,600	26,410,600		
Cebu Portland Cement Co.	2,750,800		2,750,000	800
National Rice & Corn Corporation	4,000,000		4,000,000	
National Food Products Corporation	1,275,500		1,275,500	
National Warehousing Corporation	510,500		510,500	
People's Homesite Corporation	2,000,000		2,000,000	
Insular Sugar Refining Corporation	1,903,864		1,903,864	

Accumulated surplus

	Dec. 31, 1938	Dec. 31, 1937	Increase
Philippine National Bank	P10,000,000.00	P9,857,067.22	P142,932.78
Manila R. R. Co.	19,831,156.81	19,748,826.62	82,330.19
Manila Hotel Co.	1,536,300.00	1,396,949.45	139,350.55
National Development Co.	242,489.58	1,237,168.06	5,321.52
Cebu Portland Cement Co.	3,112,874.60	2,608,531.87	504,342.73
National Rice & Corn Corporation	2,431,765.70	2,402,470.41	29,295.29
National Food Products Corporation			
National Warehousing Corporation			
People's Homesite Corporation			
Insular Sugar Refining Corporation	311,965.27	70,994.37	240,970.90

¹ Adjusted.

² Includes profits of P808,530.87 for 1937 and surplus reserves of P1,800,000.

APPENDIX VIII (A). LIST OF THE MORE IMPORTANT MEASURES PASSED AT THE THIRD REGULAR AND SPECIAL SESSIONS OF THE NATIONAL ASSEMBLY

- Commonwealth Act No. 256, approved March 17, 1938, confirms the commitments of the Commonwealth of the Philippines under the international agreement regarding production and marketing of sugar.
- Commonwealth Act No. 257, approved March 25, 1938, authorizes the release and expenditure of 40 percent of the excise tax appropriation, subsequently appropriated in Commonwealth Act No. 330, for public works.
- Commonwealth Act No. 259, approved April 7, 1938, amends Commonwealth Act No. 3 relating to quorum and place of sessions of the Supreme Court and the number, qualifications, and compensation of the justices of the Court of Appeals.
- Commonwealth Act No. 260, approved April 18, 1938, appropriates P2,000,000 of the excise-tax funds for acquiring landed estates for resale as home sites to occupants thereof.
- Commonwealth Act No. 266, approved May 20, 1938, appropriates P1,300,000 for relief from typhoons, floods or other calamities, or from unemployment.
- Commonwealth Act No. 271, approved June 2, 1938, amends laws governing tenancy contracts on land planted to sugarcane.
- Commonwealth Act No. 276, approved June 3, 1938, authorizes perfecting title to claims for land under certain precedent conditions.
- Commonwealth Act No. 280, approved June 3, 1938, penalizes the construction and maintenance of cottas. Applicable to the Moro districts.
- Commonwealth Act No. 282, approved June 3, 1938, to secure the United States against loss or damage to any military or naval store and equipment loaned to the Commonwealth government.

