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FIFTH ANNUAL REPORT OF THE UNITED STATES HIGH COMMISSIONER TO THE PHILIPPINE ISLANDS

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE FIFTH ANNUAL REPORT OF THE UNITED STATES HIGH COMMISSIONER TO THE PHILIPPINE ISLANDS COVERING THE FISCAL YEAR 1941

NOVEMBER 12, 1942.—Referred to the Committee on Insular Affairs and ordered to be printed, with illustrations

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1943

LETTER OF SUBMITTAL

To the Congress of the United States:

As required by section 7 (4) 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 Fifth Report of the United States High Commissioner to the Philippine Islands covering the fiscal year beginning July 1, 1940, and ending June 30, 1941.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE,
November 12, 1942.

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REPORT OF THE UNITED STATES HIGH COMMISSIONER TO THE PHILIPPINE ISLANDS

WASHINGTON, D. C., *July 31, 1942.*

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

SIR: Pursuant to section 7 (4) of the act of Congress of March 24, 1934, I have the honor to submit herewith the Fifth Report of the United States High Commissioner to the Philippine Islands. The report covers in general the fiscal year ending June 30, 1941. Because of the war, however, which necessitated the destruction of most of the confidential papers and records of the High Commissioner's office in Manila and because of the inaccessibility in Washington, where this report was prepared, of such records as remain in Manila, the report is of necessity considerably abbreviated. Furthermore, owing to the war, a large part of the statistical data normally included in the High Commissioner's reports is not available for the entire fiscal year and it has therefore been necessary to limit some sections of the report to periods for which the pertinent records exist in this country.

I. General Statement

It is heartening to record that with war clouds gathering upon the horizon the political and other relationships between the United States and the Commonwealth Governments continued thoroughly harmonious and cordial. The Filipino people have felt the genuine sincerity of American friendship during a period of over 40 years; and as a result there exists a warmth of feeling and a cordiality of understanding between the two peoples that go far to vindicate America's effort in the Philippines based upon friendship rather than exploitation.

The year under review saw little change in the problem of coming Philippine independence. Every people deep in their hearts desire independence; yet the danger of Philippine independence in the shadow of an increasingly aggressive Japan, thirsting for imperial aggrandizement, became more and more evident, and on a number of occasions views were expressed by prominent Filipinos that independence should be delayed or indefinitely postponed. Nevertheless, leading administrative officials continued to express their desire for full independence in 1946.

During the first part of the calendar year 1940 Philippine economic conditions appeared to be on a downward trend largely because of low prices for the principal export products and the curtailment by

reason of war of much of their European demand. Toward the end of the year and continuing during the first half of 1941 there was a definite improvement. While Central European and a large part of the Mediterranean trade was restricted, British, Oriental, and American demand resulted in improved prices, and goods moved in the maximum volume possible considering the increasing shortage in shipping tonnage. The production and export to the United States of gold bullion increased. A similar development in the production of base metals occurred.

Overseas trade—including trade with the United States—at ₱581,000,000 was at a record level, exceeded by only 3 years—1920, 1928 and 1929. By value 83 percent of the export trade and 78 percent of the import trade was with the United States. These ratios compare with 82 percent and 68 percent, respectively, for the previous year.

The turn-over in trade within the islands themselves, most of it in native produce, improved due especially to the extensive program of public works financed from the proceeds of the tax collected in the United States on coconut oil of Philippine origin and to the rapidly increasing expenditures of the United States Government for the extension of military and naval installations.

As the period under consideration closed, the vicissitudes of world war, and fear of Japan's southward thrust, coupled with uncertainties as to post-independence political and economic policies served to reduce confidence. The result was curtailment of private ventures, plans for liquidation, and fairly heavy transfers of unemployed capital reserves to the United States.

While there was little unemployment and public health conditions were excellent, the agrarian movement in central Luzon increased in extent and in its tendency toward violent action. There were several instances of bloodshed and before the end of the fiscal year the constabulary had taken over the control of all police forces in the 11 provinces of central Luzon. Increasing difficulties were encountered in the preservation of law and order in the Mohammedan area, particularly in the island of Jolo.

The scope of the United States regulations controlling financial transactions with certain foreign countries and between nationals of certain foreign countries, which were applicable to the Philippines as well as to the continental United States, was broadened materially toward the end of the fiscal year, but no substantial hardship was felt in the Philippines. The control of exports of strategic materials by licensing, which was instituted in the United States early in July 1940, was not extended to the Philippines until nearly a year later. Primary responsibility for the administration of these programs devolved upon the Office of the High Commissioner which enjoyed generous and effective cooperation by the appropriate agencies of the Commonwealth Government.

In accordance with the provisions of the Independence Act of 1934, as amended by the Economic Adjustment Act of 1939, very moderate export taxes and restrictive quotas became effective on January 1, 1941, on shipments of sugar and other Philippine exports to the United States. These taxes and quotas were to mark the beginning of progressive restrictions upon Philippine exports to the United States designed to force a gradual adaptation of Philippine trade to

an absence of preferences in the United States markets such as presumably will prevail when the Philippines become fully independent.

The provisions of the Independence Act, as amended, requiring increasing export taxes and declining quotas have never been popular in the Philippines and agitation for their postponement began before the date when they became effective. On September 17, 1940, the Commonwealth Secretary of Finance, in a statement which received widespread attention, urged a radical revision of this part of the Independence Act and his stand was endorsed by the President of the Philippines. In May 1941, the Assembly petitioned the President and the Congress of the United States to suspend the effect of the provisions imposing export taxes and quotas. Action along these lines was taken by the United States after the end of the fiscal year.

Major General George Grunert assumed command of the Philippine Department on May 31, 1940. Throughout the period under review he took vigorous action to strengthen the military defenses of the Philippines. In order to coordinate better all the defense elements he held frequent conferences with the High Commissioner, the President of the Philippine Commonwealth, the Commander-in-Chief of the Pacific Fleet, the Commandant of the 16th Naval District, and numerous civic leaders.

On assuming command of the Philippine Department, General Grunert immediately revised and implemented war plans and stepped up field training and reconnaissance. He urged the necessity for bringing the Philippine Scouts and Regular Army organizations to their full war strength, for mobilization and training of the Philippine Army, for increased Air Corps troops and equipment, for new air fields and improvement of existing fields, for antiaircraft, tank and antitank units, for munitions, supplies and food.

Early in 1941 the Philippine Scouts were brought to full strength and Regular Army units were augmented. The Philippine Scouts, who are professional Filipino soldiers serving with the United States Army in the Philippine Islands, were destined to help write a thrilling page in American and Philippine history. The mobilization of the Philippine Army was authorized in July 1941.

Numerous cadres of Regular Army officers and noncommissioned officers were trained and they subsequently assisted in the mobilization, training, and leadership of the Philippine Army. Transportation facilities on the Bataan Peninsula were greatly improved and large stocks of food, supplies, and munitions placed thereon. Special attention was given to organizing Corregidor and Bataan for a possible siege. Civilian transportation facilities were organized to provide for a rapid concentration of troops for battle.

General Grunert's activity, zeal, and inspiring leadership won the confidence of the Philippine people as well as of the Americans. To him and to his high qualities of leadership both the United States and the Philippines owe a heavy debt.

During the period under review the Asiatic Fleet was under the command of Admiral Thomas C. Hart. Rear Admiral John M. Smeallie was commandant of the 16th Naval District until the latter part of December 1940 and was relieved by Rear Admiral Harold M. Bemis, who arrived on January 10. Under the able leadership of those officers steps were taken to improve naval installation at Cavite,

Sangley Point, Olongapo and Corregidor, notably by strengthening antiaircraft defense, the development of airfield and seaplane facilities, placing gasoline storage tanks underground and digging bombproof tunnels.

In November 1940, by order of the Commander-in-Chief of the Asiatic Fleet, dependents of naval personnel were evacuated to the United States. Instead of going to North China waters in April, as had been customary, the Asiatic Fleet remained in Philippine waters. Word was received that Admiral Hart, who was to be retired in July, would continue in his assignment as Commander-in-Chief of the Asiatic Fleet.

The work of planning and taking measures for civilian defense began in the fall of 1940 and received increasing attention as the year progressed. Under the guidance of Lieutenant Colonel Robert M. Carswell, U. S. Army Liaison Officer assigned to the Office of the High Commissioner, an able report on civilian defense planning was prepared by a committee representing the High Commissioner's office, the United States Army and Navy, the Commonwealth Government, the American Chamber of Commerce, and the Philippine Chamber of Commerce. On the basis of this report the Commonwealth Government on April 1, 1941, organized a Civilian Emergency Administration which set to work in earnest to carry out the plans and recommendations of the Planning Committee. This work proved invaluable in later days when the crash of war came.

On December 4, 1940, President Quezon gave public notice of the approval by the President of the United States on December 2, 1940, of the three amendments to the Philippine Constitution. Under these amendments (1) the existing 6-year term of the President and Vice President without reelection was changed to a 4-year term with the right to stand for reelection but no President to hold office consecutively for more than 8 years, (2) the unicameral Assembly was changed into a bicameral Congress, and (3) supervision of elections was vested in a Commission on Elections.

The new Immigration Act came into effect on January 1, 1941. Under this Act the number of immigrants of any one nationality entering the Philippines each year is limited to 500.

Government finances continued in a generally sound condition throughout the fiscal year. Revenue collections were on the whole satisfactory. While customs collections declined considerably, owing to smaller imports from foreign countries, reduced revenues from this source were largely offset by increased receipts from other taxes.

Government expenditures likewise continued at a high level, total expenditures from the general fund amounting to ₱105,529,401.45 as compared with ₱95,514,039.21 expended in the preceding year. More than one-third of the expenditures authorized in the fiscal year 1941 were accounted for by the Department of Public Instruction, the appropriation for which was 40 percent greater than actual expenditures in the fiscal year 1940. The increase resulted chiefly from the assumption by the central government of certain expenses previously borne by local governmental units. Expenditures authorized for the Philippine Army and Constabulary were somewhat smaller than actual expenditures in the fiscal year 1940 and constituted roughly 15 percent of the total expenditures authorized.

Concern was felt in some quarters because the Commonwealth government was becoming increasingly dependent upon revenues which would be cut off when the country became independent. After 1937 the Commonwealth received large sums, equal to nearly 40 percent of its revenue from all other sources, from the United States excise tax on Philippine coconut oil. The budget for 1942 anticipated that 29 percent of the total estimated income would be derived from funds collected in the United States.

Despite the large receipts in recent years from the coconut oil tax, there has been a tendency for expenditures to increase more rapidly than income. As a result of an excess of expenditures it was estimated that the surplus accumulated in previous years would be substantially reduced in the fiscal year 1941 and practically eliminated in the fiscal year 1942. In addition, the 1942 budget contemplated the sale of a bond issue of ₱20,000,000 to meet the expected deficiency of income as compared to expenditures. This situation existed without reference to the impending war.

No important change occurred in the amount of the debt of the Commonwealth government during the period under review. On December 31, 1940, the last date for which complete statistics are available, the total public debt issued and uncovered by sinking funds amounted to ₱72,746,558.99.

In spite of economic and political disturbances resulting from the war, the banking and currency systems remained generally sound. A notable development was the increase of money in circulation as a result of heavy expenditures by the United States Army and Navy in the Philippines. On June 30, 1941, net circulation had reached an all-time high of ₱198,634,479.

II. Office of the High Commissioner

The fiscal year ending June 30, 1941, witnessed the beginning of a large expansion, occasioned by the impending emergency, of the activities of the Office of the High Commissioner. Early in this period nonessential British women and children were evacuated from Hong Kong to Manila where they remained until transportation to Australia and elsewhere could be arranged by the British authorities. Owing to the limited facilities for Occidentals available in and about Manila, the problem of providing suitable lodging and food for the relatively large number of women and children involved presented considerable difficulties. With the assistance, however, of the United States Army, which provided transportation and temporary quarters at Fort McKinley and Camp John Hay, and the Red Cross and Commonwealth authorities, it proved possible to accommodate the evacuees satisfactorily during the several weeks that they remained in the Philippines. In coordinating and assisting in this evacuation work the High Commissioner's office played an important part.

Outstanding among the emergency functions of the office were the administration of foreign funds control and export control in the Philippines and collaboration with United States military and naval and Commonwealth government authorities in preparations looking to the promotion of civilian welfare in the event of war. These activities are described below.

Foreign Funds Control.—Shortly before the beginning of the period under review (on May 1, 1940) the Secretary of the Treasury, by letter directed to the Secretary of the Interior, designated the United States High Commissioner to the Philippines as his agent to carry out the purposes of Executive Order 8389 within the Philippine Islands. This Executive order, which authorized the establishment of the so-called "freezing control" within continental United States and any place subject to the jurisdiction of the United States, vested in the Secretary of the Treasury of the United States sweeping powers to control financial transactions by or on behalf of foreign countries designated in the order, or any national thereof, and transactions involving property in which such countries or their nationals had an interest. The extent and nature of these powers is delimited chiefly by sections 1 and 2 of the Executive order which are reproduced below. Where the term "United States" is used it includes the Philippine Islands.

SECTION 1. All of the following transactions are prohibited, except as specifically authorized by the Secretary of the Treasury by means of regulations, rulings, instructions, licenses, or otherwise, if (i) such transactions are by, or on behalf of, or pursuant to the direction of any foreign country designated in this order, or any national thereof, or (ii) such transactions involve property in which any foreign country designated in this order, or any national thereof, has at any time on or since the effective date of this order had any interest of any nature whatsoever, direct or indirect:

A. All transfers of credit between any banking institutions within the United States; and all transfers of credit between any banking institution within the United States and any banking institution outside the United States (including any principal, agent, home office, branch, or correspondent outside the United States, of a banking institution within the United States);

B. All payments by or to any banking institution within the United States;

C. All transactions in foreign exchange by any person within the United States;

D. The export or withdrawal from the United States, or the earmarking of gold or silver coin or bullion or currency by any person within the United States;

E. All transfers, withdrawals or exportations of, or dealings in, any evidences of indebtedness or evidences of ownership of property by any person within the United States; and

F. Any transaction for the purpose or which has the effect of evading or avoiding the foregoing prohibitions.

SECTION 2.

A. All of the following transactions are prohibited, except as specifically authorized by the Secretary of the Treasury by means of regulations, rulings, instructions, licenses, or otherwise:

(1) The acquisition, disposition or transfer of, or other dealing in, or with respect to, any security or evidence thereof on which there is stamped or imprinted, or to which there is affixed or otherwise attached, a tax stamp or other stamp of a foreign country designated in this order or a notarial or similar seal which by its contents indicates that it was stamped, imprinted, affixed or attached within such foreign country, or where the attendant circumstances disclose or indicate that such stamp or seal may, at any time, have been stamped, imprinted, affixed or attached thereto; and

(2) The acquisition by, or transfer to, any person within the United States of any interest in any security or evidence thereof if the attendant circumstances disclose or indicate that the security or evidence thereof is not physically situated within the United States.

B. The Secretary of the Treasury may investigate, regulate, or prohibit under such regulations, rulings, or instructions as he may prescribe, by means of licenses or otherwise, the sending, mailing, importing or otherwise bringing, directly or indirectly, into the United States from any foreign country, of any securities or evidences thereof or the receiving or holding in the United States of any securities or evidences thereof so brought into the United States.

The original Executive Order 8389 was amended by a number of subsequent Executive orders (which are included in the above text) and supplemented by a great many "General Rulings," "Public Cir-

culars," "Regulations," "Treasury Decisions," "Press Releases," "General Licenses," and other documents issued by the United States Treasury which implemented or explained the Executive order. In most cases these rulings and other documents applied to the Philippines as well as to all other American territory. Under authority delegated by the Secretary of the Treasury the High Commissioner also issued licenses, rulings, etc., pertaining to transactions in the Philippines.

During the fiscal year 1940 and the greater part of the fiscal year 1941 foreign funds control in the Philippines did not present very serious difficulties. The property interests involved were not great and the program was administered as an integral part of the program for the United States as a whole under directions from Washington. As recounted in the Fourth Report of the High Commissioner, foreign funds control in the fiscal year 1940 involved chiefly accounts of nationals of France and the Netherlands. Norway, Denmark, Belgium, and Luxembourg were also blocked under the Executive order at that time but the property interests of their nationals in the Philippines were small. This was also true of Latvia, Estonia, Lithuania, Rumania, Bulgaria, Hungary, Yugoslavia, and Greece, which were added to the list of blocked countries during the fiscal year 1941.

The chief task during the first year of the program was to familiarize banks and financial institutions and others within the Islands with the terms and provisions of the order and to convince these institutions of the importance of the objectives which were sought to be achieved by means of the order and of the seriousness with which the United States Government would regard violations. In this effort the High Commissioner's office sought and obtained the cooperation of the appropriate Commonwealth Government officials.

Prior to June 1941 several hundred applications for specific licenses to effect transactions otherwise prohibited by the order were acted on. Numerous other transactions which were licensed pursuant to general licenses required reports which had to be examined in order to insure compliance with the provisions of these licenses. In addition, the Executive order required that all securities imported into the Islands, except those originating in certain designated areas, be surrendered to the Office of the High Commissioner for examination to determine whether or not there was a blocked national interest in such securities. This requirement necessitated the establishment of a procedure for controlling the importation of securities involving the cooperation and assistance of the Commonwealth Government postal and customs authorities.

On June 14, 1941, the Executive order was further extended to 16 additional foreign countries, namely, Albania, Andorra, Austria, Czechoslovakia, Danzig, Finland, Germany, Italy, Liechtenstein, Poland, Portugal, San Marino, Spain, Sweden, Switzerland, and the Union of Soviet Socialist Republics. As Spanish nationals had very large interests in the Philippines, and substantial interests of nationals of Switzerland, Germany, Italy and Portugal were also involved, this extension of the scope of the order greatly increased the volume of work to be handled. A large number of applications for individual licenses had to be studied and acted upon each day and the reports of transactions effected under general licenses became voluminous.

Toward the end of the period under review the nature and objectives of foreign funds control underwent a substantial change. Whereas a major objective of the program as originally conceived was to prevent a misuse of funds belonging to invaded countries by their invader the program was subsequently greatly broadened and was used as an aggressive weapon of economic warfare against the axis powers. It was closely integrated with the export control program, which also was administered by the High Commissioner's office, and in other ways was used to minimize the foreign exchange resources of the axis powers while assisting friendly ones.

As stated in the fourth report of the High Commissioner, foreign funds control work in its initial stages was performed chiefly by members of the High Commissioner's staff. It was for several months under the supervision of Mr. Evett D. Hester, who at that time was assistant financial expert, and later was handled directly by Mr. J. Weldon Jones, the financial expert. With the aid of clerical help employed for the purpose with funds provided by the United States Treasury Department it was possible to continue the administration of the program on this basis satisfactorily throughout most of the fiscal year 1941. After the resignation of Mr. Jones, in the latter part of 1940, foreign funds control work was carried on temporarily under the supervision of the legal adviser of the High Commissioner, Mr. Golden W. Bell and his assistant, Mr. George Gray. In the spring of 1941 responsibility for the supervision of the administration of the program devolved upon Mr. Woodbury Willoughby, who succeeded Mr. Jones as financial expert.

With the extension of the program to Spain and other countries, the nationals of which had extensive property and business interests throughout the archipelago and the change in emphasis of the work noted above, the problem of administration became far greater than could be handled by the regular members of the High Commissioner's staff who were already burdened with various other emergency functions in addition to their normal duties. It became necessary not only to secure and train professional and clerical personnel in the Islands but also to request the Secretary of the Treasury of the United States to detail personnel from his own staff to the Office of the High Commissioner in order that the order could be administered effectively and efficiently with the least disturbance to, and interference with, normal legitimate business.

Within the interval that elapsed before additional effective aid was available, much of the blocked business was licensed to operate under temporary licenses subject to supervision by the High Commissioner's office. Most of the banks and other financial institutions acquired a sufficient understanding of the objectives and implications of the order to be of real assistance in advising their clients and in applying the order to their own operations. Accordingly, the situation was soon stabilized and normal, legitimate business functioning smoothly.

The greatest expansion in this work occurred after the end of the fiscal year when on July 26, 1941, the Executive order was extended to Japan and China. At about this time personnel of the United States Treasury Department detailed to the Office of the High Commissioner arrived in Manila and with the aid of these men it was possible to ad-

minister the program as applied to the extensive property interests of nationals of Japan and China without unnecessary disturbance to the Island economy.

Export Control.—Public Act No. 703, approved July 2, 1940, authorized the President of the United States to prohibit the exportation of munitions and supplies necessary for their manufacture, servicing, or operation, and on July 4, 1940, the President, by proclamation, listed certain strategic materials falling within these categories which might not be exported except by license. The program was administered in the United States by an administrator of export control with the collaboration and assistance of the Department of State and other interested agencies.

The original law did not apply to the Philippines. Exports from the Philippines continued to flow without restriction to all countries. Shipments of strategic materials from the United States to the Philippines were subject to license in the same manner as United States exports to foreign countries though in practice licenses were granted freely for shipments of goods needed for consumption in the Philippines.

As the international situation became more critical, however, and as the need for husbanding United States supplies of strategic materials and preventing them from flowing to unfriendly destinations became more apparent, it was evident that steps should be taken to control exports from the Philippines. The High Commissioner pointed out to Washington on various occasions that important quantities of various strategic materials were being shipped to Japanese-controlled territory and to Germany via Russia. The Office of the High Commissioner, by moral suasion, was able in a number of instances to prevent shipments of strategic materials to unfriendly destinations and it, together with the American Consulate, was able to facilitate increased purchases by the Metals Reserve Corporation. It became evident, however, that such measures would not suffice and that a comprehensive system for the control of Philippine exports was highly desirable to supplement such control in the United States.

Early in 1941 informal conversations were entered into by officials of interested agencies of the United States and Commonwealth Governments. The latter immediately indicated that it would be pleased to cooperate in any plan for export control that might be deemed in the best interest of both the United States and the Philippines. The development of plans for the institution of export control in the Philippines required several months and a large volume of radio and air mail communication between Washington and Manila. Eventually it was decided that control should be effected by extension of the provisions of the Export Control Act to the Philippines and this was accomplished by Senate Joint Resolution 76, approved May 28, 1941.[1] On the same day (May 28) the Secretary of State, pursuant to authorization received from the President of the United States, delegated to the High Commissioner authority to issue in his name

[1] Senate Joint Resolution 76 provides that "the provisions of Section 6 of the Act of Congress entitled 'An act to expedite the strengthening of the national defense,' approved July 2, 1940 (54 Stat. 714), shall be applicable to all territories, dependencies, and possessions of the United States, including the Philippine Islands, the Canal Zone, and the District of Columbia, and the several courts of first instance of the Commonwealth of the Philippine Islands shall have jurisdiction of offenses committed in the Philippine Islands in violation of the provisions of that section or of any proclamation, or of any rule or regulation, issued thereunder."

licenses for the exportation from the Philippines of articles and materials named in proclamations of the President issued pursuant to section 6 of the Export Control Act.

The High Commissioner placed Mr. Woodbury Willoughby, his financial adviser, in charge of the administration of the program in the Philippines and authorized him to issue licenses on his behalf. In accordance with arrangements previously agreed upon, the Commonwealth Government undertook to enforce observance of the provisions of the Export Control Act and proclamations, licenses, etc., issued under it. All collectors of customs were furnished with lists of articles subject to control and were instructed to prevent the shipment of any such article to a destination requiring a special license, unless a license issued by the Office of the High Commissioner were presented by the exporter. Licenses were obtained by the filing of applications in person or by mail with the Office of the High Commissioner in Manila.

The initiation of the export-control program involved extremely heavy work by the limited staff of the High Commissioner's office which could be spared for the purpose. Because of the relatively large values of many of the cargoes involved and the heavy loss to shippers which would have been occasioned by delays in obtaining action upon their applications for licenses, it was frequently necessary, when ship departures were imminent, for the staff to keep exceptionally long hours in order to render proper service to the public.

The High Commissioner's staff was fortunate in having, during the period leading up to the extension of export control to the Philippines, and during the early stages of its administration, the advice and assistance of Mr. Paul P. Steintorf, American Consul at Manila. His broad knowledge of commercial matters and high standing in the community were of invaluable benefit. Subsequently, the situation was further improved by the arrival in June of Lt. Col. Wm. E. Chickering, representing the administrator of export control and Mr. Charles W. Yost representing the Department of State. Both were well qualified and competent officers and rendered invaluable service in assisting to get the program operating smoothly. With the aid of funds allocated for the purpose by the Department of State, clerical assistance was obtained and trained, and arrangements were completed for obtaining the services of Mr. Frederick H. Noble, formerly the senior officer in the Philippines of the Standard Oil Company of New Jersey. Mr. Noble was in the United States at the time and arrived in Manila toward the end of June.

While the original list of strategic materials subjected to export control in the United States had not been large, various additions had been made from time to time until, by the time the Act was extended to the Philippines, the number of commodities covered was considerable. As originally applied to the Philippines the list of strategic materials included abaca, chrome, coconut oil, copper, copra, iron ore, and manganese, all of which were important in Philippine export trade, as well as other commodities exported from the Philippines in smaller quantities.

The general policies to be followed in the issuance of licenses for commodities subject to control were determined in Washington after consultation by letter or radio with the Office of the High Commis-

sioner. Prior to the adoption of the resolution extending the Export Control Act to the Philippines, members of the staff of the High Commissioner, assisted by Mr. Steintorf, made careful studies of Philippine exports of strategic materials and made recommendations to Washington in regard to each.

In formulating recommendations with respect to limitations upon exports of Philippine products every effort was made to avoid unnecessary disruption of the Philippine economy. While these recommendations were predicated upon the assumption that national defense must take precedence over all other considerations, it was, at the same time, recognized that a serious disruption of the Philippine economy would weaken the Philippines and render them less well prepared for war.

The problem of developing plans which would meet the needs of national defense (of the United States and the Philippines), while not crippling important Philippine industries, was particularly difficult in the case of products normally exported in large measure to unfriendly destinations. An outstanding example of this was iron ore, which always has been exported exclusively to Japan and could not economically be diverted to any other market. In this case the policy established was that, initially at least, exports should be limited to average exports in a representative pre-war period. As exports had been increasing markedly, the effect of such a policy was to reduce exports considerably below current levels. The Office of the High Commissioner determined the export quotas to be allotted to each producer.

Although control of exports of the many types and grades of abaca (Manila hemp) presented manifold technical difficulties, determination of the general policy was relatively simple. All exports of cordage grades of abaca were to be reserved for the United States and other friendly destinations and only waste grades were to be allowed to be shipped to unfriendly destinations, chiefly Japan. The chief objective of the policy was the building up of stocks of cordage grades of abaca in the United States while allowing friendly countries to obtain so much as was necessary to meet their essential requirements. Exports of waste grades of abaca, chiefly to Japan, were licensed freely with the result that all abaca produced in the Philippines found a ready market at good prices.

Exports of copper, manganese, and chrome (chiefly ores and concentrates) were to be reserved exclusively for the United States. Inasmuch as some of the Philippine ores were of too low grades economically to be shipped across the Pacific, this policy ultimately lead to discontinuance of production of some low-grade ores and, in at least one instance, to the shutting down of a mine. On the whole, however, the strong demand for high-grade ores is believed to have more than compensated for losses in exports of the lower grades.

Exports of copra, coconut oil, and their products were restricted to friendly destinations. This policy did not cause serious hardship to the industry inasmuch as the United States normally takes virtually all of the Philippines' exports of coconut oil and the United States and other friendly destinations normally account for the greater part of the copra as well.

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Civilian Defense.—Throughout the year under review the welfare and protection of the civilian population in Manila and in the Philippines in the event of hostile attack were the subject of growing and anxious concern to the High Commissioner. Clearly the "active" military and naval defense of the Islands lay within the responsibility of the United States Army and Navy. On the other hand, it was evident that civilian agencies must assume responsibility for the "passive defense" of the civilian population, embracing measures taken for their general protection and welfare. The problem of organizing and taking adequate measures for civilian welfare and defense, such as ensuring adequate supplies of imported foodstuffs and fuel, preparing shelters and protection against air-raids, strengthening and training the Constabulary, organizing a home guard, and the like, was in the main one lying within the jurisdiction and powers of the Commonwealth Government. Nevertheless, the problem could not be adequately and successfully met without the closest and most constant cooperation among Commonwealth Government officials, United States Army and Navy officers, and representatives of the High Commissioner's office.

Plans for the initiation of this work were made in the High Commissioner's office in the late summer and early fall of 1940. At the request of the High Commissioner, on September 9, 1940, General Grunert, Commanding General of the Philippine Department, met with President Quezon in the office of the High Commissioner and explained in detail to President Quezon the urgent need for joint collaboration in preparing for civilian defense. President Quezon thereupon appointed a committee including General MacArthur, then his military adviser, to represent him in conferring with General Grunert in the effort to formulate concrete plans.

On September 16, General Grunert presented to the committee a detailed written memorandum outlining the need for civilian defense planning. After a month's study, on October 15, the committee reported that protective measures should not be prematurely practiced in the Philippines, that in anticipation of any emergency the Emergency Powers Act (Commonwealth Act No. 600) gave to President Quezon complete control of civic functions, and that in time of emergency by converting land to food production the Philippines could be easily self-contained.

In the meantime, in order to initiate concrete action for the taking of civilian defense measures, the High Commissioner requested General Grunert to submit a plan for the formation of a Civilian Emergency Planning Board. The plan submitted was complete and exhaustive and formed the basis for the future operations of such a board. On October 23, President Quezon, General Grunert, and Admiral Smeallie, then commandant of the Sixteenth Naval District, conferred with the High Commissioner in his office and agreed to the creation of such a board to formulate concrete plans for civilian protection. The board was composed of representatives of the High Commissioner's office, of the United States Army and Navy, of the Commonwealth Government, of the American Chamber of Commerce, and of the Philippine Chamber of Commerce. It held its first meeting in the High Commissioner's office on October 28, with President Quezon and General Grunert attending.

After the High Commissioner had outlined to those present the purposes and functions to be carried out by the planning board, the board members withdrew and elected as their chairman Lt. Col. Robert M. Carswell, then military liaison officer on the staff of the High Commissioner.

The board at once set to work and appointed subcommittees to make studies and prepare reports. These dealt with supplies, transportation, medical supplies and facilities, communications, civilian welfare (including air-raid protection), and personnel and labor. Each of these subcommittees then proceeded to make exhaustive surveys of Philippine resources and needs. After more than 4 months of intensive study and work under the constant inspiration, guidance, and supervision of Colonel Carswell, the board prepared a carefully thought out and detailed report. Copies of this report, dated March 11, 1941, were submitted simultaneously to President Quezon and to the High Commissioner. A copy is attached hereto as Appendix I.

This excellent report became the basis of the later work of the Civilian Emergency Administration. Indeed, one of the major recommendations of the report was the formation of an Emergency Administration to carry out the plans outlined in considerable detail in the report. General Grunert summed up the work of the planning board by stating that it had done an excellent job and that the future success or failure of civilian defense appeared to depend upon what the Commonwealth Government, particularly its President, could and would do in furtherance of the board's recommendations.

On March 20 the High Commissioner conferred with President Quezon concerning the report of the Emergency Planning Board and urged that President Quezon set the machinery of the Commonwealth Government in motion to carry out the recommendations of the planning board. President Quezon agreed that the responsibility was his and that he would go forward; and with the High Commissioner he issued a joint press release pointing out the conditions to be remedied and stating that an organization would be set up to function directly under the President of the Philippines and to be charged with the duty of formulating and executing policies and plans for the organization of units in all the provinces and chartered cities. The text of this press release, dated March 20, is given in full at the end of this section of the report.

In accordance with this assurance President Quezon thereupon established on April 1, 1941, the Civilian Emergency Administration by Executive Order No. 335 under the Emergency Powers Act. The Executive order provided that the administration should function through and be administered by the following officials and organizations and those thereafter designated:

1. The National Emergency Commission, composed of the Secretary of National Defense as chairman, and a representative of each executive department as members, to formulate and execute policies and plans for the protection and welfare of the civil population of the Philippines in extraordinary and emergency conditions. The Executive order provided that the commission should function through (1) the manager of the Philippine Red Cross; (2) a director of publicity and propaganda; (3) a food administrator; (4) an industrial production administrator; (5) a fuel and transportation administrator; (6) a national

air-raid warden; (7) a director of communications, and such other officials as might be appointed by the President.

2. A provincial emergency committee in each province, composed of the provincial governor as chairman and various provincial officials as members.

3. A municipal emergency committee in each municipality or municipal district, composed of the municipal mayor as chairman and various municipal officials as members. In the words of the Executive order "this committee shall organize local units for emergency purposes in accordance with and subject to the rules and regulations to be prescribed by the National Emergency Commission. Such local units shall consist of (1) a volunteer guard, (2) air-raid protection, (3) protection of utilities and industries, (4) food administration, (5) evacuation, (6) public welfare and morale, (7) transportation and fuel administration, (8) medical and sanitary, (9) publicity and propaganda and such other services as may be authorized from time to time."

4. A city emergency committee in each chartered city, composed of the city mayor as chairman and various city officials as members. "This committee shall organize local units for emergency purposes as prescribed for municipalities."

On May 5, 1941, in an address to the National Assembly, President Quezon stated that "while the protection of the Philippines against external aggression is primarily the responsibility of the United States, the duty of safeguarding the inhabitants of our country, both citizens and aliens, against hunger, pestilence, lawlessness, and other dangers which the nature of modern warfare entails, rests mainly with the Government of the Commonwealth." He went on to request from the assembly for the execution of the plans and the effectuation of the objectives of the civilian emergency administration an appropriation of ₱10,000,000. An act (No. 624) providing for this appropriation was passed by the assembly and was approved on June 7, 1941.

After the creation of the Civilian Emergency Administration actual progress in civilian defense preparations was continuous although not as rapid as might have been desired. In spite of handicaps through weaknesses in organization and administration, inadequacy of funds, and difficulties in coordination, definite and real progress was made. The High Commissioner consistently endeavored to stimulate the C. E. A. by placing at its disposal all the facilities of his office and by sending to its meetings to give such help and advice as possible his military liaison officer, Colonel Carswell, and later Maj. Cyril Q. Marron. Rules and regulations governing the formation and training of volunteer guard units and also controlling the use and sale of radio transmitting and receiving sets were adopted.

Secretary Sison, the chairman of the National Emergency Commission, with vigor and energy threw himself into the task; and under his direction the work as previously outlined by the civilian planning committee was pushed forward.

On September 7, 1941, the High Commissioner, in order to inspire fresh impetus and direction to the work of civilian defense, sent his military liaison officer, then Major Marron, who had replaced Colonel

Carswell, to British Malaya and the Netherlands East Indies to report on civilian defense preparations there. Major Marron, as a result of this trip, prepared a series of excellent reports, which had the effect of accelerating the work of civilian defense in the Philippines.

Outside of the field of specific civilian defense activities, the High Commissioner continued in constant touch with General Grunert, both by conference and by letter, respecting the general safety and protection of civilians in Manila and the provinces. Among other matters intensively considered were the possible evacuation of civilians from Manila and especially the delimitation of special danger areas in Manila from which civilians might be evacuated. Close contacts were also maintained with the Philippine Red Cross, particularly in connection with the making of plans for civilian evacuation. The Red Cross also undertook with the cooperation of the High Commissioner's office to make and maintain lists of Americans and other occidentals living within the Philippines.

Through the Red Cross and through representatives of various business groups and civilian organizations the High Commissioner's office constantly sought to stimulate and energize various activities on the part of civilians looking toward civilian defense.

The work thus planned and organized was carried forward in succeeding months and proved invaluable in the days of stress when the Philippines found themselves under Japanese attack.

PRESS RELEASE, MARCH 20, 1941

The report submitted to the United States High Commissioner and the President of the Philippines by the Civilian Emergency Planning Board on March 11th contains a resumé of conditions as they exist at this time, as determined by surveys conducted by the committee on supply, transportation, medicine, communications, welfare, and personnel and labor. In addition to setting forth conditions as they exist, the report of each committee points out specific conditions that need to be remedied and contains the recommendations of the committees as to the action to be taken by the Commonwealth authorities to remedy such defective conditions. For instance, definite shortages are known to exist in certain articles of food and other supply items. The committee on supply has recommended that the commonwealth authorities immediately develop and put into effect a plan to increase the production of essential foodstuffs throughout the Philippines, and that special attention be paid to the development of self-sufficiency of food supply in each locality. It also recommended that the growing of short-time crops, and the raising of livestock and poultry to meet the requirements for meat, dairy and poultry products, be encouraged in every practicable manner. The acquisition of suitable and adequate reserve stocks of all imported items considered as essential, including fuels and foodstuffs, by the Commonwealth Government itself, or by suppliers of such items under an agreement with the Commonwealth Government, was recommended.

Concerning transportation, certain recommendations were made for the control of the operation of motor vehicles during an emergency in order that existing supplies of gasoline, lubricating oil, tires, and spare parts might be conserved.

Among other recommendations made by the board were those concerned with the establishment of adequate stocks of surgical instruments, X-ray apparatus and supplies, biological serums and apparatus for blood transfusions; the expansion of existing telephone and telegraph lines to meet emergency conditions; and the control and use of radio stations during an emergency.

During any emergency many organizations will be active in behalf of the civil population. In order to avoid duplication of effort, prevent waste, and reduce expense, the work of these organizations should be controlled and coordinated by a central organization. To secure such coordination and control

the Board has recommended that a Civilian Emergency Administration be created by the President of the Philippines composed of one representative of each of the following departments of the Commonwealth Government:

Department of the Interior.
Department of Public Works and Communications.
Department of Agriculture and Commerce.
Department of Health and Public Welfare.
Department of Public Instruction.
Department of Finance.
Department of National Defense.

This organization would function directly under the President of the Philippines and be charged with the duty of formulating and executing policies and plans for the organization of certain units in all the provinces and chartered cities. Functioning directly under this national body would be the Philippine Red Cross, a director of publicity and propaganda, a fuel administrator, a food administrator, a national air raid warden, and a director of communications.

Among the units that would be organized and trained under the supervision of the National CEA if this plan is adopted are those belonging to the air raid protective service and volunteer guard units.

The board has prepared a complete and comprehensive air-raid protective plan which contemplates the organization of:

A warning service.
An air raid wardens service.
Auxiliary fire fighting units.
First-aid units.
Demolition and repair units.
Rescue units.
Decontamination units.

This plan contains the necessary information to be given to the public as to what to do before, during, and after an air raid. It contains information regarding air raid shelters and several designs of inexpensive shelters for family use. It even contains directions for making a cheap improvised type of gas mask which would afford temporary protection from poison gas.

MANUEL L. QUEZON,
President of the Philippines.

FRANCIS B. SAYRE,
United States High Commissioner to the Philippine Islands.

Inspection trips of the High Commissioner.—In the fiscal year under review the High Commissioner made two inspection trips to outlying parts of the Philippine Islands. During late August and early September he visited the Sulu Archipelago and Mindanao. Leaving Manila August 26, 1940, the High Commissioner and his party went to Dumaguete, Bongao (Tawi-Tawi), Siasi, Jolo, and then to Parang, Mindanao. This part of the trip was made aboard the U. S. S. *Pope* and the U. S. S. *Peary*. The High Commissioner was accompanied to these places by Rear Admiral John M. Smeallie, Commandant of the Sixteenth Naval District. At Parang the High Commissioner disembarked and met President Quezon, who proceeded with him by automobile over the new north and south highway through the interior of Mindanao from the Cotabato-Davao road to Malabalay in Bukidnon Province. The High Commissioner was gratified by the naming of the new road the Sayre Highway in his honor. It was officially named and opened at noon on September 2. The following night was spent at the Del Monte pineapple plantation, and the next day the High Commissioner boarded the presidential yacht *Casiana*, which President Quezon had kindly placed at his disposal, and returned to Manila, which was reached on September 5.

On January 8, 1941, the High Commissioner made a 4-day trip to Palawan and other nearby islands. He travelled by a United States naval plane to Palawan, where he stopped at Puerto Princessa. He

then flew to St. Pauls Bay on the West Coast where he was met by the U. S. S. *Isabel*, which Admiral Hart had placed at his disposal. The party visited the famous subterranean river, Malampaya Sound, and inspected the leper colony of Culion and the manganese deposits on the Island of Busuanga.

Relations with Foreign Consular Representatives.—Relations with foreign consular officers stationed in the Philippines continued to be, on the whole, amicable and cordial. There were instances, however, when the High Commissioner found it necessary to inform certain foreign consular officers, usually orally but in one instance in writing, to the effect that their activities were extending beyond the limits of their appropriate duties either through engaging in activities which should be handled through diplomatic channels or by approaching the Commonwealth authorities directly in regard to matters which should have been taken up either through the Department of State or through the High Commissioner.

In several instances the High Commissioner, with the cooperation of the Commonwealth authorities concerned, prevented the importation of undesirable German films and other forms of German propaganda and in several instances the High Commissioner found it necessary to remind various European consuls, who complained of statements appearing in the local press disagreeable to them, that in the United States and its territories freedom of speech is enjoyed.

On January 6, 1941, a new French consul arrived at Manila to assume charge of the (Vichy) consulate, and on the day of his arrival the press announced that his predecessor had been appointed delegate in the Philippines of "Free France."

In June 1941, as a result of President Roosevelt's order that all German and Italian consular offices in American territory be closed, the German and Italian consuls at Manila began preparations for the closing of their offices. (The German Consulate closed on July 9 and the Italian Consulate closed on July 10. The staffs of both offices departed from the Philippines in that month.)

There were on June 30, 1941, 6 foreign countries represented in the Philippines by career consular officers, 20 foreign countries represented in the Philippines by honorary consular officers and one represented by a consular agent. The foreign countries represented by career consular officers were China, France, Great Britain, Japan, the Netherlands, and Spain. The foreign countries represented only by honorary consular officers were Argentina, Colombia, Costa Rica, Czechoslovakia, Denmark, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Norway, Panama, Peru, Poland, Portugal, Sweden, Switzerland, Thailand, and Venezuela. Cuba was represented by a consular agent.

Changes in Personnel of the Staff of the High Commissioner.—Mr. J. Weldon Jones, of Columbus, Ohio, resigned on November 21, 1940, in order to accept an appointment in Washington as Assistant Director of the Budget. Mr. Jones had been in the Philippine Islands 7 years, serving as insular auditor and financial expert on the staff of the High Commissioner. On several occasions, covering a considerable number of months, he was designated by the President of the United States as acting United States High Commissioner. He was among the most competent and best liked officials who have served the United States in the Philippines and his departure was regretted by all.

Mr. Woodbury Willoughby, of Fairfax County, Va., who was previously executive assistant to the High Commissioner, was appointed by the President of the United States to be financial expert, effective December 30, 1940. Effective the same date Mr. Evett D. Hester, of Rockford, Ill., who was previously assistant financial expert, was appointed by the President to be economic adviser to the High Commissioner. The President appointed Mr. Claude A. Buss, of Los Angeles, Calif., executive assistant to the High Commissioner on February 18, 1941.

Effective February 15, 1941, the High Commissioner appointed as his private secretary Mr. Robert J. Huffcut, of Buffalo, N. Y. Mr. Huffcut previously had been an officer of the United States Department of State and later an instructor at Cornell University.

Owing to the considerable volume of clerical work involved in the administration of foreign funds control in the Philippines, it was necessary to increase the staff by the appointment on August 2, 1940, of Mr. William J. Stumpf as securities clerk and the appointment on August 5, 1940, of Mrs. Bertha T. Greusel as confidential stenographer. Funds to defray the salaries of these employees were allocated to the Office of the High Commissioner by the United States Treasury Department.

In addition to the above personnel, the United States Department of State, at the request of the High Commissioner, appointed on June 13, 1941, Mr. Frederick H. Noble to be assistant to the High Commissioner in the administration of export controls. Mr. Noble had had long and valuable experience in the Philippines culminating in his service as the senior official in the Philippines of the Standard Oil Co. of New Jersey, from which position he had retired early in 1941. His services in the administration of export control were of the highest order.

On July 25, 1940, Lt. Comdr. Thomas C. Parker reported for duty as naval aide to the High Commissioner to replace Lt. Comdr. Charles V. McVay, who was detached on July 29, 1940. Both of these officers rendered excellent and outstanding service during their details to the staff of the High Commissioner.

The Budget: Appropriation and Expenditures, Fiscal Year 1941.—The appropriation for the Office of the United States High Commissioner for the fiscal year 1941 was $154,000 as against $163,130 for the previous year. In spite of materially increased work devolving upon the office as a result of the growing emergency, expenditures for personnel remained practically the same during the fiscal year 1941 as in the preceding fiscal year. Total expenditures for salaries in the fiscal year 1941 amounted to $119,000.

Depending upon decisions to be reached in respect to contractors' claims and disallowances, it was apparent that there would be a small balance in the no-year construction appropriation of 1935 for construction of offices and residences of the High Commissioner at Manila and Baguio.

Subsequent to occupancy of the new quarters in 1940, it became apparent that additional construction would be necessary to weatherproof the open courtyards and galleries and the west front of the Manila building against driving rains during the typhoon season.

The numerous open archways and loose-fitting metal doors of the building let in large quantities of water which were destructive not only of furnishings but also of interior floors and plastering. The High Commissioner requested an additional sum of $25,000 and a deficiency appropriation of $18,250 was granted.

Expenditures for the year, including those made from the supplemental appropriation, totaled slightly over $172,000. $160,000 was requested for the fiscal year 1942.

It has become increasingly apparent that the annual cost for light and power, maintenance, and custodial service for the buildings will be heavier than had generally been anticipated. This is particularly true if the structures are to be kept clean and maintained in first-class condition. Within three years it will be necessary to repaint the exterior and a portion of the interior of both buildings. Much of the framing of doors and windows in the Manila building is steel and is exposed continuously to high humidity and temperature and to frequent dampening by wind-borne sea spray. These metal parts should be taken down every second year, the rust removed, and the parts completely repainted. Unless precautions of this nature are taken, the deterioration of the buildings will be rapid in spite of their fundamentally sound construction.

The repeated requests for watchmen and guards particularly for the Manila site have not been granted and the office was still dependent upon the service of military police. The Army command at Manila has expressed its desire either that legislation be obtained authorizing a permanent military guard, or that the guard be withdrawn as soon as it is possible to obtain the necessary appropriations for additional civilian watchmen.

A rule of strict economy was followed in the expenditure of official funds, to an extent which at times may have restricted the efficient operation of the office. During the year the Quartermaster Depot and Finance Officer of the Philippine Department, United States Army, continued under Presidential order to procure and disburse for the account of the High Commissioner. The service rendered in these matters was entirely satisfactory and was greatly appreciated by the High Commissioner.

III. The Commonwealth Government

Amendments to the Constitution

As referred to in the report of the High Commissioner covering the fiscal year July 1, 1939, to June 30, 1940, certain amendments to the constitution were submitted to a plebiscite on June 18, 1940, and were reported to have been approved by 80 percent of the voters who participated. At a special session of the National Assembly convened on July 8 "to receive and canvass the returns and certify the results of the election" it was announced that the official returns showed that a majority of those who voted were in favor of the approval of all of the proposed amendments. Under date of December 4, 1940, President Quezon gave public notice of the approval of the amendments on December 2, 1940, by the President of the United States. By such

amendments the following changes in the constitution were accomplished:

1. The unicameral legislature was changed to a bicameral body (to be known as the Congress of the Philippines) by the revival of the Senate and the compensation of members of both houses was fixed at ₱7,200 per year.

2. The terms of office of the president and vice president were changed from 6 years to 4 years, with the qualification that no person shall serve as president for more than 8 consecutive years.

3. The commission on elections was established, to consist of three members and to have "exclusive charge of the enforcement and administration of all laws relative to the conduct of elections."

Commonwealth Laws Requiring Approval by the President of the United States

Under the provisions of the Independence Act (sometimes referred to as the Tydings-McDuffie Act) certain types of acts passed by the Philippine legislature must be submitted to the President of the United States for his approval or disapproval. Within this category the following legislation was so approved during the period covered by this report:

Act No. 613 (Bill No. 1782)—"An Act to Control and Regulate the Immigration of Aliens into the Philippines," was approved by the President of the United States on August 26, 1940. By its provisions it took effect on January 1, 1941. Previously, the immigration law of the Philippines had been the act of Congress of February 5, 1917.

Act 613 establishes a Bureau of Immigration headed by a commissioner and first and second deputy commissioners; provides regulations and documentations for entrance of nonimmigrants; and limits immigration into the Philippines by providing:

SEC. 13. Under the conditions set forth in this act, there may be admitted into the Philippines immigrants, termed "quota immigrants", not in excess of five hundred of any one nationality or without nationality for any one calendar year, except that the following immigrants, termed "non-quota immigrants", may be admitted without regard to such numerical limitations:

(a) An alien coming to prearranged employment, for whom the issuance of a visa has been authorized in accordance with section twenty of this act, and his wife, and his unmarried children under twenty-one years of age, if accompanying him or if following to join him within a period of two years from the date of his admission into the Philippines as an immigrant under this paragraph;

(b) The wife or the husband or the unmarried child under twenty-one years of age of a Philippine citizen, if accompanying or following to join such citizen;

(c) A child of alien parents born during the temporary visit abroad of the mother, the mother having been previously lawfully admitted into the Philippines for permanent residence, if the child is accompanying or coming to join a parent and applies for admission within five years from the date of its birth;

(d) A child born subsequent to the issuance of the immigration visa of the accompanying parent, the visa not having expired;

(e) A woman who was a citizen of the Philippines and who lost her citizenship because of her marriage to an alien or by reason of the loss of Philippine citizenship by her husband, and her unmarried child under twenty-one years of age, if accompanying or following to join her;

(f) The wife or the husband or the unmarried child under twenty-one years of age, of an alien lawfully admitted into the Philippines for permanent

residence prior to the date on which this act becomes effective and who is resident therein, if such wife, husband, or child applies for admission within a period of two years following the date on which this act becomes effective.