- Commonwealth Act No. 287, approved June 3, 1938, transfers certain functions of the Bureau of Commerce re registration of corporations, etc., to the Securities and Exchange Commission.
- Commonwealth Act No. 288, approved June 3, 1938, to provide pensions for veterans of the Philippine Island revolutions or wars or their widows.
- Commonwealth Act No. 292, approved June 9, 1938, amends compiled laws relative to lands of the public domain.
- Commonwealth Act No. 298, approved June 9, 1938, reclassifies municipalities into five classes according to their receipts (or income).
- Commonwealth Act No. 300, approved June 9, 1938, budgetary appropriations for fiscal year ending December 31, 1939; total, ₱75,584,403.40.
- Commonwealth Act No. 304, approved June 9, 1938, provides for reforestation and afforestation of watersheds, denuded areas, communal forests, national parks, timberlands, etc. Appropriates excise-tax funds, ₱1,000,000.
- Commonwealth Act No. 310, approved June 9, 1938, penalizes the transfer of private agricultural land to disqualified persons.
- Commonwealth Act No. 312, approved June 9, 1938, amends National Defense Act re rank and term of office of chief of staff.
- Commonwealth Act No. 313, approved June 9, 1938, provides for operation and maintenance of regional national vocational trade schools.
- Commonwealth Act No. 314, approved June 9, 1938, amends Act 3116, section 2, re expenditure of funds received by Manila Railroad Co. from Philippine government for purchase of capital stocks of the company.
- Commonwealth Act No. 316, approved June 9, 1938, amends Commonwealth Act No. 32, relating to division and sale of friar lands estates remaining undisposed of.
- Commonwealth Act No. 320, approved June 9, 1938, prescribes certain additional functions for the general auditing office.
- Commonwealth Act No. 321, approved June 9, 1938, relates to declaring any area or zone in the Philippines as national-defense zone, etc.
- Commonwealth Act No. 322, approved June 9, 1938, regulates loans to municipal governments and chartered cities.
- Commonwealth Act No. 323, approved June 16, 1938, re allocation of quota to sugar planters.
- Commonwealth Act No. 325, approved June 18, 1938, places audit of books and accounts of public services under general auditing office.
- Commonwealth Act No. 327, approved June 18, 1938, prescribes manner of appeal from decision of auditor general.
- Commonwealth Act No. 330, approved June 18, 1938, appropriates ₱96,351,300 for public works, of which ₱88,688,100 are from excise-tax fund; covers a 4-year program.
- Commonwealth Act No. 332, approved June 18, 1938, establishes the National Abaca & Other Fiber Corporation.
- Commonwealth Act No. 337, approved June 21, 1938, authorized the city of Cebu to issue bonds for constructing sewer facilities as collateral to secure a national bond issue for this purpose in the amount of ₱350,000.
- Commonwealth Act No. 343, approved June 23, 1938, abolished the State Police Force and reorganized the Philippine Constabulary into a national police force.
- Commonwealth Act No. 344, enacted without Executive approval on June 24, 1938, amends section 11, Commonwealth Act No. 120, re National Power Corporation, and appropriates ₱550,000 for operation.
- Commonwealth Act No. 346, approved August 17, 1938, provides additional appropriation for the census, ₱2,100,000.
- Commonwealth Act No. 347, approved August 19, 1938, appropriation for classification, survey, and subdivision of public agricultural lands, ₱2,500,000.
- Commonwealth Act No. 348, approved August 19, 1938, increases the number of judges of first instance.
- Commonwealth Act No. 351, approved August 22, 1938, relating to establishment and operation of petroleum and natural-gas industry and to contract for exploration and exploitation of these deposits in private and public lands.
- Commonwealth Act No. 355, approved August 22, 1938, amends sections 6, 19, and 24 of Commonwealth Act No. 103, creating the Court of Industrial Relations.
- Commonwealth Act No. 358, approved August 22, 1938, authorizes the government in certain instances to take over and operate public utilities, etc.
- Commonwealth Act No. 360, approved August 22, 1938, relates to construction of national government buildings under the Burnham plan—Malacañan, etc.; appropriates ₱1,200,000.

- Commonwealth Act No. 361, approved August 22, 1938, relates to number of judges and jurisdiction of municipal courts in Manila.
- Commonwealth Act No. 368, approved August 23, 1938, provides a revolving fund for laborers' tenement houses—Act 4184 and Commonwealth Act No. 43.
- Commonwealth Act No. 369, approved August 23, 1938, appropriates ₱4,800,000 from excise-tax fund to reimburse funds provided for irrigation systems, appropriated by Act 3932 from funds under Act 2940.
- Commonwealth Act No. 373, approved August 23, 1938, changes the official fiscal year to the period from July 1 to June 30 of the following year. (Note in Annual Report to President.)
- Commonwealth Act No. 375, approved August 23, 1938, amends section 1, Commonwealth Act No. 241, which appropriates ₱5,660,000 to reimburse provinces, cities, and municipalities for losses due to abolition of cedula tax (1937 share).
- Commonwealth Act No. 378, approved August 23, 1938, authorizes negotiations with owners of landed estates for leasing and subletting same to occupants or qualified persons; appropriates ₱1,500,000 from excise-tax fund.
- Commonwealth Act No. 389, approved September 5, 1938, authorizes bond issue by city of Davao in the amount of ₱350,000 for sewer facilities, as collateral for bond issue by the national government for this purpose.
- Commonwealth Act No. 398, approved September 7, 1938, an act creating the Cancer Institute.
- Commonwealth Act No. 403, approved September 13, 1938, creates a ₱10,000,000 revolving fund from excise-tax fund for the construction of public markets, slaughterhouses, and waterworks.
- Commonwealth Act No. 408, approved September 14, 1938, establishes a system of military justice for persons subject to military law.