Section 20 reads as follows:

SEC. 20. (a) A nonquota immigration visa for an immigrant referred to in section thirteen (a) of this act who is coming to prearranged employment shall not be issued by a consular officer until the consular officer shall have received authorization for the issuance of the visa. Such authorization shall be given only on petition filed with the Commissioner of Immigration establishing that no person can be found in the Philippines willing and competent to perform the labor or service for which the immigrant is desired and that the immigrant's admission would be beneficial to the public interest. The petition shall be made under oath, in the form and manner prescribed by regulations, by the prospective employer or his representative. The petition shall state fully the nature of the labor or service for which the immigrant is desired, the probable length of time for which he is to be engaged, the wages and other compensation which he is to receive, the reasons why a person in the Philippines cannot be engaged to perform the labor or service for which the immigrant is desired and why the immigrant's admission would be beneficial to the public interest. The petition shall be accompanied by a certified copy of any written contract or agreement entered into for the immigrant's service and shall contain such additional information as may be deemed material. Substantiation of any allegation made in the petition may be required.

(b) If the Board of Commissioners finds that the petition complies with the requirements of the preceding paragraph and that the petitioner has established the facts entitling him to the authorization, the Board shall grant the petition and the Commissioner shall so inform the petitioner and promptly transmit authorization to the consular office at which the immigrant is to apply for a visa. Such an immigrant, upon receiving a visa and applying for admission into the Philippines, shall be exempt from the provisions of paragraph fourteen of section twenty-nine (a) of this Act excluding aliens from coming to perform unskilled manual labor in pursuance of a promise or offer of employment.

Provisions for excluded classes are the following:

SEC. 29. (a) The following classes of aliens shall be excluded from entry into the Philippines:

(1) Idiots or insane persons and persons who have been insane;

(2) Persons afflicted with a loathsome or dangerous contagious disease, or epilepsy;

(3) Persons who have been convicted of a crime involving moral turpitude;

(4) Prostitutes, or procurers, or persons coming for any immoral purposes;

(5) Persons likely to become a public charge;

(6) Paupers, vagrants, and beggars;

(7) Persons who practice polygamy or who believe in or advocate the practice of polygamy;

(8) Persons who believe in or advocate the overthrow by force and violence of the Government of the Philippines, or of constituted law and authority, or who disbelieve in or are opposed to organized government, or who advocate the assault or assassination of public officials because of their office, or who advocate or teach principles, theories, or ideas contrary to the Constitution of the Philippines or advocate or teach the unlawful destruction of property, or who are members of or affiliated with any organization entertaining or teaching such doctrines;

(9) Persons over fifteen years of age, physically capable of reading, who cannot read printed matter in ordinary use in any language selected by the alien, but this provision shall not apply to the grandfather, grandmother, father, mother, wife, husband, or child of a Philippine citizen or of an alien lawfully resident in the Philippines;

(10) Persons who are members of a family accompanying an excluded alien, unless in the opinion of the Commissioner of Immigration no hardship would result from their admission;

(11) Persons accompanying an excluded person who is helpless from mental or physical disability or infancy, when the protection or guardianship of such accompanying person or persons is required by the excluded person, as shall be determined by the Commissioner of Immigration;

(12) Children under fifteen years of age, unaccompanied by or not coming to a parent, except that any such children may be admitted in the discretion of the Commissioner of Immigration, if otherwise admissible;

(13) Stowaways, except that any stowaway may be admitted in the discretion of the Commissioner of Immigration, if otherwise admissible;

(14) Persons coming to perform unskilled manual labor in pursuance of a promise or offer of employment, express or implied, but this provision shall not apply to persons bearing nonquota immigration visas authorized by section twenty of this Act;

(15) Persons who within one year prior to the date of application for admission have been excluded or deported from the Philippines, but this provision may be waived in the discretion of the Commissioner of Immigration;

(16) Persons who have been removed from the Philippines at the expense of the Government of the Philippines, as indigent aliens, under the provisions of section forty-three of this Act, and who have not obtained the consent of the Board of Commissioners to apply for readmission; and

(17) Persons not properly documented for admission as may be required under the provisions of this Act.

(b) Notwithstanding the provisions of this section, the Commissioner of Immigration, in his discretion, may permit to enter any alien properly documented, who is subject to exclusion under this section, but who is—

(1) An alien lawfully resident in the Philippines who is returning from a temporary visit abroad;

(2) An alien applying for temporary admission.

In view of the fact that there were known to be a considerable number of persons, particularly Chinese, resident in the Philippines without proper documentation, provision was made for legalization of residents in the following terms:

SEC. 41. (a) Any alien in the Philippines at the time of the passage of this Act concerning whom no record of admission for permanent residence exists or can be located may apply to the Commissioner of Immigration for legalization of his residence in the Philippines. The application shall be made in the form and manner prescribed by regulations issued by the Commissioner. The application must be made within one year after the effective date of this Act, except that if the Commissioner is satisfied that the alien for justifiable reasons has failed to apply within the period of one year, he may accept the alien's application at any time after the date when this Act becomes effective: *Provided, however,* That any alien in the Philippines, whose record of admission for permanent residence does not exist or cannot be located and who shall fail to legalize his residence in the Philippines as provided in this section, shall be presumed to be unlawfully within the Philippines.

(b) If the Commissioner of Immigration finds that the applicant—

(1) entered the Philippines prior to the effective date of this Act;

(2) has maintained a residence in the Philippines since he entered;

(3) is a person of good moral character; and

(4) is not subject to deportation—

the Commissioner shall make a record in the Bureau of Immigration that the applicant's residence in the Philippines has been legalized.

(c) An alien whose residence has been legalized in accordance with the provisions of this section shall be deemed to have been lawfully admitted into the Philippines as of the date of his entry.

During the period when the bill was under consideration by the National Assembly, Japanese officials and the Tokyo press indicated that they would regard passage of the bill in its revised form as "an unfriendly act" discriminatory against Japan because of the fact that the number of quota immigrants permitted annually to enter the Philippines from any one country had been reduced from 1,000, as provided in the original bill, to 500. Subsequently, however, neither at the time of President Quezon's proclamation nor at the time the bill became effective was there any public evidence of Japanese resentment.

Act No. 503 (Bill No. 1205)—"An Act to amend certain sections of the National Internal Revenue Code," was approved October 16, 1939. Sections 1 and 4 were subject to the approval of the President of the United States and were approved by him on September 21, 1940. Section 1 levies a percentage tax on Philippine exports and section 4 imposes a compensating tax on goods purchased abroad.

Act No. 585 (Bill No. 11)—"An Act prohibiting the exportation of fibers (buntal), seeds, or seedlings of the plant commonly known as the 'buri'," and providing penalties for its violation, was approved by the President of the United States on June 7, 1940. By its provisions it took effect on June 15, 1941, one year after the certification by the President of the Philippines of the approval of the Act by the President of the United States. See "Economic Legislation" for comment.

Act No. 406 (Bill No. 3927)—"An Act amending section twelve hundred and ninety of the Administrative Code so as to give Collectors of Customs discretionary power to impose sur-charges" for undervaluation and misdescription in entry of imported merchandise was approved by the President of the United States on December 6, 1940.

Laws Enacted by the Second National Assembly

Fourth Special Session.—The fourth special session of the Second National Assembly, which commenced on July 8, 1940, adjourned on August 10, 1940, after having been in session for the maximum period of 30 days, exclusive of Sundays, as authorized by article VI, section 3(3) of the constitution of the Philippines.

The initial purpose of the special session, as set out in Proclamation No. 568 of the President of the Philippines, was to canvass the returns and to certify the results of the general election held on June 18, 1940, at which the people of the Philippines voted on the amendments to the Philippine constitution and the ordinance appended thereto, proposed by the National Assembly in its Resolution No. 38 of September 15, 1939, as amended by Resolution No. 73 of April 11, 1940, and to consider such other matters as might be submitted from time to time by the President. By July 13, 1940, the special committee of 15 members for the canvassing of the votes cast at the general election had announced that the official returns indicated that a majority of those who voted were in favor of the approval of all of the proposed amendments; meanwhile the remainder of the assembly had proceeded to introduce bills relating, for the most part, to national defense and to meeting the chronic need for additional school facilities.

On Monday, July 15, President Quezon delivered his message to the National Assembly. After referring to existing world conditions, the President specified the measures which he thought were necessary. Authority for the legislation he proposed would be drawn from article VI, section 16 of the Philippine constitution which provides that

> In times of war or other national emergency, the National Assembly may by law authorize the President, for a limited period and subject to such restrictions as it may prescribe, to promulgate rules and regulations to carry out a declared national policy.

The President suggested legislation under that section as follows:

> Our constitution empowers the National Assembly to grant the President all the powers that may be needed to carry out a national policy in times of emergency. To my mind, the emergency has arisen, and emergency that is real and

menacing. We must insure for our people enough food and clothing, and protect them against profiteering. We must likewise insure the continuance of our agricultural and industrial production and protect the nation against the threatening growth of unemployment.

I assure you that, given the necessary authority, with such limitations as you may deem wise to prescribe, I shall be better prepared to meet the difficulties that are ahead of us and to safeguard the well-being of our people.

I must, therefore, have authority to control the food resources of the country and, to this end, to require all citizens to render personal civil services; to prevent, whenever the public interest so requires, strikes and unwholesome social agitations; and to commandeer ships and other means of transportation in order to facilitate the free and continued movement of goods and merchandise.

The President then went on to take up the public school situation. He referred to the provision of the Philippine constitution (article XIII, section 5) making it the duty of the central government to provide free primary instruction and to the fact that the national government had assumed that duty under Act No. 381. He spoke of the inability of the municipalities to maintain the intermediate schools, and of the assistance given to the municipalities in the form of loans by the central government, as authorized by Act No. 513, and reached the conclusion that the central government must assume the full responsibility for the entire elementary system. To combat the illiteracy which prevailed under the existing system, he advocated that he be given authority to simplify and shorten the elementary system, to raise the entrance age from 7 to 9 years, and to make compulsory the completion of the primary course.

Of the 150 measures which were introduced by assemblymen, 28 bills were passed by the assembly, and all but one of this number were approved by the President of the Philippines. Act No. 603, increasing the fees charged for the inspection of fiber, insofar as it affects exports, would seem to require the approval of the President of the United States before it can be enforced as to these. The act contains no provision to that effect and in fact stipulates that it shall be effective upon the approval of the President of the Philippines. The act merely amends section 1795 of the Administrative Code, as amended, which prescribed the fees for the inspection of fiber in the Philippines, and section 1796–B of the Code which provides for the expenditure of the receipts from the fees; however, the fact that another section of the Administrative Code, as amended, provides for the refund of the fees on all fiber consumed within the Philippines, and thus levies the fee for inspection of fiber only on exported fiber, would lead to the conclusion that a change in the amount of the fee is a matter affecting exports and therefore must be approved by the President of the United States in order to conform with the requirements of section 2 (a) (9) of the Tydings-McDuffie Act.

Of the new acts, the most important is Act No. 600 which grants to the President of the Philippines broad emergency powers. Conforming closely to the demands contained in the President's message to the National Assembly, the act authorizes the President (1) to suppress subversive activities, (2) to require all able-bodied citizens not engaged in any useful occupation (a) to engage in farming or other productive activities or (b) to perform such services as may be necessary in the public interest, (3) to take over farm lands to prevent a shortage of crops, (4) to take over industrial establishments to insure normal production, with power to control wages and profits therein,

(5) to prohibit lockouts and strikes whenever necessary, (6) to regulate the normal hours of work for wage earning and salaried employees in industrial or business undertakings, (7) to insure an even distribution of labor among the productive enterprises, (8) to commandeer ships and other means of transportation, (9) to requisition and take over any public service or enterprise, (10) to regulate rents and the prices of articles or commodities of prime necessity, both imported and locally produced or manufactured, and (11) to prevent scarcity monopolization, hoarding, injurious speculations, and private controls affecting the supply, distribution, and movement of food, clothing, fuel, fertilizers, chemicals, building materials, implements, machinery, and equipment required in agriculture and industry. The act as originally introduced would have given the President these powers for a term of 2 years; however, upon the appearance of much opposition to such an extended term, the act as finally passed limits the President's authority "until the date of adjournment of the next regular session of the National Assembly unless sooner amended or repealed by the National Assembly." This act was amended and extended by Act No. 620 as described on page 28.

In addition to Act No. 600, several other acts delegate powers to the President. Falling also under the heading of emergency powers, Act No. 606 provides that "no person * * * shall, without the approval of the President of the Philippines * * * transfer to or place under any foreign registry or flag any vessel owned in whole or in part by a citizen of the Philippines or by a corporation organized under the laws of the Philippines; or * * * transfer any shipyard, drydock, shipbuilding or ship-repairing plant or facilities, or any interest therein."

Act No. 588 authorizes the President to make temporary appointments to certain public offices. Under the terms of the bill "when an officer in the Executive Department of the Government, appointed by the President of the Philippines with the consent of the Commission on Appointments of the National Assembly or by the President alone, is unable to perform the duties of his office owing to illness, absence, or other cause, or in case of a vacancy in the office, the President may designate another officer already in the service or any other competent person to act temporarily in said office." Also the tenure of the temporary appointee is not to continue beyond the date of the adjournment of the regular session of the National Assembly next following the designation.

Under the provisions of Act No. 601 "no license shall hereafter be issued for * * * places of amusement, except in accordance with rules and regulations to be promulgated by the President of the Philippines for the purpose and upon payment of fees provided therein."

The President is authorized, by Act No. 590, to sell insular government properties consisting of the present location of the bureau of plant industry in the city of Manila and to purchase a more extensive area for the bureau.

Act No. 607 provides for the organization of the commission on elections. The language of the act is almost identical with that contained in the new amendment to the Philippine constitution which was approved by the National Assembly in Resolution No. 73, submitted to

the people by Act No. 517, ratified in the plebiscite in June 1940, and which has been approved by the President of the United States.

Bills relating to schools were the first to pass the assembly. Bill 1990 appropriating ₱9,500,000 for primary and intermediate schools became Commonwealth Act No. 587 when the President signed it on August 8. Also, Bill 2011, providing for numerous changes in the school system, was signed on that day and is now Public Act No. 586. Under the terms of the latter act, the department of public instruction is authorized to make a revision of the elementary school system, which is to be approved by the President in accordance with objectives set out in the act. This act is described in part IV of this Report dealing with Social Conditions and Education.

A number of other acts appropriate funds for school buildings Nos. 609, 611, and 612. Act No. 589 prescribes a ritual to be followed by all public schools. On at least 1 day a week ceremonies are to be conducted which shall consist of the singing of the Philippine national hymn, the raising of the Philippine flag, patriotic addresses, and the recitation of patriotic pledges.

Act No. 605 grants pensions of not less than ₱15 nor more than ₱200 to veterans of Philippine wars and revolutions who are physically incapacitated to perform ordinary occupations or who are more than seventy years of age and have no visible means of support. For the administration of the act a board of veterans' pensions is provided for, to be composed of the commissioner of the budget (as chairman), the commissioner of civil service, the auditor general, and two veterans of Philippine wars or revolutions who are to be named by the President with the approval of the Commission on Appointments.

Act No. 597 amends the National Defense Act (No. 569) so as to withhold the franking privilege which had been granted to the Philippine army in the original act. President Quezon last May in signing the National Defense Act pointed out that no other branch of the Government exercised such a privilege and stated that he believed that such a grant would be against public policy. On signing the Act he wrote: "In the meanwhile the rules and regulations which are a prerequisite to the enjoyment of the franking privilege will not be issued by me."

A Bureau of the census and statistics is created by Act. No. 591.

The remaining acts are purely of local interest and are relatively unimportant. Under Act No. 593 certain sections of the Sugar Stabilization Act, imposing taxes on sugar lands ceded to others, are suspended up to June 30, 1940. See "Economic legislation" for comment. Act No. 596 exempts cooperative associations from certain registration fees. A special sweepstake race, for the benefit of the Boy Scouts of the Philippines, is authorized by Act No. 595. Act No. 599 authorizes special assessments on real estate for national roads, in chartered cities other than Manila. Act No. 590 relates to discipline of civil-service employees, and Act No. 608 authorizes the department of justice to supervise certain arbitration cases. A retirement gratuity is granted to a former provincial treasurer of Davao by Act No. 594. Funds are appropriated for the Agugaddan barrio school, Penablanca, by Act No. 610. Act No. 604 incorporates the Jaro district within the municipal limits of Iloilo, and under Act No. 592 the municipality of Dansalan, Davao, is given the status of a chartered city.

One of the Resolutions adopted by the National Assembly, Resolution No. 94, deserves comment. The language is as follows:

> Resolved, That the Speaker be and he hereby is authorized to employ ways and means, as in his judgment may be wise, looking to the early approval by the President of the United States of Resolution Numbered Seventy-three, proposing amendments to the Constitution of the Philippines.

Pursuant to this authority, the speaker of the National Assembly, accompanied by a small party including Assemblyman Dominador Tan, left Manila on September 5, 1940, for Washington, D. C.

Although no measures relating to national defense were passed by the National Assembly, a number of bills on this subject were introduced, and some of them deserve mention. Bill No. 1932 would have expended ₱1,000,000 for the purchase of submarines and mines; Bill No. 1938 would have set up a government fund for the manufacture and sale of gas masks; Bill No. 1943 would have expended all the coconut oil excise tax funds, except those required for the operation of the National Tobacco Corporation and the National Coconut Corporation, exclusively for national defense purposes; Bill No. 1949 would have expended ₱50,000,000 for the same purpose; Bill No. 1919 advocated the holding of a special sweepstake, the returns of which were to be used for national defense; and Bill No. 1977 would have amended the espionage action to combat fifth column activities. However, after the Assemblymen had begun work on the emergency powers demanded by President Quezon as an "economic defense," bills which had been introduced relating to military defense were laid aside.

A complete list of the bills and resolutions passed during the fourth special session may be found in Appendices II and III, post.

Third Regular Session.—The third regular session convened on January 27, 1941, and adjourned on May 22, 1941. In President Quezon's message to the Assembly on January 31, 1941, he referred to the measures which had been enacted by the assembly since the inauguration of the commonwealth, expressed the hope that the program of the United States for national defense included the Philippines, and mentioned the approval by President Roosevelt of the amendments to the constitution.

He spoke also of the organization of the department of national defense to handle national defense activities, the appointment of a Code committee to revise and codify the substantive laws, the creation of the office of district attorney in each of the nine judicial districts and of a division of investigation under the department of justice.

Other activities referred to were the public service commission (to regulate public utilities), the securities and exchange commission (to regulate the issuance of, and trading in, securities), the court of industrial relations (to settle labor-capital disputes), the national land settlement administration (to facilitate transferring the poorer classes from congested to unoccupied areas), the rural progress administration (to assist the landless to acquire lands and homes), the People's Homesite Corporation (to provide suitable homes for the working classes), and the extension of credit to farmers.

Complimentary reference was made of the functioning of the commission on elections in the December 1940 general election for local officials, of the organization of the department of health and welfare, of the public school system (including the system of adult education) and its growth and progress, and of public works generally.

President Quezon referred to the internal revenue code and the collections of taxes and customs duties, and to the status of provincial, municipal, and commonwealth finances. He called attention to the necessity for additional irrigation systems and for improvement in the fishing industry and recommended (a) an amendment to the public land law to accomplish a more equitable distribution of land, (b) the transfer to the bureau of banking of all of the treasury duties relating to insurance companies, mutual aid associations, and trusts, (c) the authorization to the division of purchase and supply to make advance purchases of supplies and materials, (d) the amendment of the election laws with respect to the appointment of election inspectors, (e) the enlargement of the term of office for elective local officials from three to four years, and (f) the passage of executory legislation respecting the amendments to the constitution.

During the third session the National Assembly passed 56 bills, the most important of which will be summarized here. A complete list, with titles, may be found in Appendix II.

Act No. 616 (approved June 4, 1941) provides penalties for espionage and other offenses against the national defense.

Act No. 618 (approved June 5, 1941) provides for the issuance of bonds in the amount of ₱20,000,000, with a maturity date not beyond 30 years and an interest rate at not over 5 percent per annum to be determined by the President of the Philippines. The proceeds from the sale of the bonds are to be used to replace ₱5,000,000 transferred from the government center fund reserve to the unencumbered surplus of the general fund and to provide ₱15,000,000 for the construction of public improvements and for other lawful purposes.

Act No. 620 (approved June 6, 1941) amends section 1 of Act No. 600 and authorizes the President to promulgate rules and regulations with the force of law, for certain specified purposes relating to the protection of the Philippines and its inhabitants during the emergency created by the existence of war in many parts of the world. Under this act the authority given President Quezon by Act No. 600 (see page 24) is extended "until the date of adjournment of the next regular session of the first congress of the Philippines." In the normal course that would have been about May 30, 1942.

Act No. 624 (approved June 7, 1941) appropriated ₱10,000,000 for the protection, defense, and welfare of the civilian population.

Act No. 625 (approved June 7, 1941) provides the manner in which the option to elect Philippine citizenship shall be declared by a person whose mother is a Filipino citizen.

Act No. 628 (approved June 10, 1941) creates a code committee, consisting of a chairman and not more than 10 members, to revise and codify the substantive laws of the Philippines.

Act No. 633 (approved June 10, 1941) relates to the classification of municipalities and the appointment of their councilors.

Act No. 636 (approved June 10, 1941) amends Act No. 192 which created, in 1936, the "National Produce Exchange" to facilitate the marketing of agricultural products in the Philippines. The amendments permit the exchange to be placed under the administration of the Bureau of Commerce and authorize the use of an appropriation of ₱50,000 as a revolving fund for carrying out the purposes for which the exchange was established.

Act No. 637 (approved June 10, 1941) provides for a reciprocal exemption from Philippine income and residence taxes of the income of nonresident United States citizens or corporations organized under the laws of the United States or any of its political subdivisions, derived from the operation of ships documented under the laws of the United States, except income from the Philippine coastwise trade.

Act No. 638 (approved June 10, 1941) provides for the uniform publication and distribution of the Official Gazette and specifies what it shall contain.

Act No. 639 (approved June 10, 1941) amends the Administrative Code and provides for the appointment of the chief justice and the associate justices of the Supreme Court by the President, with the consent of the commission on appointments.

Act No. 641 (approved June 11, 1941) amends the Administrative Code and specifies the officers who shall have general authority to administer oaths.

Act No. 642 (approved June 11, 1941) relates to the issue of bonds of the Insular Government secured by bonds of the Province of Iloilo and certain municipalities thereof, for permanent public improvements.

Act No. 645 (approved June 11, 1941) relates to the appointment of regular officers in the Army of the Philippines.

Act No. 648 (approved June 16, 1941) creates the National Housing Commission, defines its duties, and specifies its purposes as follows:

(a) The acquisition, development, improvement, construction, leasing, and selling of lands and buildings or any interest therein in the cities and populous towns of the Philippines, with the object of providing decent housing for those who may be found unable otherwise to provide themselves therewith;

(b) The promotion of the physical, social, and economic betterment of the inhabitants of the cities and populous towns of the Philippines, by eliminating therefrom slums and dwelling places which are unhygienic or unsanitary and by providing homes at low cost to replace those which may be so eliminated; and

(c) The provision of community and institutional housing for destitute individuals and families and for paupers.

Act No. 649 (approved June 16, 1941) reduces the contribution of provinces and municipalities to the "agricultural fund" provided for in the Administrative Code.

Act No. 650 (approved June 16, 1941) appropriates additional funds for increased air-mail contracts for transporting mail by air between points within the Philippines.

Act No. 651 (approved June 16, 1941) authorizes the issue of commonwealth bonds in the amount of ₱1,000,000, to be secured by the bonds of the Province of Rizal and twelve municipalities in that province, for the purpose of providing public improvements.

Act No. 653 (approved June 21, 1941) requires the registration and fingerprinting of aliens residing in the Philippines. Exceptions are made of accredited officials of foreign governments and their official staff and families and citizens of the United States.

Act No. 654 (approved June 21, 1941), the "General Appropriation Act for the fiscal year nineteen hundred and forty-two", appropriates a total of ₱91,839,629.50.

Act No. 657 (approved June 21, 1941) reorganizes the Commission on Elections and converts it into the Commission provided for in the Constitution, defines its powers and duties, and repeals Act No. 607 which was passed by the Fourth Special Session and approved August 22, 1940, and which created the Commission on Elections.

Act No. 658 (approved June 21, 1941) appropriates ₱15,760,500 for public works out of the proceeds of the sale of bonds issued or to be issued under the provisions of Act No. 618.

Act No. 659 (approved June 21, 1941) amends certain sections of Act No. 502, the Act of October 12, 1939, creating Quezon City, and inserts new sections therein. The changes accomplished concern the powers of the municipal corporation, the territorial boundaries of the city, the powers of the City Council, the assistant city attorney, the creation of the municipal court, the court's employees, jurisdiction, powers, procedure, costs, fees, fines, and forfeitures, the procedure on appeal from the court, the city treasurer, the exemption of certain real estate from taxation, and the abolition of the office of justice of the peace.

Act. No. 660 (approved June 21, 1941) authorizes the President to abolish the Department of the Interior and to transfer its powers, functions, and property to the Executive Office, the Department of Justice, and the Department of National Defense, as provided in the Act.

Act No. 661 (approved June 22, 1941) amends Section 154 of the Administrative Code and creates an additional branch of the Court of First Instance of Cagayan in the First Judicial District.

Act No. 665 (approved June 22, 1941) amends Section 2550 of the Administrative Code relating to the powers of the mayor of Baguio.

Act No. 666 (became law without Executive approval June 22, 1941) provides for the first election, under the constitution as amended, of president, vice president, senators, and members of the House of Representatives. The act provides the method by which a person may become a candidate for one of said offices, sets out the form of ballot to be used and directs how it shall be marked, and in general specifies how the election shall be held and the votes tabulated and proclaimed.

Act No. 668 (became law without Executive approval June 22, 1941) adds Cagayan, Province of Misamis Oriental, as a port of entry and makes appropriation for its expenses.

Act No. 669 (became law without Executive approval June 22, 1941) amends sections 4 and 5 of the "Assessment Law" and provides for the apportionment between the provinces and municipalities or municipal districts of the real property tax on machineries used in sugar centrals, mills, or refineries.

Resolutions of the National Assembly

In order to continue the procedure adopted in the preceding report, a full list of the titles of all resolutions adopted by the National Assembly during the Fourth Special Session and the Third Regular Session is attached as Appendix III of this report.

Two resolutions adopted by the third session deserve special mention. Resolution No. 108 petitions the President and the Congress of the United States to suspend the effects of those provisions of the Tydings-McDuffie Act (as amended) which impose an export tax on Philippine articles shipped from the Philippines to the United States and which fix a graduating limitation upon the quantities of certain Philippine commodities which may be exported to the United States between January 1, 1941, and July 3, 1946. The petition is based upon the world's upset economic conditions and requests that the suspension asked for continue until otherwise ordered by the President of the United States.

Agitation for relief from the restrictive taxes and quotas upon Philippine exports began some time before these were to come into effect. In a radio speech delivered on September 17, 1940, which received widespread comment, the commonwealth Secretary of Finance, Manuel Roxas, advocated a radical modification of the economic provisions of the Independence Act, as amended by the Economic Adjustment Act, including the postponement of the export taxes and quotas until 4 years after the termination of the European War and that the "economic adjustment period" should be prolonged "for at least 10 years more." President Quezon endorsed Secretary Roxas' proposal stating, however, that he did not favor any change in the political provisions of the law, especially those providing for independence in 1946.

In spite of this agitation for postponement of the export taxes and quotas, however, the taxes and quotas became effective on January 1, 1941. These taxes amounted to 5 percent of the United States import duties on like products imported from foreign countries and were to increase each year by a similar amount until the Philippines became independent. They were levied upon all shipments of dutiable articles with the exception of certain important commodities, shipments of which were limited quantitatively by quotas; namely, cigars, scrap tobacco, coconut oil, and pearl buttons. The quotas established for these products were to be reduced progressively each year until independence was attained. The law also provided that no tax should be levied upon copra or Manila (abaca) fiber. By far the greatest part of the export taxes collected (more than four-fifths of the total in the period January to May 1941) were derived from sugar.

As noted above, the assembly, on May 21, 1941, adopted a resolution petitioning the President and Congress of the United States to suspend the provisions of law requiring export taxes and quotas upon Philippine exports to the United States. In transmitting this resolution, President Quezon strongly endorsed it.

The High Commissioner, while recognizing that the taxes and quotas in 1941 and 1942 would not be sufficiently restrictive to have an important effect upon Philippine trade, nevertheless felt that, in view of all the circumstances of the case and particularly of the critical international situation, the desires of the Commonwealth should be given favorable consideration by Washington.

Resolution No. 109 expresses "* * * the sense and conviction of the Filipino people and the National Assembly that the question of the political relations between the United States and the Philippines is definitely settled, and that the only thing that remains to be done

in order to bring our national aspiration to complete realization is to remove all the obstacles that may stand in its way so that independence shall be effective in the year 1946."

Legal Matters of a General Nature

Commonwealth Act No. 600, otherwise known as the Emergency Powers Act, was approved by President Quezon on August 19, 1940. As in the case of the 1939 emergency powers Acts, rules and regulations issued under the Act were "to have the force and effect of law until the date of adjournment of the next regular session of the national assembly, unless sooner amended or repealed by the national assembly." The National Assembly during its third regular session extended the effective date of the act until the date of adjournment of the next regular session of the first Congress of the Philippines (which would in the ordinary course of events have occurred about May 30, 1942). President Quezon approved this amending act on June 6, 1941, and it became Commonwealth Act No. 620.

The following executive orders were issued under Commonwealth Act No. 600, as amended, during the period under review:

Executive Order No. 301, September 10, 1940, designating the Philippine National Bank as one of the agencies to carry out the objectives of Commonwealth Act No. 600, by undertaking the extension of credit facilities to tenants who may need the same for their support during the period between harvest seasons and to cover the expenses incident to the purchase of seeds and the proper cultivation of the land which they work, under such conditions as the board of directors of the Philippine National Bank may determine. The sum of ₱1,000,000 was allotted to the bank for this purpose, and monthly reports were required to be made to the President.

Executive Order No. 333,[1] March 20, 1941, prohibiting the exportation of rice and palay from the Philippines.

Executive Order No. 334,[1] March 22, 1941, amending No. 333 so that the exportation of corn, as well as rice and palay, was prohibited.

Executive Order No. 335, April 1, 1941, creating a Civilian Emergency Administration, upon the recommendation of the civilian emergency planning board.

Executive Order No. 337, April 16, 1941, promulgating rules and regulations for the organization and training of volunteer guards.

Executive Order No. 339, May 3, 1941, requiring all governmental entities to purchase reserve supplies of oil products for possible emergency use.

Executive Order No. 340, May 3, 1941, requiring dealers, distributors, etc., to report stocks of stores and foods in their possession and of those arriving under contract.

Executive Order No. 342, May 12, 1941, granting provincial governors the power of supervision and control of volunteer guard units in their respective provinces.

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[1] Executive Orders Nos. 333 and 334 both contained the introductory sentence "In order to safeguard the public interest and pursuant to the authority vested in me by law"; no specific reference was made to Commonwealth Act No. 600. However, during the latter part of May 1941, Secretary of Justice Jose Abad Santos issued an opinion sustaining the power of the President of the Philippines, with the approval of the President of the United States, to forbid, under act No. 600, the exportation of materials in times of emergency.

Executive Order No. 344, May 17, 1941, requiring certain persons to report stocks of essential building materials, food commodities, and food containers.

Executive Order No. 345, May 17, 1941, designating the Department of Harbor in place of the Philippine National Bank as one of the agencies to carry out the objectives of Commonwealth Act No. 600. This order supersedes Executive Order No. 301, supra.

Further comments on the emergency powers acts are contained in part IV of this report relating to social conditions.

Federal Legislation Affecting the Philippines

During the year under review two bills were enacted into law in the United States.

Section 3 of the Act of October 15, 1940, c. 887, 54 Stat. 1178, amends section 503 of the Sugar Act of 1937 (48 U. S. C., supp. V, sec. 1007a, 50 Stat. 915) by striking out "June 30, 1941," and inserting in lieu thereof "June 30, 1942." Section 503 of the Sugar Act of 1937 provides authority for the appropriation of an amount equal to the amount of taxes collected or accrued on sugars produced from sugarcane grown in the Philippines and brought into the United States. The purpose of the appropriation would be the financing of the program of economic adjustment in the Philippines. By the 1940 amendment the amount authorized to be appropriated was increased so as to include the taxes recoverable from sugarcane grown in the islands and brought into this country on or prior to June 30, 1942. No actual appropriation was made under this authorization.

The Act of June 6, 1941 (ch. 176, 55 Stat. 246), authorizes the Secretary of the Navy, in his discretion, to sell to the Commonwealth of the Philippine Islands such materials, supplies and equipment, and to repair or assist with the designing of vessels, armament, or equipment for said Commonwealth as the Naval Establishment may be in a position to do, at prices to be specified by the Secretary of the Navy, such prices to be not less than the cost to the Government. The act further provides (a) that all contracts or agreements for the sale of the materials, supplies, or equipment authorized shall contain a clause by which the Commonwealth undertakes not to dispose of such materials, supplies, or equipment or of any plans, specifications, or information pertaining thereto in any such manner that they become a part of the armament of, or available to, any State other than the Commonwealth, and (b) that the authority granted shall terminate upon the final granting of independence to the Commonwealth.

Appeals From Decisions of the Auditor General

Reference was made in the preceding report to the fact that the President's Executive Order No. 8445 of June 15, 1940, effected the desired amendment to Executive Order No. 8135 relating to the time within which an appeal may be taken from decisions of the Auditor General to the President of the United States. On August 5, 1940, the President of the Philippines issued his Proclamation No. 593 publishing Executive Order No. 8445.

No appeal was taken from any decision of the Auditor General during the period under review.

IV. Social Conditions and Education

Social conditions in the Philippines during the year under review were in a number of respects unsatisfactory. From the beginning of American occupation of the islands to the present time efforts have been concentrated on advancement of education, public health, self-government, and an increasing national income, apparently with confidence that success in these fields would automatically bring about an improved social organization. That substantial success was achieved in these aims is incontestable. Literacy rose from 18 percent in 1903 to over 48 percent in 1939. All serious tropical epidemics have been either practically eliminated or brought under definite control with a surprising decrease in infant mortality and a marked increase in longevity. Self-government has reached its maximum short of sovereign independence, and this last step is dated for 1946. The national income as measured by overseas and domestic trade values has increased five-fold. And yet, in spite of these salutary and outstanding accomplishments, neither a sizable independent middle class nor an influential public opinion has developed. The bulk of the newly created income has gone to the Government, to landlords, and to urban areas, and has served but little to ameliorate living conditions among the almost feudal peasantry and tenantry. The relative numbers of these have not been materially reduced. Maldistribution of population, of land, and of wealth in many forms continues. The gap between the mass population and the small governing class has broadened, and social unrest has reached serious proportions.

Landless rural class.—The number of landless families in the rural districts was reported as increasing. The increasing ratio in the population of youth of marriageable age has been rapid and a large number have not been able to obtain new land in spite of the fact that nearly a third of the area of the Philippines is suitable for cultivation but unplowed. The processes for homesteading on the public domain, never highly efficient, appear to have deteriorated. The Government's land resettlement administration has been active, particularly in the Koronadel Valley district inland from Serangani Bay in Mindanao, but its efforts have been restricted to a scale adequate to care for only a fraction of the landless. Recent development in the mineral and urban industries has absorbed a minor part of the growing labor population and the Government's large public works program has afforded incidental and temporary relief. But these factors have not prevented further division of the 2-to-5 hectare average parental freeholds, and the squatting on public lands with consequent instability of title, increased tenancy, and increased landlessness.

Purchase of large estates.—The Government has wisely undertaken steps toward the purchase and resale not only of homesites in rural villages but of large estates where tenancy troubles were evident. During the year five estates (Bahay Pari, Marakina, Dinalupihan, Lian, and San Pedro Tunasan) were purchased and the Buenavista Estate was leased for 25 years by the Government. Redistribution of the purchased estates to the tenant occupants and management of leased areas was placed under control of the rural progress administration. Objections were raised in several instances by the tenants

who claimed that the land should be granted freely to them as they and their ancestors had worked upon it for generations.

Agrarian socialistic movement.—The agrarian socialistic element, particularly that led by Pedro Abad Santos in Pampanga Province, was exceptionally active during the year. The viewpoint of the dissident groups was expressed not only in speeches, parades, demonstrations, and passive resistance, but also, in several instances, by violence. Several persons were killed or wounded in a number of tenant uprisings. As a result, Pampanga Province was placed under constabulary control. By June 1941, the constabulary had taken over control of all municipal police forces in the 11 provinces of central Luzon: Pangasinan, Pampanga, Tarlac, Bulacan, Nueva Ecija, Bataan, Zambales, Cavite, Rizal, Batangas, and Laguna. Tenant troubles at Candaba, Pampanga Province, resulted in the murder of 6 persons. On June 18, the Secretary of the Interior announced that the constabulary had been strengthened and was prepared to strike swiftly against radical elements at any time.

The socialist-communistic leaders in central Luzon brought to the fore the question of totalitarianism among the ruling class. In August, the socialist leaders challenged the Emergency Powers Act (Act 600) which granted ultra powers to the President of the Commonwealth and particularly criticized the second power which permitted the President to require all able-bodied citizens not engaged in any useful occupation to engage in farming or to perform such services as might be necessary in the public interests.

Pedro Abad Santos urged labor to fight the exercise of these powers, stating that it was beginning to appear that the governing element was committed to do away with whatever of democracy had been achieved. Commenting upon the same legislation the Hon. Jose Laurel, associate justice of the Philippine supreme court was reported to have said that totalitarianism is gradually supplanting democracy the world over, and that the Philippines turned to a constitutional dictatorship when the National Assembly passed the Emergency Act. In his speech before the University of the Philippines law college he continued that he would accept a benevolent dictatorship, not one like Hitler and Mussolini who eliminate those who oppose them. He wanted a government which would give the people what they need for happiness and a modicum of individual liberty. He cited Japan as an excellent example of constitutional or benevolent dictatorship. He endorsed the Emergency Powers Act.

"Our country is dominated economically and politically," Pedro Abad Santos declared on another occasion, "by Spanish and Japanese Fascists, through Filipino dummies, saboteurs, and traitorous public officials."

It has been difficult to lodge culpability for the spreading dissent in central Luzon, but the influence of Pedro Abad Santos has spread widely in neighboring provinces. The socialist vote in Pampanga increased several fold in the last 3 years.

Extension of licensed gambling.—Another of the social problems confronting the Philippines is the extension of licensed gambling. In the fall of 1940 the Basque Jai-Alai palace was opened. The organi-

zation was licensed by franchise of the previous national assembly. It is largely capitalized and operated by interests connected with the Compania General de Tabacos de Filipinas and the Sir Victor Sassoon interests. Stockholders include persons high in the Commonwealth Government. It enjoyed a loan of ₱250,000 from the Commonwealth-owned Agricultural and Industrial Bank. In the general admission gallery arrangements were made for betting by participations at as low as ₱0.20. An effort on the part of the Civil Liberties Union to compel the Jai-Alai Corporation to show its books was frustrated in the courts.

At least seven cabarets and restaurants in Manila were permitted to open and operate banker's dice tables. Some of these institutions also openly operated house-bank card games and roulette wheels. With the licensing or tolerance of the larger institutions a large number of small establishments were opened and conducted in a manner designed to cater to the laboring class.

The Government sweepstake lottery, which was first established in 1932, was expanded by Act 595, approved and effective August 19, 1940, to include two additional sweepstakes—one for the support of the Boy Scouts and another for the support of the Philippine Amateur Athletic Federation.

The influence of gambling on the population of Manila, particularly the youth of the city, was extremely bad. Numerous cases of malversation of public and private funds were traceable to over-play by clerks and employees. The efforts made by the American administration over many years to limit the evil of gambling in the Philippines, with particular reference to cockfighting, appears to have been overwhelmed by the change in policy beginning with the approval of the sweepstakes lottery in 1932 and the more recent open operation of the many gambling houses.

Conditions in Mohammedan and pagan provinces.—Social conditions in the Mohammedan area, particularly on the island of Jolo, were unusually bad. During the year under review the constabulary was almost continuously in conflict with various subversive elements and outlaws in Sulu. Conditions culminated in February and March 1941 when more than 30 Moros were killed by the Constabulary. During the first half of March some 20 constabulary soldiers were seriously wounded or killed.

In the pagan area of Luzon there were several serious cases including sporadic outlawry in the Kalinga-Bontoc area of the mountain provinces and among the Ilongots bordering on the provinces of Nueva Ecija and Nueva Viscaya.

Social Legislation

The period of this report was marked by far-reaching social legislation, some of which may be adjudged as retrogressive (Acts 586 and 593) and some may be credited as marking a wholesome advance in the welfare of the mass population (Acts 608, 613, 615, and 648). A consideration of the measures of a social nature follows:

Act 586.—Included under "Education."

Act 593.—Included under "Economic Legislation."

Act 608, approved and effective August 22, 1940.—Act 608 is an expansion of Act 461 of June 9, 1939. The original statute on which both measures were based is the "Rice Share Tenancy Act of 1933" (9th Phil. Leg. 4054), section 19 of which provides that landlords cannot dismiss tenants except for certain designated but relatively broad causes. Act 461 adds the requirement that dismissal must be approved by a representative of the department of justice, and provides for appeal to the court of industrial relations. Act 608 reaffirms Act 461 and charges the department of justice with the duty of enforcing the Rice Share Tenancy Act, and "in pursuance thereof (the department of justice), may issue such orders as may be necessary with respect to the liquidation of the crop, the division thereof, and the apportionment of expenses." (See sections 10 to 14 of the Rice Share Tenancy Act.) The new provision was made as an effort to check delay in division of crops in kind or in distribution of crop income among tenants. Delays were due to the desire on the part of landlords to speculate on the commodity produced, or, having sold the commodity, to speculate with the income. Also, the system of delayed liquidation widened the opportunities of loaning money or palay to tenants at high rates of interest, and of holding tenants on the land until they had prepared the fields for the next succeeding crop. The assignment of definite departmental responsibility for enforcement was not necessary as it could have been accomplished by administrative directives, but its enactment served notice of the intention of the central government to emphasize the terms of the original statute.

Act 613.—Included under "The Commonwealth Government."

Act 615, approved and effective May 5, 1941.—Act 615 amends the Public Land Act (Act 141) in two respects: First, it eliminates commercial and industrial purposes as among those for which a corporation, association, or partnership "may acquire or have any right, title, interest, or property right whatsoever to any land granted under the free patent, homestead, or individual sale provisions of this act (Act 141) or to any permanent improvement on such land." The only remaining purposes for which corporations might acquire interest in land alienated under the free patent, homestead, and individual sale provisions were "educational, religious, or charitable purposes or for a right-of-way." Secondly, Act 615 provides that, except by hereditary succession, no land originally "acquired under the free patent, homestead, or individual sale provision of this act (Act 141), or any permanent improvement on such land, shall be transferred or assigned to any individual, nor shall such land or any permanent improvement thereon be leased to such individual, when the area of said land, added to that of his own, shall exceed 144 hectares."

Act 615 is far reaching. If enforced—and the shadow upon title which violation will evoke may cause it to be self-enforcing—it will prevent concentration of land of the public domain in the hands of a few. It should check the growing tendency of homesteaders to sell their holdings after final proof by means of mortgage foreclosure. Some have questioned whether the limit of 144 hectares (approximately 350 acres) is not too high in a country where homesteads are

limited to 16 hectares, where farms average less than 5 hectares, and where 100 hectares mark the owner as a large-scale landlord. The act is, however, a bold step in the direction of protecting the public domain for the use of the rapidly increasing mass agricultural population.

Act 648, approved and effective June 16, 1941.—Act 648 set up the National Housing Commission to provide low-rent housing and to promote physical, social, and economic betterment of inhabitants of cities and populous towns. The act was sufficiently broad to permit slum clearance and playground facilities. A particular point for the enactment of such legislation was found in the slum conditions of Manila, particularly the unsanitary and fire-hazard districts of Tondo and the Walled City. The act carried an appropriation of ₱5,000,000. No action is known to have been taken under the bill during the period of this report.

Education

By virtue of Act 586 of August 8, 1940, wide revision of the elementary schools system in the Philippines was authorized. (The act became effective from July 1, 1941.) The principal provisions of the act were (a) reduction of the elementary school course (primary and intermediate) from 7 to 6 years, (b) revision of curricula, (c) adoption of methods such as the holding of two or more complete single school sessions per day whereby a larger number of children might be accommodated, and (d) compulsory completion (with certain broad exemptions) of the first four grades (primary school) by children who enter the first grade. The principal effect of the act was (a) the reduction of the number of hours of recitation time by slightly more than half, and (b) total elimination of study hours in the schoolroom.

In the matter of financial support, the central government is required to assume responsibility for all primary and intermediate education on the basis of certain percentages of internal revenue including income, inheritance, and estate taxes. All municipal school funds, which for more than 30 years were the chief support of elementary education, are abolished and their balances returned to the general funds of the municipalities.

The act met with widespread opposition from the mass population and from school authorities. It was represented that the shortening of elementary instruction years would force lowering the standards in secondary, college, and university education to a disastrous level; that raising the age of admission from 7 to either 8 or 9 years of age would result in substandard education for the children of the poor—the rich being able to send their children to private schools at an earlier age; and that the double single session would decrease teaching efficiency. The shift of basic financial responsibility from local governments to the central government was looked upon as continuing the general trend away from the more democratic responsibility of local governments towards bureaucratic centralization. The government's defense, however, was strong. The constitution required compulsory primary schooling for all children of school age and the reforms appeared with some justification to represent the closest

approximation possible to this mandate. It was hoped that the requirement for completion of the first four grades by each pupil admitted would eliminate the notable waste of the high rate of school mortality at the end of the second and third grades.

Administrative action taken during the period of this report to establish instruction in Tagalog as a national language met with considerable difficulty. This was primarily due to the fact that the Tagalog language is a minority language in the Philippines: Various dialects of the Visayan language are native to a far greater part of the population; and the Ilocano language, geographically, is probably as widespread as Tagalog.

Perhaps encouraged by the enactment of the Education Act of August 8, 1940, widely revising the elementary school system, certain elements in the Philippines began agitation for a reduction of the standard course in the public high schools and colleges from 4 to 3 years in each case and a substantial revision in the curricula which, by many, was considered reactionary. Ostensibly the purpose of the proposed curtailment of secondary and higher public education was to reduce the cost to the Government. In general, however, educators divided on the question along sectarian lines. The principal Filipino educators in the nonsectarian institutions were opposed to the proposed changes, while those in private sectarian institutions favored them. Opponents of the proposed changes pointed out that a curtailment of public education would tend to force students seeking a good education into the privately operated sectarian institutions most of which were Roman Catholic.

The controversy became a bitter one involving systematic attacks, both in print and over the radio, by religious leaders favoring the proposed changes, against officials and educators advocating a continuance of 4-year courses in the public high schools and colleges. The efforts to make such fundamental changes as were proposed in the educational system established in the Philippines under American guidance were reminiscent to observers of the strenuous but unsuccessful efforts made in 1938 by certain interested groups to have religious instruction in public schools made compulsory although the constitution of the Philippines permits only "optional religious instruction." The curtailment of free primary education and the attempts to have reduced the standards of public instruction in high schools and colleges caused misgivings on the part of most Americans who felt that the educational system established under American guidance was one of the greatest contributions which the United States has made to the Philippines.

V. Business, Trade, and General Economy

During the first and second quarters of 1940 the trend of economic conditions in the Philippines appeared unsatisfactory. The prices of some of the principal export products were low and a reduction in the value of foreign trade for the year was expected. However, during the latter half of the year the war in Europe stimulated radical improvement. Prices increased and goods moved in the maximum

volume possible considering the curtailment of shipping tonnage. Losses in European markets were more than offset by increased demand from the United States and oriental countries.

In spite of the technical improvement the economic and mercantile situation was fluid and surrounded with uncertainties. Not only the war in Europe, but the increasingly ambitious far-eastern program of Japan caused uneasiness. The approach of Philippine independence and of the beginning in 1941 of the system of gradually decreasing quotas or gradually increasing export taxes on the principal commodities discouraged expansion of private investment in the basic industries. Toward the end of the year the largest American import house, the Pacific Commercial Co., was reported to have decided on complete liquidation in 1941 of all its interests in the islands. Commercial expansion was practically limited to Japanese enterprise acting directly or through dummy companies and to increased activity of the Government-owned National Development Co.

While the effect of the act of August 7, 1939, amending the economic terms of the Tydings-McDuffie Act had been welcomed for its amelioration of export taxes on cigars, tobacco, coconut oil, pearl buttons, and embroideries, the sugar and hemp interests were planning resolutions to be submitted to the Philippine Assembly requesting the Congress of the United States to postpone the effective date of all restrictions other than the original quotas.

To a very substantial degree the domestic trade of the Philippines improved due to two sources of increased expenditure: (a) An unusually large program of Commonwealth public works financed from the proceeds of the excise tax collected in the United States on coconut oil of Philippine origin and returned to the local treasury; and (b) increased expenditures of the United States Government in the Philippines for extension of military and naval installations.

The slow outward flow of capital funds begun in 1939 continued during 1940. It is probable that these transfers exceeded ₱50,000,000 during the year. Nevertheless, the increase in monetary circulation, reported in the financial section of this report, was extraordinary and indicated an inflationary condition. There was no involuntary unemployment. Monetary reserves were exceptionally high, the public debt was fully serviced, banking facilities were sound with interest rates declining. Except for inflation growing in the face of prospective severance of economic and political relations with the United States, and the uncertainties of nearby war, the general economy of the Philippines was sound.

Overseas Trade

The Philippine overseas trade was at record level in 1940. The total value, ₱581,311,589, was over 3 percent better than the value for 1939, and nearly 20 percent better than the average for 1934 to 1938, inclusive. Only 3 years of Philippine trade history—1920, 1928, and 1929—showed a larger value for total trade.