APPENDIX VIII (b). LIST OF THE MORE IMPORTANT EXECUTIVE ORDERS ISSUED BY THE PRESIDENT OF THE PHILIPPINES

- Executive Order No. 138, dated January 3, 1938, provides for the collection and compilation of historical data regarding barrios, municipalities, cities, and provinces.
- Executive Order No. 139, dated January 14, 1938, creates the National Relief Administration for carrying out the provisions of Commonwealth Acts Nos. 90 and 239.
- Executive Order No. 144, dated March 17, 1938, creates a council of state.
- Executive Order No. 146, dated April 1, 1938, provides for enforcement of the London sugar agreement under Commonwealth Act No. 256.
- Executive Order No. 150, dated April 28, 1938, allocates cordage quota for 1938-39.
- Executive Order No. 151, dated April 30, 1938, promulgates rules and regulations governing arrest, custody, and trial of persons subject to the military and naval laws of the United States.
- Executive Order No. 153, dated June 23, 1938, reorganizes the Philippine Constabulary into a national police force pursuant to Commonwealth Act No. 343 (separately supported and administered after January 1, 1939). (Order No. 153, effective June 23, 1938.)
- Executive Order No. 155, dated July 23, 1938, rescinds Executive Order No. 140 and fixes salaries and allowances of officers of the Philippine army.
- Executive Order No. 157, dated August 17, 1938, creates the National Sugar Board (in view of incidence of export tax on sugar under Tydings-McDuffie Act), amended by Executive Order No. 168.
- Executive Order No. 160, dated August 23, 1938, creates a tax commission to study and make recommendations as to (a), (b), (c), (d), and (e).
- Executive Order No. 161, dated August 23, 1938, prescribes regulations for collection and administration of delinquent irrigation fees under Act 2152 (Commonwealth Act No. 87), amended by Executive Order No. 170.
- Executive Order No. 167, dated October 8, 1938, revises instructions delimiting the respective responsibilities of the Secretary of the Interior and the Secretary of Finance in personnel and finances of provincial, city, and municipal governments.
- Executive Order No. 169, dated October 15, 1938, prescribing regulations governing seniority, promotion, and elimination of officers of the army.
- Executive Order No. 171, dated October 18, 1938, creates a national fire prevention board.

Executive Order No. 173, dated November 7, 1938, making Census Day January 1, 1939.

Executive Order No. 175, dated November 11, 1938, revising rules and regulations re administration and supervision of local police forces.

Executive Order No. 176, dated December 1, 1938, designates the Secretary of the Interior to exercise supervision over local police forces (Commonwealth Act No. 343).

APPENDIX IX. OVERSEAS TRADE DURING THE YEAR ENDING DECEMBER 31, 1938

Imports.—The following comparative statement shows the principal imports of the years 1938 and 1937:

Articles	1938	1937	Increase	Percent
Iron and steel and manufactures thereof.....	P45,792,343	P38,680,875	P7,111,468	18.38
Cotton goods.....	43,812,099	34,908,379	8,903,720	25.51
Mineral oils.....	16,418,377	13,004,883	3,413,494	26.25
Automobiles, parts of, and tires for.....	16,238,169	11,978,029	4,260,140	35.57
Tobacco products.....	15,866,881	7,340,246	8,526,635	116.16
Meat and dairy products.....	11,979,278	10,081,668	1,897,610	18.82
Paper and manufactures thereof.....	10,378,349	7,621,198	2,757,151	36.18
Wheat flour.....	10,263,300	8,204,725	2,058,575	25.09
Chemicals, drugs, dyes, and medicines.....	8,881,410	5,702,083	3,179,327	55.76
Electrical machinery, apparatus, and appliances.....	7,607,766	6,854,637	753,129	10.99
All other imports.....	77,977,123	73,674,767	4,302,356	5.84
Total.....	265,215,095	218,051,490	47,163,605	21.63

Exports.—The following comparative statement shows the principal exports of the years 1938 and 1937:

Articles	1938	1937 ¹	Increase (+) or decrease (-)	Percent
Sugar.....	P100,044,047	P115,412,387	-P15,368,340	13.32
Copra.....	24,512,028	31,966,399	-7,457,371	23.33
Coconut oil.....	21,532,910	41,051,073	-19,518,163	47.55
Abaca.....	20,318,347	43,279,373	-22,961,026	53.05
Embroideries, cotton and silk.....	10,215,802	7,377,606	+2,838,196	² 38.47
Tobacco products.....	9,929,279	9,966,216	-36,937	.37
Desiccated coconut.....	7,632,715	12,693,263	-5,060,548	39.87
Timber and lumber.....	5,650,541	7,886,224	-2,235,683	28.35
Copra meal and cake.....	5,495,086	5,800,358	-305,272	5.26
Cordage.....	2,398,062	2,872,921	-474,859	16.53
All other exports.....	23,861,737	24,223,680	-361,943	1.49
Total.....	231,590,554	¹ 302,532,500	-70,941,946	23.45

¹ Excluding gold and silver, which were included in 1937 report.

² Increase.

Foreign trade.—The following comparative statements show the monthly imports and exports of the Philippines during the years 1938 and 1937, resulting in an unfavorable balance of trade to this country in 1938 and favorable in 1937:

TOTAL IMPORTS, BY MONTHS

Month	Value		Increase (+) or decrease (-)
	1938	1937	
January	₱21,511,376	₱13,634,298	+57.77
February	24,277,106	13,875,544	+74.96
March	37,325,067	25,807,287	+44.63
April	26,824,756	20,035,595	+33.89
May	24,281,554	16,210,845	+49.79
June	19,574,512	19,094,644	+2.51
July	20,560,370	19,227,946	+6.93
August	16,485,908	13,648,557	+20.79
September	22,230,921	16,354,896	+35.93
October	17,790,550	25,231,038	-29.49
November	13,820,352	16,302,051	-15.22
December	20,532,623	18,628,789	+10.22
Total	265,215,095	218,051,490	+21.63

TOTAL EXPORTS, BY MONTHS

January	₱20,969,187	₱23,495,490	-10.75
February	21,505,069	25,821,951	-16.72
March	31,209,013	28,564,287	+9.26
April	20,738,362	28,846,036	-28.11
May	18,919,150	27,171,941	-30.37
June	19,284,611	31,615,494	-39.00
July	18,602,803	26,955,748	-30.99
August	17,687,962	29,602,529	-40.25
September	16,869,700	23,621,333	-28.58
October	14,370,644	17,404,198	-17.43
November	12,657,331	16,089,261	-21.33
December	18,776,722	23,344,232	-19.57
Total	231,590,554	302,532,500	-23.45
Total trade	496,805,649	520,583,990	-4.57
Balance of trade	233,624,541	84,481,010	-39.80

¹ Excluding gold and silver, which were included in 1937 report.

² Decrease.

APPENDIX X. Arrivals and departures of persons in the Philippines, 1938

Nationality	Total arrivals	Total departures	Immigrants	Emigrants
Americans	5,238	4,089		
Filipinos	4,947	2,768		
Chinese	16,325	6,646	6,064	851
Japanese	3,856	3,101	2,487	1,675
Other nationalities	3,003	2,693	1,000	313
Total	33,369	19,297	9,551	2,839
Total for 1937	44,310	25,331	10,620	1,828