TABLE 1.—*Summary of Philippine overseas trade values*

Item	1934–38 average	1939 calendar year	1940 calendar year
Exports in millions of pesos:[1]			
To the United States and possessions:			
General	195	187	179
Gold and silver	39	73	79
Total	234	260	258
To other countries[2]	48	56	54
To all countries	282	316	312
Imports in millions of pesos:[3 4]			
From the United States and possessions	131	167	211
From other countries	74	78	59
From all countries	205	245	270
Total trade in millions of pesos:			
With the United States and possessions	365	427	469
With other countries	122	134	113
With all countries	487	561	582
Ratio of trade with the United States and possessions, percent:			
Exports	83	82	83
Imports	64	68	78
Total trade	75	76	80

[1] Includes reexports.
[2] Includes gold and silver to Japan: 1939, approximately ₱440,000; 1940, approximately ₱800,000.
[3] Includes negligible amounts of coin.
[4] Includes negligible amounts of returned Philippine goods.

Source: Reports of the insular collector of customs.

Of the total value for 1940, ₱312,000,000 represented exports, as compared with ₱316,000,000 in 1939 and ₱282,000,000 for the 5-year average. The immediate decline was due in part to lower prices for agricultural export staples and to limitation of shipments to Europe; ₱270,000,000 represented imports and was substantially in advance of corresponding values for 1939, ₱245,000,000, and of the 5-year average, ₱205,000,000. To a very considerable extent the increase has been due to heavy government purchases, largely for public works.

The production of raw gold and silver, mostly gold bullion, has had a definite effect in supporting Philippine trade. Eliminating the value of gold and silver, trade values would appear as below:

	1934–38 average	1939 calendar year	1940 calendar year
Exports	243	243	233
Imports	205	245	270
Total	448	488	503

It is evident that there has been an over-all decrease in the value of general exports since 1934.

Again, table 1, demonstrates the dominant position of the United States and its possessions in Philippine trade. Under existing general free trade within the flag area, the bulk of both Philippine exports and imports are oriented toward the United States, and this part of

the trade partakes of a domestic or interstate character. If trade with the United States and its possessions be eliminated, the truly foreign trade would appear as follows in millions of pesos:

	1934–38 average	1939 calendar year	1940 calendar year
Exports	48	56	54
Imports	74	78	59
Total trade	122	134	113

It is apparent that little progress was made, or under the circumstances could have been made, to develop foreign, non-American, markets for Philippine goods. The islands continued to purchase most of its imports from the United States. The share of trade confined within the flag area has been fairly constant with respect to exports, but there were decided increases in the ratio of flag imports and, hence, in total trade.

Reexports

For the first time in Philippine trade history reexports carried a substantial value, totaling ₱6,529,000 as against ₱2,200,000 in 1939 and ₱2,223,000, average for the 5 years ending 1938. The increase of four millions occurred during the last half of the year and represented a sharing of stocks with oriental countries—particularly China, Indochina, and Japan—whose sources had been restricted by the European war. Manila has not the location relative to the principal American trade routes to the Orient which would normally sustain extensive entrepôt dealings. The sudden increase in reexport values should be considered circumstantial.

Exports of Gold and Silver

The growth in gold production during the past 10 years constituted the principal change in the value of actual commodities sent abroad. To a very considerable extent it has counterbalanced the limitations imposed by quotas and the losses due to declining export prices.

TABLE 2.—*Philippine exports of gold and silver*

Item	1934–38 average	1939 calendar year	1940 calendar year
Exports in thousands of pesos:			
Gold bullion	37,449	71,713	64,307
Other gold	1,323	43	13,447
Total gold	38,772	71,756	77,754
Silver from gold bullion	279	1,897	1,182
Other silver	2	20	772
Total silver	281	1,917	1,954
Total gold and silver	39,053	73,673	79,708

Source: Reports of the insular collector of customs.

It will be seen that the value of gold and silver exported in 1940 reached ₱79,708,000, about 5 percent above 1939 and more than double the 5-year average. Technical conditions in some of the newer mines have resulted in a lessening of the proportion of gold value from bullion and an increase in that from concentrates. Copper concentrates and matte have become substantial sources of gold and silver values. Shipment of gold ores has increased while silver ore has declined in importance. Except in negligible value in the 5-year average, neither gold nor silver coin were included in table 2. Gold value was taken at ₱70.00 per fine ounce; silver values, at invoice figures or smelter returns.

Trade by Countries

While total trade with the United States and its possessions has shown a steady increase, that with Europe has declined, and that with Asia and Oceania fell in 1939, but recovered to a record high in 1940.

TABLE 3.—*Total Philippine overseas trade, by countries, in millions of pesos*

Item	1934-38 average	1939 calendar yeat	1940 calendar year
United States and possessions	365.0	427.0	469.0
Europe:			
Great Britain	12.2	12.6	10.9
Germany	10.0	10.5	.2
Netherlands	6.5	12.4	2.6
France	5.0	5.1	3.7
Belgium	3.4	3.7	1.0
Spain	2.8	2.3	3.4
Other	6.6	10.0	8.2
Total	(46.5)	(56.6)	(30.0)
Asia and Oceania:			
Japan	40.0	31.2	29.6
China	7.9	7.2	9.9
British East Indies	5.2	5.2	3.9
Netherlands East Indies	4.8	6.8	9.3
Australia	4.7	4.8	4.4
Hong Kong	2.7	3.5	5.7
Other	3.3	7.5	10.9
Total	(68.6)	(66.2)	(73.7)
America: Canada	3.1	3.2	4.4
Unclassified	3.8	8.0	4.9
Total	487.0	561.0	582.0

Source: Reports of the insular collector of customs.

In respect to the principal European countries 1940 showed an increase for Spain alone; Germany was practically eliminated; the invaded countries of France, Belgium, and Holland showed radical losses; and Great Britain was moderately down.

Trade with Japan was down to ₱29,600,000 as against ₱31,200,000 in 1939 and the average of ₱40,000,000 for the period 1934 to 1938. China, Hong Kong, and the Dutch East Indies showed relatively heavy increases. Canadian trade improved definitely over previous years.

TABLE 4.—*Philippine exports by countries of destination, in millions of pesos*

Item	1934–38 average	1939 calendar year	1940 calendar year
United States and possessions	234.0	260.0	258.0
Europe:			
Great Britain	7.5	6.6	7.2
Germany	2.8	2.0	None
Netherlands	2.8	6.5	None
France	3.1	3.5	3.1
Belgium	1.2	.8	.2
Spain	2.4	2.1	3.0
Other	3.9	6.1	4.9
Total	(23.7)	(27.6)	(18.4)
Asia and Oceania:			
Japan	14.2	16.0	17.6
China	2.0	2.0	3.7
British East Indies	1.1	.8	.5
Netherlands East Indies	.7	.9	1.2
Australia	.8	.8	.8
Hong Kong	1.5	1.7	3.7
Other	.4	1.9	3.5
Total	(20.7)	(24.1)	(31.0)
America: Canada	.8	.8	1.3
Unclassified	2.8	3.5	3.3
Total	282.0	316.0	312.0

Source: Reports of the insular collector of customs.

Limiting consideration to export values, trade with the United States and possessions has remained fairly even in value; Europe, in general, purchased nearly a third less than in 1939. Of the principal European customers only Great Britain and Spain increased purchases from the Philippines. In Asia and Oceania, the converse was true: The total was up nearly 25 percent and all principal countries except the British East Indies and Australia bought Philippine goods in greater value than in recent years. As has been suggested, the increase was in part due to reexport from Manila stocks of United States goods.

TABLE 5.—*Philippine imports by countries of origin, in millions of pesos*

Item	1934–38 average	1939 calendar year	1940 calendar year
United States and possessions	131.0	167.0	211.0
Europe:			
Great Britain	4.7	6.0	3.7
Germany	7.2	8.5	.2
Netherlands	3.7	5.9	2.6
France	1.9	1.6	.6
Belgium	2.2	2.9	.8
Spain	.4	.2	.4
Other	2.7	3.9	3.3
Total	(22.8)	(29.0)	(11.6)
Asia and Oceania:			
Japan	25.8	15.2	12.0
China	5.9	5.2	6.2
British East Indies	4.1	4.4	3.4
Netherlands East Indies	4.1	5.9	8.1
Australia	3.9	4.0	3.6
Hong Kong	1.2	1.8	2.0
Other	2.9	5.6	7.4
Total	(47.9)	(42.1)	(42.7)
America: Canada	2.3	2.4	3.1
Unclassified	1.0	4.5	1.6
Total	205.0	245.0	270.0

Source: Reports of the insular collector of customs.

Table 5 divides Philippine imports by countries of origin. The outstanding facts are: The heavy increase in the value of goods from the United States and possessions, from ₱131,000,000, the average 1934 to 1938, to ₱167,000,000 in 1939 and ₱211,000,000 in 1940; the 1940 decline in value of European imports, of nearly 60 percent as compared with 1939 and 50 percent as compared with the 5-year average; and the fairly constant value of goods purchased from far eastern sources. Imports from every country in Europe except from Spain were down in value. China, the Netherlands East Indies, and Hong Kong improved their sales to the Philippines, while Japan sold 20 percent less than in 1939 and less than half of her average since 1934.

Balance of Trade

Subject to the heavy qualifications resulting from remittances and other forms of interarea payments, the comparison of import values with export values shows the visible balance in the value of goods moved.

TABLE 6.—*Visible balance of Philippine trade in millions of pesos*

Item	1934–38 average	1939 calendar year	1940 calendar year
United States and possessions	+103.0	+93.0	+47.0
Europe:			
Great Britain	+2.8	+0.6	+3.5
Germany	−4.4	−6.5	−0.2
Netherlands	−0.9	+0.6	−2.6
France	+1.2	+1.9	+2.5
Belgium	−1.0	−2.1	−0.6
Spain	+2.0	+1.9	+2.6
Other	+1.2	+2.2	+1.6
Total	(+0.9)	(−1.4)	(+6.8)
Asia and Oceania:			
Japan	−11.6	+0.8	+5.6
China	−3.9	−3.2	−2.5
British East Indies	−3.0	−3.6	−2.9
Netherlands East Indies	−3.4	−5.0	−6.9
Australia	−3.1	−3.2	−2.8
Hong Kong	+0.3	−0.1	+1.7
Other	−2.5	−3.7	−3.9
Total	(−27.2)	(−18.0)	(−11.7)
America: Canada	−1.5	−1.6	−1.8
Unclassified	+1.8	−1.0	+1.7
Total	+77.0	+71.0	+42.0

The outstanding features of the visible balance has continued to be: The persistent negative in trade with Asia and Oceania; the practical balance with Europe as a whole; the markedly favorable balance with the United States and possessions; and the tendency to lowered favorable balances in trade with all countries. For 25 years past, with rare exceptions, the Philippines has "gained" in its merchandise plus raw gold and silver trade. The recent downward trend in the positive value of the visible balance must be considered in the light of the countervailing positive invisible credits.

Data is not available for an accurate finding of the Philippine balance of payments since 1934. In that year, according to the United

States Tariff Commission,[2] with a favorable balance in the merchandise and gold and silver brackets of somewhat over ₱77,000,000, and a credit of only ₱24,000,000 by reason of United States Government disbursements in the Philippines, the net favorable balance of payments exceeded ₱33,000,000. The Commission placed the annual average for the 10 years, 1925 to 1934, at a positive net of over ₱16,000,000.

From 1934 to 1935 the average annual merchandise, gold and silver net credit advanced to $104,000,000, while most debit items remained near their 1934 position. A generally similar condition continued down to 1938, except that the Agricultural Adjustment Administration disbursed in the islands over ₱32,000,000 in benefit payments and administration costs during the years 1935 to 1938, inclusive.

From available data and estimates it is possible to construct the balance of payments for 1939 and 1940.

TABLE 7.—*Estimated world balance of Philippine payments; 1939 and 1940 in millions of pesos*

Item	1939		1940	
	Credits	Debits	Credits	Debits
Exports, including gold and silver	315.8		311.8	
Imports, including gold and silver		245.1		269.5
Ocean freight	4.0	30.0	7.1	40.0
Insurance claims	6.8		12.2	
Insurance premiums	2.0	12.4	2.6	13.8
Remittances, personal:				
Inward	12.0		15.0	
Outward		20.0		22.5
Remittances, United States veterans, inward	8.0		8.6	
Disbursements:				
U. S. Government in Philippine Islands	70.7		95.0	
Philippine Islands Government in United States		2.0		2.2
Tourist expenditures	4.5	5.6	5.8	5.5
Interest and dividends	4.0	30.0	5.0	35.0
Capital movements		28.0		42.0
Total	427.8 373.1	373.1	463.1 430.5	430.5
Net balances	54.7		32.6	

It will be observed from table 7 that the over-all balance of payments reached a favorable net exceeding ₱54,000,000 in 1939 and ₱32,000,000 in 1940 despite the relatively heavy outward movement of capital funds. Finally, it is of great significance that elimination of United States Government disbursements would in any year impoverish the favorable balance of payments.

Exports by Commodities

Philippine exports have been grouped in table 8 under the usual eight classes: Coconut products; fibers; forest products; mineral products; sea products; sugars; tobacco; and a miscellaneous or "unclassified" group.

[2] U. S. Tariff Commission: "United States-Philippine Trade," Rept. 118, 2d Ser. Washington, 1937, pp. 33–38.

TABLE 8.—*Value of principal Philippine exports, 1934–38 average, 1939 and 1940 in thousands of pesos*

Item	1934–38 average	1939 calendar year	1940 calendar year
Coconut products and manufactures:			
Charcoal from coco shell	----	55	384
Coconut oil	25,685	18,339	19,724
Copra	25,133	26,802	18,803
Copra cake and meal	4,067	4,250	2,741
Desiccated coconut	8,311	8,837	7,382
Glycerin	----	342	226
Soap	----	39	158
Vegetable butter	665	1,199	1,112
Vegetable lard	442	365	417
Total	64,303	60,228	50,947
Fibers and manufactures thereof:			
Abaca (manila hemp)	27,609	23,748	25,396
Abaca and maguey rope	2,516	3,174	3,471
Buntal	----	77	93
Buri braid	----	47	187
Embroideries	8,323	10,693	9,162
Hats	1,195	86	110
Kapok	----	104	44
Maguey (agave spp.)	----	194	236
Ramie	----	191	479
Unspecified fiber products	2,729	252	231
Total	42,372	38,566	39,409
Forest products and manufactures thereof:			
Cutch	622	231	----
Gums and resins	619	424	467
Logs and timber	2,505	3,157	2,902
Lumber	3,316	3,206	4,275
Rattan furniture	----	433	520
Rubber	----	431	808
Rubber-soled canvas shoes	----	18	191
Unspecified wood products	261	83	72
Total	7,323	7,983	9,235
Mineral products:			
Cement	----	15	158
Chrome ore	691	2,154	3,884
Copper concentrates	513	2,471	2,493
Copper ore	443	613	304
Gold	38,223	71,757	75,800
Iron and steel scrap	94	98	245
Iron ore	2,154	5,098	5,529
Lead	29	----	----
Manganese ore	271	767	1,500
Silver	279	1,897	1,953
Unspecified scrap	----	133	129
Unspecified mineral products	5	60	69
Total	42,702	85,063	92,064
Sea products:			
Buttons, pearl	474	541	462
Fish, canned tuna	----	359	371
Other fish products	185	66	101
Shell, unmanufactured	148	----	----
Unspecified sea products	33	----	----
Total	840	966	934
Sugars:			
Alcohol	92	----	----
Centrifugal	97,966	90,782	86,170
Molasses and sirups	544	156	28
Muscovado	4	----	----
Refined	9,274	8,565	8,317
Rhum	----	130	279
Total	107,880	99,633	94,794
Tobacco and manufactures:			
Cigars	6,340	6,294	6,492
Leaf	3,452	5,672	2,622
Scraps, stripped filler, cigar ends	679	2,496	901
Unspecified tobacco products	65	70	276
Total	10,536	14,532	10,291

TABLE 8.—*Value of principal Philippine exports, 1934–38 average, 1939 and 1940 in thousands of pesos*—Continued

Item	1934–38 average	1939 calendar year	1940 calendar year
Unclassified:			
Fasteners, slide		267	262
Fruits and nuts:			
Peanuts		735	562
Pineapples, canned		3,416	4,998
Other fruits		132	76
Hides and skins		545	492
Leather and manufacturers thereof		64	112
Motion-picture films		143	165
Unspecified animal products		33	19
Unspecified vegetable products		242	223
Unspecified unclassified	4,137	1,037	737
Total unclassified	4,137	6,614	7,646
Total domestic exports	280,093	313,585	305,320
Reexports	2,223	2,199	6,529
Total exports	282,316	315,784	311,849

Source: Reports of the insular collector of customs.

Table 8 shows the various classes of exports, the principal items under each, and their customs declaration values for 1939 and 1940 calendar years. Comparison is afforded by entering the 1934–38 average value for each item, except those of the unclassified group. The rank of the export groups was the same as in 1939, but comparing both these years with the 5-year average it is seen that mineral products passed coconut products for second place and in 1940 mineral exports were valued at only 3 percent less than sugars.

Coconut products.—The total value of coconut products was ₱50,947,000 for the calendar year 1940, 15 percent under 1939 and 20 percent under the 1934–38 average.

Charcoal from coconut shells, and glycerine from the oil were new items brought in by war requirements.

Coconut oil value was slightly above 1939, but both years were definitely under the average. The quantity of oil was as follows: 1939, inedible 164,725 metric tons, edible 2,914 metric tons; 1940, inedible 177,459 metric tons, edible 8,443 metric tons. Lower prices offset the increased quantity of inedible oil over 1939. Continental United States continued to receive the bulk of inedible oil. The 1940 value and volume of edible oil were nearly three times as great as in 1939 due to increased demand from China, Hong Kong, and Singapore.

Copra exports measured 400,667 metric tons in 1939 and 341,930 in 1940—a 15 percent decline in quantity as compared with the 20 percent decline in value. The United States continued to be the principal market for copra. Shipments to Europe, except to Great Britain declined. New markets appeared—beginning late in 1939—in Russia and Spanish Africa. Undoubtedly a fraction of the copra reached Axis countries in Europe, although for this reason certain of the American and British exporters refused highly profitable offers.

The loss in value of copra cake and meal was heavy. The quantity dropped from 114,399 metric tons in 1939 to 105,028 in 1940. The

price level was slightly better and production was high, but its low priority on shipping space to Europe and America seriously curtailed the trade after the middle of 1940. The former substantial market in the Netherlands disappeared by reason of war.

Both quantities and values of desiccated coconut remained fairly constant. The United States was the only market for this item.

Vegetable butter declined slightly in both quantity and value Somewhat less than half was marketed in the United States and the balance in Southeast Asia, principally in the Netherlands East Indies.

There was a small increase in both volume and value of vegetable lard. The principal market shifted from the United States to Hong Kong and Singapore.

Fibers.—Values and tonnage of fibers and their manufactures have shown a surprising constancy of value during recent years. Export prices have varied widely for the leading item, abaca, but such declines have been customarily offset by heavier stripping, particularly in the lower grades.

The value of baled abaca fiber increased by nearly 7 percent, 1940 over 1939, but was still below the 5-year average. Exports in 1940 were 1,403,000 bales, as against 1,370,000 bales in 1939. Detail by market follows:

	1939		1940	
	1,000 bales	1,000 pesos	1,000 bales	1,000 pesos
To—				
United States	394	8,506	470	10,593
Great Britain	384	5,857	333	5,025
Japan	252	3,844	397	5,955
Others	340	5,541	203	3,823
Total	1,370	23,748	1,403	25,396

It will be seen by inspection that the average value per bale in 1939 was nearly $22 for exports to the United States and something over $15 to Japan and Great Britain. In 1940 the bale values averaged $26 to the United States and still $15 to Japan and Great Britain. Export by principal grades was reported by the Philippine Government as:

Grade	Principal market	1939 1,000 bales	1940 1,000 bales
E	United States	24	25
F	do	72	70
G	United States, Great Britain, and Japan	159	157
H	Great Britain	50	50
I	do	114	134
J-1	United States and Japan	137	148
J-2	Great Britain and Japan	90	80
K	United States, Great Britain, and Japan	150	140
L-2	Great Britain and Japan	70	63
M-1	Great Britain	57	59
S-2	United States, Great Britain, and Japan	117	96
S-3	do	83	81
Y-3	Japan	62	98

In addition to grades indicated in the table above, there was a strong market in Japan for damaged, waste, and low grades, from which a considerable weight of fibers of normal tensile strength was obtainable by careful resorting of skeins. Japanese producers and dealers were reported to be encouraging the packing of lower grades with better fibers and in some instances to have deliberately "damaged" medium grades by the harmless application of oil.

There was a moderate increase in both volume and value of rope. In 1939 exports were 9,587 metric tons; in 1940, 10,387 metric tons. In each year somewhat more than a third of the quantity at less than half the value represented exports to continental United States. The rest was shipped to nearby countries—Netherlands East Indies, Thailand, Singapore, and China. There was a small trade with South American countries, especially Chile.

Almost all of the embroideries were on cotton fabrics imported from the United States. All of 1940 production and all but $10,000 worth in 1937 was marketed in the United States.

Forest products.—The value of exports of forest products in 1940 improved 15 percent over 1939 and 26 percent over the average. The shift in major items was from logs and squared timber to sawed lumber—a shift which retained for Philippine labor and sawmill investment a greater profit from the country's natural resources.

In both years logs and timber were exported principally to Japan, secondly to China, and in very limited quantity to the United States. The total quantity in board feet was 131,000,000 in 1940 as compared with 159,000,000 in 1939. Japan took 89,000,000 valued at $1,808,000 in 1940 as against 119,000,000 at $2,280,000 in 1939. China's market absorbed approximately 30,000,000 board feet in either year. The United States purchased 1,620,000 board feet in 1940, about double the quantity in 1939.

On the lumber side the total board footage was over 58,000,000 in 1940 compared with less than 44,000,000 in 1939. In either year approximately one-half of the value and footage was sold in the United States and the balance principally to Great Britain, South Africa, Australia, and China. Except for limited quantities to Kwantung, Japan shows negligible interest in Philippine sawed lumber.

The cutch factory at Zamboanga was closed in 1939 due to shortage of nearby supplies of the raw material (mangrove spp.).

Crude rubber was over 150 percent above 1939 in exports. Production had more than doubled but local utilization drew off a substantial share for the manufacture of canvas-soled rubber shoes. The increase in production of these shoes in recent years has been phenomenal. It supplied the increase in local demand; reduced imports from the United States to less than a third the number of pairs imported in 1939; but, also provided a surplus for export to the United States. The manufacture of rubber-soled shoes in the Philippines was under the control of Japanese capital and the canvas uppers and findings were brought in from Japan.

Mineral products.—The recent increase in mineral products was due not only to extension of gold production but also to rapid advance in the extraction of base metal ores. The total value of

mineral exports in 1940 was 8 percent above that of 1939 and more than double the average value for the preceding 5 years.

The value of gold production was up 6 percent over 1939 and about double the 5-year production. The bullion, ore, and primary gold concentrates were all shipped to the United States. Some gold from copper concentrates found its way to Japan, but this is not included in the gold figure given in table 9.

Chrome ore registered over 50 percent advance in quantity, 194,000 metric tons in 1940 against 126,000 in 1939. The climb in value was still greater, ₱3,884,000 against ₱2,154,000 in 1939. Of the 1940 tonnage, 155,000 were exported to the United States, 33,000 to Japan, and 6,000 to Great Britain.

All of the comparatively small quantity of copper ore, about 12,000 metric tons in 1939 and 13,000 in 1940, was exported to Japan. Japan was the heaviest buyer of copper concentrates; 7,000 out of 10,000 metric tons in 1939 and over 4,400 out of 6,200 in 1940. In both years the balance went to the United States. The only producer of concentrates shifted its entire sales from Japan to the United States during the latter part of the year. Copper concentrates for 1941 will be largely in the form of matte and will carry a heavy gold and silver content. During both years under review Japanese smelters extracted small but substantial quantities of the precious metals from her share in Philippine copper ores and concentrates.

Iron ore exports from four producers (one a Filipino firm using Japanese capital) amounted to 1,155,000 metric tons in 1939 and to 1,192,000 metric tons in 1940, and was entirely marketed in Japan. The largest producer, Philippine Iron Mines (American-owned and operated) is in a position to more than double its output in 1941. The Iwai corporation, leading Japanese purchaser, is reported to have encouraged expansion by offering favorable contracts.

Manganese ore for 1940 was 58,000 metric tons as compared with 36,000 in 1939. Values practically doubled. The principal market shifted from Japan to the United States. In 1939 Japan took 23,500 tons and the United States 11,300. In 1940 the United States purchased 51,000 and Japan but 6,000 metric tons. At the end of 1940 over 35,000 tons awaited shipment.

Sea products.—There was little change in marine products. Unmanufactured shell has disappeared from overseas trade. Buttons, all to the United States, were off 16 percent in value and faced a declining United States quota in 1941. The small showing in canned tuna fish marked the beginning of export operations by a Japanese cannery in the southern islands. Although alien controlled companies are prohibited from exploiting natural resources, including fisheries, this factory was reported as masked under Filipino directors and dummy shareholders.

Sugars.—While there was no change in the United States quotas for Philippine centrifugal and refined sugars, lower prices resulted in a 5 percent decline in value as compared with 1939. The sole market was the United States. The values given in table 8 for centrifugal and refined covered approximately 923,500 and 53,000 metric tons, respectively.

Tobacco products.—The value of tobacco exports was down nearly a third from 1939 but closely comparable with the 1934–38 average. Exports of cigars according to countries of destination were:

	1939		1940	
	1,000,000 pieces	1,000 pesos	1,000,000 pieces	1,000 pesos
United States	196	5,888	185	5,996
Spain	3	61	16	226
China	3	114	3	161
Other countries	5	231	2	109
Total	207	6,294	206	6,492

The industry faces a declining quantity United States quota in 1941, and there was some indication of improvement in the quality and price of types exported to continental United States.

The value of leaf tobacco, ₱2,622,000, was less than half that for 1939. The quantity was down, but, in ratio, not so greatly as the value. Metric tonnage was 12,200 in 1940 as against 16,500 in 1939. Spain more than doubled the quantity purchased—nearly 11,000 tons in 1940 as compared with less than 5,000 in 1939. The Netherlands, which took 6,675 tons in 1939, was practically out of the market in 1940. It was well substantiated that a large fraction of the Spanish imports were for inland shipment to Axis areas.

Scraps, stripped filler, and end, all to the United States, were less than half the 1939 quantity, 2,440 metric tons against 5,670, and the value was about 65 percent off.

Unclassified exports.—Poor quality and low yield reduced the export sales of peanuts. Canned pineapples were up in value by over 45 percent. The entire pack was marketed either in the Islands or in continental United States.

Imports by Commodities

Having in mind the commodities listed as principal exports in table 8, a glance at the import items in Table 9 confirms the character of Philippine overseas trade: As the exchange of products of extractive industries for those of the highly processive industries. The exception in the first case is the limited quantitiy of completely finished goods manufactured from locally grown agricultural raw materials such as refined sugar and cigars. Among imports the fuel oils represent the only substantial exception.

TABLE 9.—*Value of principal Philippine imports, 1934–38 average, 1939 and 1940, in thousands of pesos*

Item	1934–38 average	1939 calendar year	1940 calendar year
Foodstuffs:			
Cocoa	1,057	1,108	838
Coffee	1,356	2,005	1,678
Confectionery	525	742	1,129
Dairy products	7,300	8,702	9,286
Eggs	301	300	469
Fish	3,171	3,613	3,046
Fruits and nuts	2,727	3,001	3,488

TABLE 9.—*Value of principal Philippine imports, 1934–38 average, 1939 and 1940, in thousands of pesos*—Continued

Item	1934–38 average	1939 calendar year	1940 calendar year
Foodstuffs—Continued.			
Meats	2,824	2,461	2,757
Rice	2,565	5,163	2,451
Starch	637	620	747
Sugar, sirups, and honey	334	275	353
Tea	135	116	194
Vegetables	3,392	3,895	3,920
Wheat flour	7,465	8,312	9,6 2
Unspecified	1,310	2,825	2,561
Total	35,099	43,138	42,609
Metals and manufactures thereof:			
Aluminum manufactures	232	247	267
Brass manufactures	780	1,008	1,300
Clocks, watches and parts	619	880	659
Copper manufactures	381	1,183	1,578
Gold, platinum, and silver manufactures	625	609	685
Iron and steel manufactures, except machinery and vehicles:			
Nails, bolts, etc	----------	1,841	2,255
Pipes and fittings	----------	2,546	4,269
Steel bars and plates	----------	11,845	12,823
Structural steel	----------	1,139	1,894
Tools	----------	1,108	1,122
Wires, cable, and fencing	----------	1,791	1,664
Unspecified	----------	5,079	5,717
Total	19,696	(25,349)	(29,744)
Lead manufactures	297	343	409
Machinery and parts:			
Agricultural	184	357	442
Electrical	5,788	6,856	7,591
Industrial	12,421	9,095	10,092
Office machines	901	885	869
Unspecified		4,933	4,087
Total	(19,294)	(22,126)	(23,081)
Tin and manufactures	192	173	159
Vehicles and parts:			
Automotive	----------	7,793	9,347
Aeronautic	----------	569	279
Railway locomotives and cars	----------	976	902
Tractors	----------	768	1,302
Unspecified	----------	854	471
Total	10,571	(10,960)	(12,301)
Zinc and manufactures	----------	198	340
Unspecified	----------	684	322
Total	52,687	63,760	71,845
Nonmetallic minerals and chemicals and manufactures thereof:			
Cement	84	575	49
Chemicals, drugs, dyes, and medicines	6,032	6,996	8,138
Coal and coke	1,680	3,058	3,069
Earths, stone, and chinaware	1,159	1,955	2,050
Explosives	1,811	3,392	3,342
Fertilizers	3,774	2,756	6,966
Glass and glassware	1,721	2,168	2,036
Matches	213	236	195
Mineral oils:			
Asphalt	----------	311	574
Bunker	4,144	----------	148
Diesel		5,283	8,406
Gasoline	5,802	6,141	8,485
Grease	----------	228	422
Kerosene	2,553	2,382	3,571
Lubricating	1,508	1,753	2,629
Petroleum jelly	----------	115	147
Wax, mineral	----------	755	469
Unspecified	1,181	99	71
Total	----------	(17,067)	(24,922)
Paints, pigments, and varnishes	1,646	2,098	1,942
Perfumery and toiletries	1,633	1,712	1,791
Photographic goods including motion-picture films	1,144	1,587	1,349
Precious stones	645	653	72
Soaps	905	852	797
Total	37,635	45,105	55,718

TABLE 9.—*Value of principal Philippine imports, 1934–38 average, 1939 and 1940, in thousands of pesos*—Continued

Item	1934–38 average	1939 calendar year	1940 calendar year
Textiles and manufactures thereof:			
Cotton piece goods	21,984	25,516	20,417
Cotton goods except piece goods	12,041	13,800	13,722
Footwear	652	740	983
Hats and caps	342	217	106
Jute goods	----------	2,932	5,297
Linen goods	----------	1,031	767
Rayon goods	3,749	5,620	8,620
Silk goods	1,840	1,055	1,031
Woolen goods	926	1,084	1,428
Unspecified	4,042	501	463
Total	45,576	52,496	52,834
Unclassified imports:			
Animals, live	99	137	118
Lamps, lanterns, and parts not electrical	673	552	494
Leather goods except footwear	2,267	2,397	2,310
Musical instruments	412	607	654
Paper and manufactures thereof:			
Book paper	----------	228	134
Books and other printed matter	----------	2,283	2,438
Cardboard and manufactures	----------	632	1,065
Cigarette paper	----------	419	607
Newsprint	----------	1,990	3,322
Old newspapers	----------	398	636
Wallboard	----------	421	292
Wrapping papers	----------	1,102	1,460
Unspecified	----------	1,603	3,055
Total	7,489	(9,076)	(13,009)
Rubber goods except footwear:			
Automotive casings	----------	3,101	3,378
Automotive tubes	----------	322	375
Unspecified	----------	1,308	1,298
Total	4,210	(4,731)	(5,051)
Spirits, wines, and malt liquors	1,198	1,779	1,151
Sporting goods and games	304	462	503
Tobacco products:			
Cigarettes	----------	12,301	12,896
Leaf	----------	918	1,059
Unspecified	----------	726	800
Total	8,739	(13,945)	(14,755)
Toys	328	361	440
Wax, inedible animal	972	173	224
Wood:			
Logs and timber	----------	38	88
Lumber (Douglas fir)	----------	237	157
Unspecified	----------	777	752
Total	1,044	(1,052)	(997)
Unspecified unclassified	----------	5,359	5,976
Total	6,045	40,631	45,682
Total imports	204,777	245,130	269,688

Source: Reports of the Insular Collector of Customs.

Direct imports of food, clothing, and equipment for the armed forces of the United States stationed in the Philippines were not included as Philippine imports, and the data covering this important fraction were not available.

Imports are classified for present purposes under five titles: foodstuffs; metals and manufactures thereof; nonmetallic minerals and chemicals; textiles and manufactures thereof; and the unclassified or miscellaneous group. Metals and their manufactures have led for

many years in point of value. There was one shift in 1940 as compared with 1939—textile products, normally in second place, fell below nonmetallic mineral and chemical goods.

Foodstuffs.—Surprise has occasionally been expressed that so rich an agricultural region as the Philippines should spend from 15 to 20 percent of its total overseas purchasing fund for foodstuffs. Closer analysis permits explanation: much of the food imports are to supply the customary diet of Europeans living in the islands. The items which might be produced within the Philippines are cocoa, coffee, eggs, fish, a third of the meats, starch, and rice, carrying a value in 1940 of less than ₱10,000,000, or about a quarter of the value of all imported foodstuffs. The fruits, nuts, sugars, and vegetables are mainly of kinds which cannot be produced in the Philippines. Nor is it reasonable to anticipate that dairy products, better grades of meat, and wheat products may be supplied from local sources.

Food imports, at ₱42,609,000 in 1940, were slightly down as compared with 1939 but 20 percent above the 1934–38 average. The decline from 1939 figures was due to substantially lower rice imports. There was a fair increase in wheat flour, three-quarters of which was from the United States. More than half the value of dairy products came from American sources—the balance from the Netherlands, Australia, and Japan. Imports from the United States of fresh vegetables and fruits improved by about 15 and 20 percent, respectively.

Metals and manufactures thereof.—The value of metals and metal manufactures was ₱71,845,000 in 1940, a gain of 12 percent over 1939 and nearly 40 percent over the 5-year average. The increase was well distributed over all principal items, but was notable in building materials, electrical machinery, automobiles, and tractors. The United States, share in this bracket of the trade improved from around 70 percent in 1939 to over 90 percent in 1940, in large part due to restriction of trade with Europe and Japan.

Nonmetallic mineral and chemical products.—The value for this important group, ₱56,718,000, was 26 percent above 1939 and 50 percent above the base average. The year's increase was mainly in chemicals, drugs, medicines, fertilizers, and mineral oils. Among the latter, Diesel oils were up 45 percent in quantity and 60 percent in value. Gasoline increased over 75 percent in volume and nearly 40 percent in value. Heavy road construction resulted in record purchases of asphalt. Local production of cement more than doubled during the past 3 years, which accounts for the abrupt decline of imports in the face of greatly increased local utilization.

Textile products.—The 1940 value of textile goods, ₱52,834,000, was but a few thousands over the 1939 value. The value of cotton piece goods, including "knitted in the piece goods," was off sharply, but was in part offset by a heavy increase in rayon yardage and manufacture. The heavy increase in jute goods was in part due to transshipments to Japan at a time when burlap and bagging was listed as a war material and British Indian dealers declined to fill orders to that destination. Woolen goods also profited by reexport to Shanghai and Japan.

In cotton piece goods the agreement for limitation of imports of Japanese origin continued in effect. The detailed yardage and values of cotton cloth in the piece follow:

	1939		1940	
	Millions of square yards	1,000 pesos	Millions of square yards	1,000 pesos
Unbleached:				
From United States	10.2	1,380	6.5	1,058
From Japan	1.0	72	2.1	174
Other sources	0.1	8	0.1	6
Total	11.3	1,460	8.7	1,238
Bleached:				
From United States	19.9	3,856	16.0	3,208
From Japan	5.0	357	4.2	323
Other sources	2.2	496	1.6	315
Total	27.1	4,709	21.8	3,846
Printed and dyed:				
From United States	69.8	15,151	51.5	11,041
From Japan	23.9	2,312	25.3	2,487
Other sources	8.1	1,656	9.7	1,563
Total	101.8	19,119	86.5	15,091
Cotton cloth:				
From United States	99.9	20,387	74.0	15,307
From Japan	29.9	2,741	31.6	2,984
Other sources	10.4	2,160	11.4	1,884
Total	140.2	25,288	117.0	20,175

Comparing the 2 years, Japanese goods improved slightly in unbleached, in printed and dyed fabrics, and in total quantity and value. United States participation was down in all three categories and in the total. From supplying 71 percent of the yardage in 1939, the United States share fell to 63 percent in 1940. Great Britain and Switzerland together furnished around 2,000,000 square yards of bleached goods in 1939 and less than a million in 1940. Great Britain, Hong Kong (transshipments in part), Italy, and Switzerland supplied limited yardage in prints and dyed stuffs during both years.

Unclassified imports.—The miscellaneous group at ₱45,682,000 was up about 12 percent above 1939. Comparison with the 5-year average is unwarranted because of shifts in classification of commodities. Among paper products particularly increases represented buying against anticipated price increases and war conditions—cardboard, newsprint, cigarette papers, wrapping paper. In nearly all the items listed as unclassified there was a shift toward heavier purchases from the United States.

Transportation and Communication

Conditions respecting transportation and communications were generally good. Activities were heightened, particularly during the latter half of the calendar year 1940. The following comment has been

taken from the reports of the United States Trade Commissioner in Manila:[1]

[1] Foreign Service of the United States of America: Economic Review of the Philippine Islands for the Year 1940. Manila, 1941.

Shipping.—The general dislocation of shipping which was apparent after the outbreak of the war in Europe continued throughout the year 1940, with both shippers and carriers attempting to make readjustments to meet changing conditions. Conditions during the first half of the year were less satisfactory than during the latter half when market conditions improved, more ships were made available and better utilization of space introduced. In particular, the unsettled condition of the sugar market in the early part of the year and the reluctance of mills to make shipments resulted in ships leaving the Philippines with only partial cargoes. This situation was cleared up after the first quarter of the year. Month by month statistics during 1940 fluctuated widely, but the year's totals showed increases in tonnage over previous years in most instances, due largely to heavy shipments to the United States. With the exception of European ports, export tonnage was larger than reported during any of the past four years.

The most important development during the year was the increase in ocean freight rates, with further continued increases in 1941. The soaring rates have caused the gravest concern among shippers and importers who believe that the limit will soon be reached when it will no longer pay to export local commodities and when prices of imported articles become prohibitive. On the other hand, both shippers and carriers realize that lucrative cargoes are waiting in Australia and Malaya and that unless similar cargoes are available in Manila, ships would have to be withdrawn thus jeopardizing the life line of the Philippines.

There was a fair improvement in revenue tonnage during 1940 which, in view of the difficulties surrounding overseas shipping, may be considered very satisfactory. According to figures of the Associated Steamship Lines, there was a slight decrease in total sailings from the Philippines, with 1,060 sailings reported for 1940 against 1,092 sailings for 1939. The American share of the trade was substantially higher, with 234 sailings in 1940 compared with 101 sailings reported during 1939. Details are as follows (in tons):

	1939	1940
China and Japan	1,217,292	1,540,092
Pacific coast:		
Local delivery	395,621	428,141
Overland delivery	16,958	48,708
Atlantic and Gulf ports	1,185,071	1,445,218
European ports	276,671	197,327
Miscellaneous ports	46,960	77,498
Total	3,138,573	3,736,984
Sailings (in number):		
Total	1,092	1,060
American	101	234

Export cargoes recorded gains in practically all instances during 1940. Details of shipments are summarized below:

	1939	1940
Centrifugal raw sugar, tons	777,145	917,345
Refined sugar, do	49,459	48,655
Copra, do	304,632	314,271
Coconut oil, do	151,477	172,701
Copra cake and meal, do	112,040	103,903
Desiccated coconut, do	79,862	79,074
Abaca, bales	1,365,200	1,405,404
Logs and lumber, 1,000 board feet	124,856	155,969
Mineral ores, tons	1,088,721	1,408,727
Leaf tobacco, do	26,091	23,232
Cigars and cigarettes, do	8,927	10,901
Cordage, do	9,200	9,567

Shipping Outlook for 1941.—Unless some drastic change takes place during the year, the readjustments made should assure the Philippines of sufficient space to meet all requirements during the year. It is understood that a substantial amount of sugar will be shipped to the United States during the first quarter of the year and that space has been booked for over 75 percent of the present quota during the first half of the year.

Railways.—Freight carloadings of the Manila Railroad for the year 1940 amounted to 1,583,088 tons, which is an increase of 6 percent over the figure of 1,491,276 tons reported for 1939. Details are as follows (in tons):

	53 weeks ended Dec. 28—			53 weeks ended Dec. 28—	
	1939	1940		1939	1940
Rice	96,972	89,395	Mineral products	58,074	46,127
Palay	19,404	17,799	Lumber and timber	75,672	96,777
Sugar	265,678	245,872	Manufactures	73,376	53,858
Sugarcane	533,848	637,154	All others including l. c. l.	284,148	302,530
Copra	67,362	77,207			
Coconuts	8,123	11,584	Total	1,491,276	1,583,088
Molasses	8,612	4,785			

No other statistics are available regarding freight movements. There were no important developments in this field during the year. It should be remembered that the percentage of total freight carried by the railroad is small and that the railroad serves a limited area.

Motor Transportation.—Motor transportation continued to improve and expand during 1940. Although no statistics are available concerning the amount of freight or passengers carried, the following table of motor vehicles in operation at the end of 1940 based on official records, compared with 1938 and 1939, indicates the growth of the industry:

	End of—		
	1938	1939	1940
Passenger cars:			
Private	28,394	28,735	29,640
Government	518	799	789
Public (taxi, hire and autocalesa)	3,389	3,384	3,466
Total	32,301	32,918	33,895
Trucks and busses:			
Trucks:			
Private and commercial	13,299	14,513	13,849
Government	1,501	1,924	1,910
Busses	4,139	4,298	4,369
Total	18,869	20,735	20,128
Grand total	51,170	53,653	54,023

Aviation.—Trans-Pacific air service was the brightest element in the transportation picture during the year 1940. There was an increase of more than 250 percent over 1939 in passenger and air express carried during the year and an increase of greater than 400 percent over the year 1937, which was the first full year of operation. With difficulties of other forms of transportation from the British East Indies to Europe, a substantial amount of such traffic is now routed through Manila and transferred here to trans-Pacific air service to the United States and Europe. The trans-Pacific air service has contributed greatly to the expeditious and efficient conduct of business between the Philippines and the United States, and all its facilities are being used to an increasing extent.

There was a decrease in domestic aviation activities during 1940. The following table indicates declines in all items compared with 1939, except student pilots, airports, and landing fields and radio stations:

	1939	1940
Air-line companies:		
Scheduled	2	1
Nonscheduled	5	4
Passengers carried:		
Paying	17,187	15,781
Free	4,876	[1] 2,506
Miles flown	735,930	[1] 510,426
Passenger-miles	1,411,140	1,013,901
Air express (pounds)	3,173,862	2,251,574
Airmail (pounds)	15,737	14,958
Number of:		
Airplanes under license	19	15
Commercial pilots	18	14
Noncommercial pilots	16	16
Student pilots	58	81
Airports and landing fields	78	85
Radio stations (Bureau of Aeronautics)	9	15

[1] Incomplete, 4 airplanes have not yet reported.

From this table, it would appear that facilities for domestic aviation are improving, but the local industry is not taking advantage of all its possibilities.

During the year, the Manila-Baguio flights were abandoned, but it has been reported that this service would begin again sometime during 1941.

Radio and telegraph.—Although few facilities or extensions of this service were reported during 1940, business improved approximately 15 percent over the previous year. Due to overstocking of merchandise during the latter part of 1939, telegraphic communications to the United States decreased during the early part of 1940, but as stocks became normal such communications increased substantially, bringing the year's total business above that reported last year. There were no new companies established during the year. One of the outstanding developments during 1940 was the equalizing of rates by all companies.

Commercial radio broadcasting.—General development and improvement took place in this industry during 1940. Power was increased in one station and a new station was placed in operation during the year.

Telephones.—Telephone facilities were improved during 1940. There was an increase of from 30,386 telephone stations in 1939 to 31,419 telephone stations in 1940. Additional radiotelephone facilities were installed in Luzon during the year and a new service established between the Philippines and Australia. The gross total revenue of the telephone company from operations during 1940 amounted to ₱3,463,071, or an increase of ₱191,282 over 1939.

Agricultural Production

Recent sources for data of agricultural production have been limited. The last official report was that for 1938 collected for the census of 1939 and published as table 18 in the Fourth Report of the United States High Commissioner, Manila, 1941. Due to the suspension preparatory to merger of the statistical divisions of the Commonwealth Department of Agriculture and Commerce into a central organization under a Bureau of the Census and Statistics (Act 591, August 19, 1940), few data are available from official sources for 1939 and 1940. The Philippine Year Book for 1940 republished much of the data from

the census of 1939 and in addition gave the following for 1939 and 1940:

	1939	1940
Palay, in cavans of 44 kilos	52, 193, 430	53, 698, 780
Corn, in cavans of 58 kilos	9, 423, 170	10, 038, 340
Sugar, centrifugal to centrals, in metric tons		947, 067
Copra, in metric tons	752, 617	738, 474
Abaca, decorticated, in bales	18, 804	20, 159
Other abaca, in bales	1, 398, 630	1, 342, 239
Maguey, in bales	23, 642	22, 521
Canton, in bales	10, 626	11, 156

Sugar.—Although inflexible quota regulations resulted in the production in 1939 and 1940 of practically the same quantity of centrifugal and refined sugar as for 1938, there was an increase in the weight of cane grown. One result of limitation without corresponding diversion of sugar land to other crops was recourse to a more extensive system involving discontinuance of introduction of higher yielding varieties, application of less fertilizer, and substitution of ratoon culture for annual planting over an increasing fraction of the producing area. There was some fear in 1940 that even the increased cane weight would not yield sufficient sugar to cover the United States export and domestic consumption quotas. However, excellent climatic conditions from August 1939 through the ensuing harvest season prevented the shortage.

Coconuts.—The collection of coconuts for the manufacture of copra and desiccated coconut meat was restricted during 1939 and early in 1940. Conditions improved about the middle of 1940, but an unusually large number of nuts was left uncollected. In some districts, due to the cumulative effect of low farmsite prices, nuts were fed to swine or crushed in primitive home mills for the extraction of illuminating oil and the manufacture of soft soap.

Abaca.—During the first 7 months of 1940 prices and available tonnage for shipping of abaca fiber reacted to curtail stripping. When dealer demand and farm prices showed improvement in August farmers returned to a normal rate of stripping. In the Davao region Japanese producers continued production at high levels, but with greater emphasis on the lower grades.

Tobacco leaf.—Production of tobacco leaf probably declined some 10 or 15 percent in 1940 as compared with 1938. It is doubtful if total production reached more than 29,000,000 kilograms. The decline was due almost entirely to lower prices and to a wholesome tendency on the part of producers in the Cagayan Valley to convert increasing areas to food crops.

Rubber.—A gradual extension of the areas planted to rubber occurred during the past 5 years. The extraction of latex in 1940 was probably double that given for 1938, or, roughly, about 2,000,000 kilograms.

Rice.—The production of unhusked rice (palay) reached an all-time high of over 56,000,000 cavans.[1] It was anticipated that the 1941 crop would be lower due to the lack of properly timed rainfall in the Great Plain of Luzon, but it was expected that production

[1] Commercial estimate, considered more reliable than Year Book figure.

would reach well over 50,000,000. Unlike other crops, rice production is little influenced by price because nearly three-fourths of the crop is consumed on the farms where it is grown.

Corn.—The production of corn has spread widely. Whereas production was originally confined to the southern islands, it has now become a staple throughout the Cagayan Valley and new plantings are found along the Gulf of Lingayen and the province of Nueva Ecija. Production in the Cagayan Valley, although unmeasured, has been greatly extended. A very large portion of the corn is eaten as green ears but the production of grain probably reached 10,000,000 cavans in 1940.

Sweetpotatoes.—Sweetpotatoes are used as an alternate food with rice. As they are short crops, the area planted increases subsequent to local failures in the rice and corn crops. It is probable that production in 1940 did not greatly exceed that in 1938.

Minor crops.—1940 production of pineapples was up nearly 40 percent over that of 1938. Planting of ramie fiber on a large scale began in 1939 and continued during 1940. Although preparation and marketing programs had not been worked out, the possibilities of ramie as a new crop were realized. Production of bananas, cassava, papayas, beans, eggplants, cabbages, and onions increased. Most other minor crops decreased.

Forest Production

The forest industries of the Philippines remained in a healthy state during 1940 but were subjected to wide variations in demand. The principal alteration was the radical decline in production of logs, squared logs, and timber for export with comparative increase in shipments abroad of sawn lumber. Interruption of the usual adequate shipping facilities had a very definite effect on the industry. At times interisland shipping was inadequate for proper distribution for domestic consumption. Toward the end of the period exporters were forced to charter ships for the high-seas lumber trade. There was a considerable carry-over from 1939 which tended to lower the rate of production during the first quarter of the year. Before the end of the year Orient war demand and local demand for public works and military installations encouraged capacity output and brought the industry to totals which, were full statistics available, would probably show the highest yearly record.

There were 148 sawmills and 12 machine-logging operators in 1940 as compared with 143 sawmills and 18 machine-logging operators at the end of the previous year. The total log scale cut, which included the output of sawmills, machine-loggers, and of the large number of individual and communal hand operators was 1,928,200 cubic meters as compared with 1,115,659 cubic meters during 1939. Known production of sawn lumber was reported in the Yearbook, 1940, at 332,908,721 board feet as against 351,118,306 board feet during 1939. There was a revival in production of rattan, given for 1940 at 968,504 kilograms of split rattan plus nearly 3,800,000 linear meters of unsplit rattan.

There was no cutch in 1940. The one operator, Philippine Cutch Co., dismantled its plant and is said to have removed to a point on the coast of Borneo. Productions of gums and resins also declined.

The Government experimental cinchona plantation continued active, and while money appropriated and expended for it increased, the operation was still on a very small scale confined to the uplands of Bukidnon Province in northern Mindanao.

Mining Industries

As indicated elsewhere in the report, mining activities were at an all-time high during the year 1940. There is no question but that mining has taken permanent position as third contributor to the national income, just below palay and sugar, with fair grounds for anticipation that within a few years it will exceed sugar. The stronger advance occurred in the production of the precious metals, but the production advance in chromite, manganese, copper, and iron was exceptional. The following comment has been taken from the reports of the United States Trade Commissioner in Manila:[1]

Gold and Silver.—Production of gold amounted to ₱78,375,384, gaining ₱4,437,529 or 7 percent over 1939, according to preliminary figures based partly on mine assays. Details are as follows:

	1939		1940	
	Fine ounces	Pesos	Fine ounces	Pesos
Gold	1,040,625	72,184,491	1,095,939	76,499,481
Silver	1,350,100	1,753,112	1,395,731	1,875,629
Platinum	6	252	6	274
Total	2,390,731	73,937,855	2,491,676	78,375,384

Output per ton milled during 1940 amounted to ₱16.79, which is a moderate increase over the figure of ₱16.39 for the previous year. This is an extremely creditable showing in view of the fact that many of the more important producers were operating on secondary ore reserves of lower quality.

During 1940 a total of 42 companies were engaged in regular mining of gold while 15 companies were producing irregularly and 8 were inactive. This compares with 28 regular, 23 irregular and 2 inactive producers during 1939.

Complete details are not available concerning total earnings of gold mining companies for 1940. The best available tabulation indicates that 21 companies paid cash dividends during the year totaling ₱20,156,000. Comparative figures for 1939 show 21 companies with cash dividends of ₱24,120,700. It is apparent that operations of the gold-mining companies were somewhat less profitable during 1940, owing probably to higher cost of materials and increased taxes and other operating charges. Both figures include dividends paid by mine management companies.

Base metals.—Production of base metals increased very sharply during 1940, under the stimulus of war demand. Production of the principal base metals has been as follows:

	1939		1940	
	Quantity	Pesos	Quantity	Pesos
Chromite (Long tons)	130,969	2,150,651	189,919	2,518,375
Manganese ore (do)	28,593	559,215	57,256	1,275,110
Iron ore (do)	1,175,707	5,162,283	1,215,718	5,633,727
Copper ore (do)	16,525,517	2,958,600	20,413,236	3,488,986
Lead (do)	88,901	6,781	1,422,471	78,029
Total		10,837,530		12,994,222

[1] Foreign Service of the United States of America: Economic Review of the Philippine Islands for the Year 1940. Manila, 1941.

During 1940, 17 companies were actively engaged in the mining of base metals, which is a considerable decline from the figure of 22 companies for the previous year. Complete figures concerning earnings are not available, but during 1940 four companies declared cash dividends aggregating ₱1,231,000, which compares very favorably with dividends of ₱639,535 by four companies during the previous year.

Manufacture and Merchandising

1940 showed a decrease in the number but a small increase in paid-up capital of newly established manufacturing and commercial enterprises including agricultural enterprises. The major part of new capital investment was covered by government companies established or expanded during the year, particularly the National Coconut Corporation, the National Abaca & Other Fibers Corporation, and the National Tobacco Corporation. The American Trade Commissioner in Manila [1] offered the following very complete report of new capital investment:

Capital investments.—Investments in new corporations during 1940 recorded an increase of 22 in the total number of companies but a decline of ₱580,198 or 6 percent in total paid capital. It should be pointed out that considerably more than half of total corporate investments during 1940 was represented by government corporations established during the year. It is believed, therefore, that private corporate investments were extremely small during the period. Total investments in new partnerships during 1940 showed an increase of ₱815,614 or 24 percent compared with the previous year. Combined paid capital of corporations and partnerships in 1940 shows an increase of ₱234,416 or almost 2 percent compared with 1939. However, this increase is largely nominal since the sole reason is the previously mentioned heavy investment in new Government corporations.

Analysis of statistics for 1940 shows very pronounced changes in the character of undertakings. Investment in merchandising corporations accounted for nearly 60 percent of the 1940 total, against only about 8 percent in 1939. Next in importance was an increase in manufacturing concerns, representing 13 percent of the total during the current year against 7 percent in 1939. The only other gains in 1940 were in electric light and ice plant and transportation companies. Very substantial declines were apparent with respect to investment in banking real estate.

Corresponding analysis of the partnership statistics shows an almost threefold increase in brokerage companies and a moderate gain in merchandising and construction concerns, with manufacturing and lumbering concerns showing substantial decreases.

Corporate investment by nationalities in 1940 shows a tremendous increase in Filipino participation, although this may be attributed largely to government investments. American corporate investments gained moderately while there was an extremely large relative increase in Japanese investments. Investments by miscellaneous nationalities also increased fairly materially, but Chinese corporate investments fell about 78 percent.

Partnership investment by nationalities shows an extremely large actual and relative increase in investments by Americans; a somewhat smaller gain in Filipino investments; and substantial declines in Chinese, British-Indian, and miscellaneous nationalities.

Details of corporate and partnerships investments are given in the following comparative table:

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[1] Foreign Service of the United States of America: Economic Review of the Philippine Islands for the Year 1940. Manila, 1941.

CORPORATIONS

	1939		1940	
	Number	Paid capital	Number	Paid capital
By industries:				
Agriculture, etc	23	₱2, 058, 840	17	₱340, 870
Merchandising	55	628, 584	41	5, 392, 775
Manufacturing	21	328, 024	32	1, 330, 020
Motion pictures, amusements, etc	24	536, 615	15	103, 665
Lumbering	8	566, 352	10	203, 145
Banking, investment, etc	8	2, 582, 077	4	643, 550
Transportation	8	123, 756	9	316, 109
Real estate	7	1, 849, 122	7	712, 815
Construction	8	59, 129	2	80, 550
Brokerage	4	100, 684	5	14, 630
Mining	9	99, 900	7	79, 150
Electric light and ice plants	2	18, 525	4	239, 600
All others	21	112, 287	23	187, 214
Total	198	9, 063, 895	176	9, 644, 093
By nationalities				
Filipino	151	5, 949, 605	129	7, 584, 399
American	21	396, 310	21	557, 718
Chinese	16	2, 476, 060	16	539, 167
Japanese	4	165, 100	3	505, 100
Others	6	76, 820	7	457, 709
Total	198	9, 063, 895	176	9, 644, 093

PARTNERSHIPS

By industries:				
Brokerage	16	464, 661	9	1, 331, 500
Merchandising	78	1, 956, 359	65	1, 965, 541
Manufacturing	14	474, 069	18	310, 180
Lumbering	10	228, 000	3	192, 000
Construction	3	18, 000	9	113, 700
All others	26	307, 220	33	351, 002
Total	147	3, 448, 309	137	4, 263, 923
By nationalities:				
Filipino	46	705, 089	58	1, 221, 127
American	2	115, 000	3	1, 294, 200
Chinese	64	1, 775, 159	57	1, 284, 662
British-Indian	20	596, 000	11	389, 317
All others	15	257, 061	8	74, 617
Total	147	3, 448, 309	137	4, 263, 923

Economic Legislation

There was comparatively little legislation of economic importance passed during the fiscal year ending June 30, 1941. The following presents a recapitulation of the several minor enactments of an economic nature.

Act 585, approved and effective June 7, 1940.—Act 585 is the Commonwealth legislative number assigned to bill No. 11 passed early in 1936 and submitted to the President of the United States for action as required by the Tydings-McDuffie Act. No action was taken until June 7, 1940, when the President of the United States approved the bill (see Proclamation of the President of the Philippines No. 557). The act prohibits the exportation to any foreign country of fibers (*buntal*), filaments, seeds or seedlings of the plant commonly known as buri. The measure was enacted in response to the demands of a few hat makers in the provinces of Tayabas and Bulacan, who argued that the declining market in the United States for Philippine hats was

due to competition with Chinese hats produced by cheap labor from fiber imported from the Philippines. The Office of the High Commissioner questioned the approval of the bill on the following grounds: (*a*) It was an additional barrier to trade; (*b*) more people in the Philippines were interested in the production of the fiber than in the weaving of hats; and (*c*) the same species of buri palms grew in south China and elsewhere in southeast Asia and, therefore, prohibition of export from the Philippines would probably result in development elsewhere of a source for the raw material. To the date of this report no effect of the law has been noted.

Act 593, approved and effective August 19, 1940.—Act 593 suspended the collection of the tax on rental of sugar lands provided in act 567. The provision suspended provided that when any lands devoted to the cultivation of sugarcane were ceded to others by the owner or person in control under lease or otherwise, such owner or person in control should pay a tax equivalent to the difference between the money value of the rental and the amount of 12 percent of the assessed value of the land. The provision was originally adopted as a socio-economic measure to curb the exorbitant share rentals charged by landowners in the sugar districts. Landlords of sugar plantations were reported to have induced the government to suspend the tax, alleging as their reason the low price for sugar. Due to lack of organization tenant and sugar labor groups were not in a position to effectively voice their protests.

Act 603, approved and effective August 22, 1940.—Act 603 amended previous legislation to authorize radical increase in fees charged for inspection of abaca and other fibers, permitting the fee to be increased from $0.05 to $1 per bale. So far as this increased fee is applicable to exports it would seem to constitute what is essentially an export tax. While legislation affecting exports is required to be submitted to the President of the United States, no provision was made for submitting the act to him.

Act 617, approved June 4, 1941, effective September 4, 1941.—Act 617 fixed weights and measures for unhusked (palay) and husked rice. The act confirms the use of the kilogram and the liter and defines the "sack of rice" at 56 kilograms net weight and the "sack of palay" at not less than 44 kilograms net weight. The ganta was defined at 3 liters. The act also required clear marking of volume or weight as well as designation of variety. If enforced the act should go far to clear the confusion existing in country districts—a confusion which in the past had covered many instances of fraud practiced by landlords and dealers.

Act 621, approved and effective June 6, 1941.—Act 621 exempted rural banks organized under Philippine Legislation 3896 from all taxes and fees except the income tax. No rural banks having been established under the previous act the effect of the amendment was not tested. All efforts to encourage the establishment of privately owned rural banks have failed because the average small farmer and tenant of the Philippines does not have the security to offer for documentary loans, and because those who have sufficient funds to capitalize such banks can make more profit as licensed money lenders than by conforming to standard banking procedure.

Act 637, approved and effective June 10, 1941.—Act 637 provided that the income of non-resident citizens of the United States or corporations organized under the laws of the United States or any of its political subdivisions derived exclusively from the operation of shipping documented under the laws of the United States, except income derived by them from the operation of ships in the Philippine coastwise trade, shall not be liable to Philippine income or resident tax levies. The exemptions were, however, conditioned upon the United States granting an equivalent exemption to nonresident citizens of the Philippines and corporations organized in the Philippines operating United States ships documented under the laws of the Philippines..

Act 643, approved and effective June 11, 1941.—Act 643 transferred the franchise of the Philippine Aerial Taxi Co., Inc., granted under Philippine Legislation 4271 to a new company known as the Philippine Airlines, Inc.

Act 644, approved and effective June 11, 1941.—Act 644 authorized the Pan American Airways Co. to transfer its franchise under Philippine Legislation 4249 to the Pan American Airways, Inc. This pro forma permission to transfer arising out of change of name carried an additional and less welcome provision reading:

> It is expressly provided that in the event the government should desire to maintain and operate for itself the plant and the enterprise * * * the grantee shall surrender its franchise and will turn over to the government all serviceable equipments at cost less reasonable depreciation.

The effect of the foregoing stipulation was to make it possible for the Commonwealth government to take over at any time the operation of Pan American Airways should they so desire.

Act 646, approved and effective June 11, 1941.—Act 646 provided for a revolving fund of ₱300,000 out of the coconut excise tax fund for the further promotion of cinchona plantations and for the manufacture of quinine preparations. This important legislation represents the first adequate effort to support cinchona production in the Philippines.

Act 650, approved and effective June 16, 1941.—Act 650 amended previous legislation to allow broader and more remunerative contracts for the transportation of air mail.

Act 652, approved and effective June 19, 1941.—Act 652 increased the tax on private motortrucks and passenger busses from a range of ₱2.00–₱2.50 to a range of ₱4.00–₱5.00 per hundred kilograms of maximum allowable gross weight or fraction thereof. As there were no concurrent changes in the rate schedule established by the Public Utilities Commission the effect of the act was to curtail to some extent the net profits of operators.

Act 668, enacted without Executive approval, effective June 22, 1941.—Act 668 made certain changes in customs districts and added as a port of entry the port of Cagayan in the province of Misamis Oriental. Cagayan de Misamis Oriental is a populous city on the northwest coast of the large island of Mindanao. In recent years it has grown to the point where it is by far the largest city and, except for Davao, the chief supply center for the entire island.

VI. Public Finance and Banking

Government finances continued in a generally sound condition throughout the fiscal year ending June 30, 1941. Revenue collections were well maintained, making possible a continuation of normal government services. The turning over to the Commonwealth government of collections from the United States excise tax on Philippine coconut oil made possible continued large public works and government loans to agriculture and industry.

There were, however, aspects of the situation which gave rise to misgiving as to the long-time outlook for the future. In the first place it appeared that the Philippines, at a time when they were preparing for independence, were actually becoming more dependent upon revenues which would be cut off when ties with the United States were severed. Up until recent years the United States required the Filipino people to defray the cost of the civilian government of the islands. This was a logical complement to the policy of not requiring Filipinos to pay taxes to the Federal Government and was calculated to facilitate the transition from a dependency of the United States to an independent country. Only small amounts, representing collections of certain excise taxes on Philippine products, were transferred by the United States Government to the insular treasury. The cost of military defense was borne by American taxpayers.

Subsequent to 1937, on the other hand, the Commonwealth received large sums, equal to nearly 40 percent of its revenues from all other sources, from the United States excise tax on Philippine coconut oil. These transfers of relatively large sums from the United States to the Philippines, and the rapid increase in government expenditures since the inauguration of the Commonwealth, while stimulating economic activity and facilitating the financing of public works and other government activities, had obvious disadvantages from the standpoint of long-time policy. By contributing to the maintenance of prices and production costs at levels well above those of other tropical countries with which the Philippines would be obliged to compete after attaining independence, they were tending to keep the Philippines economically dependent upon the United States and to enhance the difficulties which the Commonwealth government would have to face in achieving independence.

Another undesirable aspect of the situation in the period under review was the tendency for government expenditures to exceed current revenue. Prior to the establishment of the Commonwealth government in 1935, there had been built up a considerable surplus and this sound financial policy had been continued for several years by the new Commonwealth government. Expenditures from the general fund proper in the fiscal year 1941, however, exceeded income by ₱8,601,788.74. This tendency, moreover, was much more pronounced in the appropriations for the fiscal year 1942 which were greatly in excess of expected current revenues. Expenditures from the general fund proper (exclusive of coconut oil excise tax receipts and other special funds) were estimated at approximately ₱123,000,000 while revenues anticipated amounted to only ₱82,310,000. The deficit was to be met by use of the remaining surplus from previous years and the sale of a bond issue of ₱20,000,000. These expenditures were for

the ordinary expenses of the government, including investments and permanent improvements, and, except for an appropriation of ₱10,000,000 for the work of the Civilian Emergency Administration, were not affected materially by the impending war.

Financial Legislation

General budget, fiscal year 1942.—The general budget for the fiscal year ending June 30, 1942, was submitted to the national assembly by the President of the Philippines on February 11, 1941. The income of the general fund was estimated ₱82,310,000 which was to be supplemented by ₱5,672,082.02 unappropriated surplus at the beginning of the period, a reversion to surplus of ₱10,000,000 representing funds which had been invested in United States bonds and a restoration to surplus of ₱5,000,000 continuing appropriation from the government center fund, bringing the total to ₱102,982,082.02. Expenditures were to total ₱111,675,480 and the difference between anticipated revenues and expenditures was to be met by the sale of bonds totaling ₱10,000,000. Appropriations proposed in the 1942 Budget, distributed by purpose, are shown in absolute figures and percentages in table 1.

The General Appropriation Act (Commonwealth Act No. 654) made provision, with little change, for expenditures classified in the budget as "Expenditures for Operation." It carried a total appropriation of ₱91,839,629.50 as compared with ₱91,711,240.00 proposed in the budget. Other appropriations, however, brought the total up to approximately ₱123,000,000 as has been mentioned on the preceding page.

TABLE 1.—*Appropriations from general fund proposed in budget for the fiscal year 1942*

Purpose	Amount	Percent
ORDINARY EXPENDITURES		
1. For public education, which includes the expenses for the operation and maintenance of primary, vocational, and special schools and classes, the University of the Philippines, and the administrative expenses of the Bureau of Education	*Pesos* 38,334,350	33.87
2. For the national defense, including the expenses of the Philippine Constabulary	17,830,680	15.75
3. For executive direction and control, which includes the expenses of the Office of the President, the Secretaries of Departments, the Resident Commissioner to the United States, the General Auditing Office, the Bureau of Civil Service, the Budget Commission, and the Bureau of Public Works	6,878,660	6.09
4. For public health and sanitation, including the expenses of the Bureau of Health and those for the control and eradication of malaria, tuberculosis, and other diseases; the establishment, operation, maintenance, extension, and improvement of hospitals and public dispensaries	6,586,720	5.82
5. For the payment of interest on the public debt of the national government	5,530,540	4.89
6. For the administration of justice, including the expenses of the Supreme Court, the Court of Appeals, the courts of first instance, and the justice of the peace courts	4,468,150	3.95
7. For postal and communication service (Bureau of Posts)	4,176,970	3.69
8. For the revenue collection services, including the expenses of the Bureau of Internal Revenue and the Bureau of Customs	2,967,950	2.62
9. For the development of agriculture, including the expenses of the Bureaus of Plant Industry, Animal Industry, and Lands	2,337,620	2.07
10. For legislation	2,049,060	1.81
11. For the development of commerce, including the expenses of the Bureau of Commerce, the Bureau of Aeronautics, and the Bureau of Coast and Geodetic Survey	1,604,380	1.42
12. For the maintenance of law and order, including the expenses of the Bureau of Justice but excluding those of the Philippine Constabulary	1,209,230	1.07
13. For the maintenance of prisoners under the Bureau of Prisons and other correctional institutions	1,191,600	1.05

TABLE 1.—*Appropriatoins from general fund proposed in budget for the fiscal year 1942*—Continued

Purpose	Amount	Percent
	Pesos	
14. For the conservation and development of the natural resources, including the expenses of the Bureau of Forestry and the Bureau of Mines	1,245,710	1.10
15. For other purposes, including the expenses of the Philippine Sugar Administration, the Securities and Exchange Commission, the Court of Industrial Relations; those for the development and promotion of arts and science, the regulation of public services, public charity, protection and relief from public calamities, etc	3,919,400	3.46
16. For the operating expenses of industrial and commercial units, including those of the Bureau of the Treasury, and the Division of Purchase and Supply	447,330	.39
Total ordinary expenditures	100,778,350	89.05

Coconut oil excise tax budget, fiscal year 1942.—Coconut oil excise tax receipts, which are derived from taxes imposed in the United States upon Philippine coconut oil, have been paid to the Commonwealth government subject to certain limitations as to their use. The act of Congress of August 7, 1939, provides that such taxes collected on or after January 1, 1939, must be used "for the purpose of meeting new or additional expenditures which will be necessary in adjusting Philippine economy to a position independent of trade preferences in the United States and in preparing the Philippines for the assumpton of the responsibilities of an independent state." Coconut oil tax receipts are kept in a separate fund and budgeted separately from the general fund proper of the Commonwealth.

Pursuant to an understanding with the President of the Commonwealth reached in the preceding year, the budget for coconut oil excise tax appropriations for the fiscal year 1942 was submitted to the High Commissioner before being acted upon by the assembly. He recommended that in his personal opinion in view of the urgency of the need of funds for purposes of civilian welfare and defense as recommended by the Civilian Emergency Planning Board, such funds as were not necessary for the operation of essential services of the Commonwealth government should be devoted to necessary preparations against a possible emergency; and that if therefore no other Commonwealth funds were available the coconut oil excise tax funds for the coming fiscal year should be expended in whole or in part for civilian welfare and defense.

As adopted, the appropriation act covering coconut oil tax funds (Commonwealth Act 627) followed the pattern of previous ones. A large part of the total was accounted for by government-owned corporations with the Agricultural and Industrial Bank receiving the largest amount (₱10,000,000). ₱4,520,000 were appropriated for the development of irrigation systems. ₱3,000,000 was allotted to the sinking fund for the Manila Railway bonds as compared to ₱7,000,000 in the 1941 budget. A new item of ₱3,000,000 provided additional funds for the Philippine Army, including the constabulary, it being understood that those funds would be used to enlarge the constabulary.

Other new items appearing in the 1942 coconut oil tax appropriation act were relatively small appropriations for a school of fisheries, the development of cinchona plantations, the construction of a new airport for Manila, exploration for oil, and the development of the Institute for Hygiene. A complete list of the appropriations of coconut oil excise tax funds for the fiscal year 1942 is shown in table 2.

TABLE 2.—*Appropriations by Commonwealth Act No. 627 of June 7, 1941, for the fiscal year 1942 of coconut oil excise tax receipts*

Purpose	Amount	Purpose	Amount
	Pesos		*Pesos*
cholarships in the United States or in foreign countries	150,000	Airport for Manila	1,000,000
Promotion and development of tourist trade in Philippine Islands	100,000	Philippine army, including constabulary	3,000,000
To continue agronomical survey of Philippine Islands	168,000	Government-owned textile mills	1,500,000
Agricultural experiment and demonstration stations	400,000	Geological survey of mineral oil deposits	500,000
Reforestation	540,000	National Abaca and other Fibers Corporation	500,000
Classification, survey and subdivision of public domain	1,350,000	Land Settlement Administration	2,500,000
School of fisheries	333,000	Agricultural and Industrial Bank	10,000,000
Cinchona plantations	150,000	National Coconut Corporation	2,000,000
Flood control on Agno and Pampanga Rivers	250,000	National Tobacco Corporation	500,000
Irrigation systems (Act No. 369)	2,520,000	Sinking fund Manila Ry. bonds	3,000,000
Irrigation systems (Act No. 2940)	2,000,000	Institute of Hygiene	200,000
		Total	32,661,000

Appropriation and Revenue Acts

[A list of appropriation acts and revenue acts enacted during the fiscal year 1941]

APPROPRIATION ACTS

Act No.—	Particulars	Appropriation
		Pesos
587	Approved Aug. 7, 1940; provides funds for primary and intermediate schools during the school year 1940–41	9,500,000
605	Approved Aug. 22, 1940; provides pensions for veterans of past Philippine revolutions or wars	300,000
607	Approved Aug. 22, 1940; provides for the organization of the Commission on Elections and appropriates for its expenses	80,000
609	Approved Aug. 29, 1940; amends Act No. 240, sec. 1, subsec. A, by appropriating for schools in Cagayan and Pampanga, these respective sums	3,500 3,000
610	Approved Aug. 29, 1940; amends Act No. 330, sec. 1, subsec. C, par. (r), by appropriating for the Agugaddon Barrio School, Penablanca, Cagayan	500
611	Approved Aug. 29, 1940; amends Act No. 611, sec. 2, subsec. A, par. (a), by appropriating for schools and public works in Lanao, Mountain Province, Nueva Ecija, Ilocos Norte, and Laguna, these respective sums	10,000 4,000 3,200 1,300 2,500
612	Approved Aug. 29, 1940; amends Act No. 566, sec. 1, subsec. A, par. (a), so as to change the amounts appropriated for various public works in certain provinces	
613	Approved Aug. 26, 1940; controls and regulates the immigration of aliens into the Philippines and appropriates for the Bureau of Immigration	150,000
624	Approved June 7, 1941; appropriates for the Civilian Emergency Administration	10,000,000
627	Approved June 7, 1941 (to take effect, in general, on July 1, 1941); appropriates from the coconut oil excise tax fund for governmental departments and corporations	32,661,000
628	Approved June 10, 1941; appropriates for the expenses of the Code Committee	53.760
636	Approved June 10, 1941; appropriates for the expenses of the National Produce Exchange	50,000
642	Approved June 11, 1941; appropriates "a sufficient sum" to defray expenses of the issue and sale of insular, provincial, and municipal bonds authorized, the payment of interest thereon, and expenses incident to investment of the sinking fund	
646	Approved June 11, 1941; appropriates for the establishment of cinchona plantations in public forest lands	300,000
648	Approved June 16, 1941; creates the National Housing Commission and appropriates for its objects	5,000,000
650	Approved June 16, 1941; appropriates as additional fund for extension of air routes and increase in base rate of air mail contracts	300,000
651	Approved June 16, 1941; authorizes Rizal and certain municipalities therein to issue bonds, provides for their transfer to the Commonwealth and its issue of an equivalent amount of bonds, and makes a standing annual appropriation to provide for interest and sinking fund and a specific appropriation sufficient to cover expenses of issue and sale	
653	Approved June 21, 1941; appropriates for the expenses of carrying out the "Philippine Alien Registration Act of 1941"	50,000

Appropriation and Revenue Acts—Continued

[A list of appropriation acts and revenue acts enacted during the fiscal year 1941]

APPROPRIATION ACTS—Continued

Act No.—	Particulars	Appropriation
		Pesos
654	Approved June 21, 1941; appropriates for the general expenses of the Commonwealth for the fiscal year July 1, 1941–June 30, 1942, except where otherwise stated	91,839,63
658	Approved June 21, 1941; appropriates for public works	15,760,50
661	Enacted, with Executive approval, June 22, 1941; creates an additional branch of the Court of First Instance of Cagayan and appropriates for such purposes	15,000
666	Enacted, without Executive approval, June 22, 1941; appropriates for the expenses of the first election under the constitution as amended	800,000
668	Enacted, without Executive approval, June 22, 1941; appropriates for the operation of the Customs Service at Cagayan	22,840

REVENUE ACTS

Act No. 586. Approved Aug. 7, 1940; imposes a matriculation fee in an amount to be determined by the President, but not to exceed ₱2 for each pupil enrolled in the intermediate grades of the public schools, to be collected in municipalities and municipal districts.

Act No. 601. Approved Aug. 19, 1940; regulates the maintenance and operation of places of amusement in chartered cities, municipalities, and municipal districts under regulations of the President and upon payment of fees to be fixed by him.

Act No. 603. Approved Aug. 22, 1940; amends secs. 1795 and 1796B of the Administrative Code as to authorize the collection by the Secretary of Agriculture and Commerce of a fee between 10 centavos and ₱2 for each bale of fibers inspected and stamped.

Act No. 613. Approved Aug. 26, 1940; controls and regulates the immigration of aliens into the Philippines, levies a tax of ₱16 for every alien over 16 years of age admitted into the Philippines for a stay exceeding 60 days, and provides for specific fees for services in connection with visas, reentry permits, and the like and for fines against vessels.

Act No. 652. Approved June 19, 1941; provides for registration fees for private motortrucks.

Financial Statements

Owing to the occupation of the Philippines by the Japanese statistics pertaining to the financial operations of the Commonwealth government, as well as those pertaining to currency and banking, for the fiscal year 1941, comparable to those included in previous reports of the High Commissioner, are not complete. Wherever possible, the tables in this section of the report, and the comments relating to them, cover the entire fiscal year ending June 30, 1941. To a large extent, however, the requisite data are not available in this country, and it has been necessary to limit the scope of the tables and discussion to the 6 months from July 1 to December 31, 1940.

General fund proper.—Total receipts of the general fund proper for the 6 months ended December 31, 1940, declined by ₱12,401,058.215 as compared with the same period of 1939 (see table 3). The main causes of this decline were a reduction of approximately ₱6,500,000 in collections of import duties, and the fact that the 1939 figure "Other revenue and transfers in" includes a "rehabilitation" payment of ₱9,460,653.71, which is without a counterpart in 1940. These are partly offset by an increase of ₱3,500,000 in income-tax collections.

The increase in income-tax collections was attributed primarily to a change in the collection period of this tax.

TABLE 3.—*Receipts and disbursements, general fund proper, July 1 to Dec. 31, 1940, compared with July 1 to Dec. 31, 1939*

Particulars	July 1 to Dec. 31—	
	1940	1939
Receipts:	*Pesos*	*Pesos*
Import duties	7,972,370.55	14,420,769.54
Excise tax	8,109,711.34	8,498,715.13
License and business tax	11,955,084.86	12,122,384.01
Income tax	6,033,685.48	2,543,209.14
Other revenue from taxation	2,672,603.35	1,841,985.43
Total revenue from taxation	36,743,455.58	39,427,063.25
Less internal revenue returned to local governments (sec. 363, Commonwealth Act 466)	(3,236,955.28)	(2,949,424.30)
Net revenue from taxation	33,506,500.30	36,477,638.95
United States internal revenue received	415,794.52	507,424.49
Other revenue and transfers in	7,457,226.41	16,795,516.005
Total receipts	41,379,521.23	53,780,579.445
Disbursements:		
Salaries and wages	17,955,830.98	18,230,601.32
Other administrative disbursements	5,646,251.86	15,498,230.28
Contributions to local governments	622,775.09	843,907.54
Pensions and gratuities	416,777.34	825,788.49
Outlays and investments	942,765.53	1,021,700.91
Public debt service	5,096,490.52	5,184,604.51
Public works	5,080,207.74	3,513,001.33
Other charges and transfers out	2,220,494.91	2,019,021.88
Total disbursements	37,981,593.97	47,136,856.26
Excess of receipts over disbursements	3,397,927.26	6,643,723.185

Figures for collections by the Bureau of Internal Revenue and the Bureau of Customs, which are available covering the entire fiscal year, indicate that the final results for the 12-month period were considerably more satisfactory. While customs collections continued small, owing to the declining imports from foreign countries, the reduction in revenues from this source was almost entirely offset by increased collections of internal revenue. Total collections by the Bureau of Customs (see table 4) were ₱6,732,270 smaller in the fiscal year 1941 than in the preceding period, whereas collections by the Bureau of Internal Revenue (see table 5) were ₱5,666,863 larger.

Expenditures from the general fund proper (exclusive of the coconut oil tax fund) in the fiscal year ending June 30, 1941, totaled ₱105,529,401.45 as compared with ₱95,514,039.21 expended in the preceding year. Final figures for expenditures by agencies and purposes are not available. Estimates appearing in the 1942 budget, however, published in February 1941 indicate that considerably over one-third (₱37,303,569.87) was allocated to the Department of Public Instruction. Owing to the assumption by the central government of certain school expenses formerly borne by the local governments, expenditures were much greater than the ₱26,616,625.90 devoted to this purpose in the preceding year.

TABLE 4.—*Collections by Commonwealth Bureau of Customs, fiscal year 1941 compared with fiscal year 1940*

Particulars	Fiscal year 1941	Fiscal year 1940
	Pesos	*Pesos*
Customs collections	17,674,715	26,707,475
Customs internal revenue collections on imported merchandise	9,780,030	9,057,508
Customs highways special fund collections	11,619,386	10,479,857
Customs port works fund collections	4,014,510	3,576,071
Total	43,088,641	49,820,911

TABLE 5.—*Collections by Commonwealth Bureau of Internal Revenue, fiscal year 1941 compared with fiscal year 1940*

Particulars	Fiscal year 1941	Fiscal year 1940
	Pesos	*Pesos*
Revenue from taxation:		
Domestic excise taxes	8,018,616	8,814,531
License and business taxes	24,185,420	23,954,247
Compensating tax collected by provincial treasurers	174,673	13,780
Franchise tax	200,557	194,676
Documentary stamp tax	1,201,063	1,207,782
Income tax	15,146,868	11,533,763
Inheritance tax	1,867,237	565,110
Residence tax	586,938	
Tax on unpatented mining claims	210	397
Additional allotment due to adjustment of fiscal year 1940	(1,227,843)	
Internal revenue allotment	(4,367,890)	(5,898,845)
Total	45,785,849	40,385,441
Incidental revenue:		
Revenue from public forests	2,778,176	2,728,589
United States internal revenue	1,394,350	946,539
Fines and forfeitures	464,127	560,464
Justice of the peace fines	21,383	25,512
Others	14,531	1,233
Total	4,672,567	4,262,337
Earnings and other credits:		
Justice of the peace fees	75,970	107,862
Other credits	35,698	69,637
Total	111,668	177,499
Refunds of previous year's collections	(212,251)	(134,307)
Total collections	50,357,833	44,690,970

The estimate of expenditures for the Philippine Army and Constabulary in the fiscal year 1941, which together accounted for roughly 15 percent of the total, was somewhat smaller than actual expenditures in the preceding year. Interest on the public debt of the Philippines which is relatively small, accounted for approximately 5 percent of the total expenditures.

The balance sheet of the general fund proper (table 6) shows the total current surplus to have declined from ₱58,058,772.06 as of December 31, 1939, to ₱55,302,998.75 on June 30, 1940, and to ₱47,539,916.74 on December 31, 1940. By June 30, 1941, it had declined further to ₱35,540,200.745. The "Unappropriated current surplus" account showed an overdraft of ₱43,780,652.94 as compared with an overdraft of ₱17,590,131.59 on December 31, 1939.

Including replenishments from the coconut oil excise tax to the general fund proper, the cash position of the general fund proper as of December 31, 1940, showed cash available for current needs amounting to ₱16,943,576.365 as against ₱17,495,992.385 on December 31, 1939 (table 7).

TABLE 6.—*Balance sheet, general fund proper, Dec. 31, 1940, compared with Dec. 31, 1939*

Particulars	Dec. 31, 1940	Dec. 31, 1939
	Pesos	*Pesos*
Assets:		
Cash	65,362,914.705	73,179,456.945
Deferred charges	780,631.86	472,937.43
Other assets	7,239,574.835	6,808,879.785
Total assets	73,383,121.40	80,461,274.16
Liabilities and surplus:		
Current liabilities	24,931,956.28	21,769,931.29
Deferred credits	911,248.38	632,570.81
Total liabilities	25,843,204.66	22,402,502.10
Released appropriated current surplus	74,542,104.63	52,688,446.67
Unreleased appropriated current surplus	7,678,870.99	13,079,723.73
Unappropriated current surplus	(43,780,652.94)	(17,590,131.59)
Reserve for determined losses	359,905.67	364,744.86
Reserve for government center	8,739,688.39	9,515,988.39
Total current surplus	47,539,916.74	58,058,772.06
Total liabilities and surplus	73,383,121.40	80,461,274.16

TABLE 7.—*Cash position of general fund, Dec. 31, 1940, compared with June 30, 1940, and Dec. 31, 1939*

Particulars	Dec. 31, 1940	June 30, 1940	Dec. 31, 1939
	Pesos	*Pesos*	*Pesos*
Total cash accounts:			
General fund proper	65,362,914.705	70,707,608.845	73,179,456.945
Coconut-oil excise tax	47,382,948.22	55,302,998.75	52,418,318.34
	112,745,862.925	126,010,607.595	125,597,775.285
Deduct—Current liabilities and deferred credits:			
General fund proper	25,843,204.66	35,008,842.40	22,402,502.10
Coconut-oil excise tax	1,156,366.90		
	26,999,571.56	35,008,842.40	22,402,502.10
Excess of cash over current liabilities and deferred credits:			
General fund proper	39,519,710.045	35,698,766.445	50,776,954.845
Coconut-oil excise tax	46,226,581.32	55,302,998.75	52,418,318.34
	85,746,291.365	91,001,765.195	103,195,273.185
Deduct:			
General fund proper—continuing appropriations	7,662,054.69	12,935,198.39	15,207,719.20
Reserve for determined losses	359,905.67	359,905.67	364,744.86
Reserve for government center	8,739,688.39	9,355,988.39	9,515,988.39
Cash advances to money-order fund	4,348,685.78	5,880,382.78	6,786,811.88
Cash advances to irrigation fund	1,465,799.15	1,500,955.26	1,405,698.13
	22,576,133.68	30,032,430.49	33,280,962.46
Coconut-oil excise tax—continuing appropriations	51,163,171.58	75,804,486.88	97,694,224.89
	73,739,305.26	105,836,917.37	130,975,187.35
Excess of cash over current liabilities, deferred credits, continuing appropriations, reserves for determined losses, and government center, and advances to money-order fund and irrigation fund available for current appropriations:			
General fund proper	16,943,576.365	5,666,335.955	17,495,992.385
Coconut-oil excise tax	(4,936,590.26)	(20,501,488.13)	(45,275,906.55)
	12,006,986.105	(14,835,152.175)	(27,779,914.165)

Coconut oil excise tax fund (general fund).—Receipts of the United States excise tax on Philippine coconut oil are held in a subaccount of the general fund denominated coconut oil excise tax fund (general fund) in contradistinction to the general fund proper.

It has been the recent practice of the Commonwealth Assembly to appropriate sums in excess of the amounts available for expenditure. A large part of the appropriations have been continuing appropriations for public works which, if not expended in 1 year remain available for expenditure in subsequent years. To insure that excess appropriations will not exhaust funds necessary for the ordinary operating expenses of the government, the executive branch is given broad powers to determine when or whether such expenditures may be made. This practice has resulted in the existence of relatively large sums which have been appropriated but not released for expenditure. In table 8 is shown the unexpended balances of all appropriations of coconut oil excise tax funds outstanding on December 31, 1940, the latest date for which such data are available, compared with balances on hand on June 30 of that year.

Most of the Commonwealth accounts relating to the coconut oil tax are available only for the first half (June 1 to December 31) of the fiscal year 1941. Insofar as possible the statistical data of this nature carried in previous reports of the High Commissioner have been continued.

TABLE 8.—*Appropriations of coconut oil excise tax fund—balances outstanding as of Dec. 31, 1940, compared with June 30, 1940, and appropriations during intervening period*

Purpose	Balances June 30, 1940	Current appropriations during the period	Balances Dec. 31, 1940
OUTSTANDING APPROPRIATIONS FROM COCONUT OIL EXCISE TAX FUND COLLECTED PRIOR TO JAN. 1, 1939			
	Pesos	*Pesos*	*Pesos*
Construction of national prison building (transferred from 1-C (q), Act 330), Commonwealth Act 67	452,496.33		452,496.33
Construction and reconstruction of school buildings, Commonwealth Act 240	52,100.00		52,100.00
Purchase of large landed estates used as homesites, etc., Commonwealth Act 260	2,000,000.00		2,000,000.00
Public works, sec. 1 only, Commonwealth Act 330	36,520,138.20	(1,650,913.40)	34,869,224.80
New census, Commonwealth Act 346	164,606.12		164,606.12
National markets, slaughterhouses, and waterworks revolving fund, Commonwealth Act 403	5,000,000.00		5,000,000.00
Transfer of the University of the Philippines to a place (Diliman) outside of Manila, Commonwealth Act 442	15,000,000.00		15,000,000.00
Public works, Commonwealth Act 469	723,990.14		723,990.14
Total	59,913,330.79	(1,650,913.40)	58,262,417.39
Less expenditures July 1 to Dec. 31, 1940			16,179,398.17
Net balances Dec. 31, 1940			42,083,019.22
OUTSTANDING APPROPRIATIONS FROM COCONUT OIL EXCISE TAX FUND COLLECTED ON AND AFTER JAN 1, 1939			
Agricultural experiment and demonstration stations, sec. 1754, Administrative Code, and Commonwealth Acts 521 and 552	500,000.00	500,000.00	1,000,000.00
Reforestation and afforestation of watersheds, denuded areas, etc., Commonwealth Acts 304, 521, and 552	61,431.50	288,298.04	349,729.54
Public works, Commonwealth Acts 330 and 521	8,039,684.86		8,039,684.86
Construction of roads, authorized under sec. 1-C (q), Commonwealth Act 330 (less amount reverted to the unappropriated surplus during the fiscal year 1940, ₱380,000.00)		1,970,913.40	1,970,913.40

TABLE 8.—*Appropriations of coconut oil excise tax fund—balances outstanding as of Dec. 31, 1940, compared with June 30, 1940, and appropriations during intervening period.*—Continued.

Purpose	Balances June 30, 1940	Current appropriations during the period	Balances Dec. 31, 1940
	Pesos	*Pesos*	*Pesos*
Construction of flood control works on the Agno River system and the Pampanga River system as authorized in items D (w) and D (x) (under sec. 1 of Commonwealth Act 330), Commonwealth Act 552		4,000,000.00	4,000,000.00
Survey and subdivision of public lands, Commonwealth Acts 347, 521, and 552	553,750.92	1,037,047.41	1,590,798.33
Construction of irrigation systems, Commonwealth Acts 369, 521, and 552	700,000.00	1,000,000.00	1,700,000.00
Agronomical survey of the Philippines, Commonwealth Acts 418, 521, 552	36,288.81	261,560.00	297,848.81
Investment in the National Land Settlement Administration, Commonwealth Acts 441, 521, and 552	2,000,000.00	4,000,000.00	6,000,000.00
Coconut industry promotion fund, Commonwealth Acts 518 and 552	2,000,000.00	500,000.00	2,500,000.00
Tobacco industry promotion fund, Commonwealth Acts 519 and 552	2,000,000.00	500,000.00	2,500,000.00
For scholarships in the United States, or in foreign countries, along scientific and technical lines, etc., Commonwealth Act 552		150,000.00	150,000.00
Promotion and development of tourist trade in the Philippines, Commonwealth Act 552		100,000.00	100,000.00
Investment in the textile mills of the National Development Co., Commonwealth Act 552		1,500,000.00	1,500,000.00
Investment in the National Abaca and Other Fibers Corporation, Commonwealth Act 552		1,000,000.00	1,000,000.00
Investment in certain activities of the Agricultural and Industrial Bank specified in Commonwealth Act 552		10,000,000.00	10,000,000.00
Sinking fund reserve for the amortization of the outstanding bond debt of the Manila Railroad Co., Commonwealth Act 552		7,000,000.00	7,000,000.00
Total	15,891,156.09	33,807,818.85	49,698,974.94
Less expenditures July 1 to Dec. 31, 1940			9,990,613.50
Net balances Dec. 31, 1940			39,708,361.44
Grand total	75,804,486.88	32,156,905.45	107,961,392.33
Less total expenditures July 1 to Dec. 31, 1940			26,170,011.67
Total net balances Dec. 31, 1940			81,791,380.66

TABLE 9.—*Receipts and disbursements coconut oil excise tax fund (general fund), July 1 to Dec. 31, 1940, compared with July 1 to Dec. 31, 1939*

Particulars	July 1 to Dec. 31	
	1940	1939
Receipts:	*Pesos*	*Pesos*
Collections transferred from U. S. Treasury	17,580,632.92	9,118,032.92
Interest in coconut oil excise tax funds deposited in the U. S. Treasury	867,218.60	
Total receipts	18,447,851.52	9,118,032.92
Disbursements:		
Salaries and wages	453,145.97	224,826.51
Other administrative disbursements	114,882.19	(46,406.00)
Pensions and gratuities	25,000.00	
Outlays and investments	7,579,505.22	31,818,063.57
Public works	8,335,478.29	7,772,859.19
Other charges	9,662,000.00	2,570,000.00
Total disbursements	26,170,011.67	42,359,343.27
Excess of receipts over disbursements	(7,722,160.15)	[1] (33,241,310.35)

[1] Owing to an error in the statistics from which this table was derived the figure for total disbursements differs slightly from the actual sum of the component items.

Table 9, showing receipts and disbursements of the coconut oil excise tax fund (general fund) in the first half of the fiscal year 1941, represents merely coconut oil tax collections transferred from the United States Treasury to the Philippine government. Net collections transferred from the United States Treasury during the 6 months from July 1 to December 31, 1940, plus interest on deposits in the United States Treasury, amounted to ₱18,447,851.52 as against ₱9,118,032.92 transferred during the like period of 1939. The total net collections for the period from July 1 to December 31, 1940, as reported by the United States Treasury, were ₱14,882,360.76, or 10 percent lower than net collections for the corresponding period in 1939. A transfer of ₱7,318,875.38 on December 21, 1940, covering collections for the period from July 1 to September 30, 1940, was not yet taken up in the accounts for December 1940. Details concerning collections and transfers of coconut oil tax funds up to December 31, 1940, are shown in tables 10 and 11.

Total expenditures from the coconut oil excise tax fund, figures for which are available for the entire fiscal year 1941, amounted to ₱43,632,995.05. This amount is considerably smaller than the ₱60,257,570.48 expended in the preceding fiscal year. The reduction in such expenditures was accounted for chiefly by smaller expenditures of funds collected on and after January 1, 1939. Comparative figures for expenditures from these funds, by years, since they became available are shown in table 12.

The total current surplus of the coconut oil excise tax fund (table 13) decreased from ₱52,418,318.34 on December 31, 1939, to ₱47,580,838.60 on December 31, 1940. By June 30, 1941, the surplus had been further reduced to ₱44,729,348 of which ₱34,046,824.92 constituted funds collected prior to January 1, 1939, and the balance (₱10,682,523.08) funds collected thereafter.

TABLE 10.—*Coconut oil excise tax fund—collections as of Dec. 31, 1940*

Collections deposited with U. S. Treasury in account captioned "Philippine trust fund—coconut oil tax" as reported to the Office of the United States High Commissioner:	*Pesos*
June 10 to Dec. 31, 1934	15,280,762.90
Jan. 1 to Dec. 31, 1935	35,777,805.84
Jan. 1 to Dec. 31, 1936	34,822,203.76
Jan. 1 to Dec. 31, 1937	30,676,512.10
Jan. 1 to Dec. 31, 1938 (includes ₱790,570.96 for 1935–36 collections	34,253,184.92
Gross collections June 10, 1934, to Dec. 31, 1938	150,810,469.52
Jan. 1 to June 30, 1939	17,926,708.96
July 1, 1939, to June 30, 1940	34,294,870.54
July 1940 (Radio 477, Sept. 13, 1940)	2,511,913.30
Aug. 1940 (Radio 523, Oct. 11, 1940)	3,064,820.38
Sept. 1940 (Radio 574, Nov. 13, 1940)	2,449,379.14
Oct. 1940 (Radio 625, Dec. 14, 1940)	2,819,003.84
Nov. 1940 (Radio 14, Jan. 10, 1941)	4,126,847.10
Dec. 1940 (Radio 74, Feb. 13, 1941)	816,170.74
Gross collections Jan. 1, 1939, to Dec. 31, 1940	68,009,714.00
Total gross collections June 10, 1934, to Dec. 31, 1940	218,820,183.52

Less refunds of taxes previously collected—	*Pesos*
June 10 to Dec. 31, 1934	
Jan. 1 to Dec. 31, 1935	
Jan. 1 to Dec. 31, 1936	400,000.00
Jan. 1 to Dec. 31, 1937	400,000.00
Jan. 1 to Dec. 31, 1938	1,600,000.00
Adjustment tax refunds, Aug. 16, 1940	(145,701.92)
Refunds June 10, 1934, to Dec. 31, 1938	2,254,298.08
Jan. 1 to June 30, 1939	
July 1, 1939, to June 30, 1940	39,928.18
July 1 to Dec. 31, 1940	905,773.74
Refunds Jan. 1, 1939, to Dec. 31, 1940	945,701.92
Total refunds June 10, 1934, to Dec. 31, 1940	3,200,000.00
Net collections June 10, 1934, to Dec. 31, 1938	148,556,171.44
Net collections Jan. 1, 1939, to Dec. 31, 1940	67,064,012.08
Total net collections June 10, 1934, to Dec. 31, 1940	215,620,183.52

TABLE 11.—*Coconut oil excise tax fund—transfers of collections and other receipts up to Dec. 31, 1940*

TRANSFERS FROM "PHILIPPINE TRUST FUND—COCONUT OIL TAX" ACCOUNT TO "TREASURER OF THE PHILIPPINES, GENERAL FUND ACCOUNT—TIME DEPOSIT" ACCOUNT WITH THE TREASURY OF THE UNITED STATES

Date of transfer or deposit	Period of Collections	Amount
		Pesos
July 1, 1937	June 10, 1934–Apr. 30, 1937, less ₱800,000.00 for refund of taxes	95,507,227.30
June 1, 1938	May 1–Nov. 30, 1937	18,202,330.82
Sept. 20, 1938	Dec. 1, 1937–June 30, 1938, less ₱1,200,000 for refund of taxes	15,158,418.04
Nov. 15, 1938	July 1–Aug 31, 1938, including ₱790,570.96 part of 1935 and 1936 collections, less ₱400,000 for refund of taxes	6,139,003.86
Mar. 1, 1939	Sept. 1–Nov. 30, 1938	10,449,045.52
May 13, 1939	Dec. 1, 1938–Feb. 28, 1939	8,964,443.88
Sept. 8, 1939	Mar. 1–May 31, 1939	9,118,032.92
Aug. 16, 1940	Adjustment tax refunds (₱39,928.18 plus ₱105,773.74)	145,701.92
		163,684,204.26
	Less portion of transfers covering net collections from Jan. 1–May 31, 1939, transferred Apr. 16, 1940, to new special deposit account "Treasurer of the Philippines, General Fund Account, Act Aug. 7, 1939"	15,128,032.82
	Transfers covering net collections up to Dec. 31, 1938	148,556,171.44 (x)

(x) Of the amount of ₱148,556,171.44, the following were withdrawn by, and transferred to, the Treasury of the Commonwealth per report of the Secretary of the United States Treasury:

Date of withdrawal:	
July 1, 1938	₱10,000,000.00
Sept. 10, 1938	11,000,000.00
Dec. 19, 1938	10,000,000.00
Jan. 23, 1939	23,000,000.00
Feb. 23, 1939	10,000,000.00
July 12, 1939	10,000,000.00
June 20, 1940	10,000,000.00
	₱84,000,000.00

leaving a balance of ₱64,556,171.44 deposited in the United States Treasury as of Dec. 31, 1940.

TRANSFERS FROM "PHILIPPINE TRUST FUND—COCONUT OIL TAX" ACCOUNT TO "TREASURER OF THE PHILIPPINES, GENERAL FUND ACCOUNT, ACT AUGUST 7, 1939" WITH THE TREASURY OF THE UNITED STATES.

Date of transfer or deposit	Period of Collections	
Apr. 16, 1940	Transfer from "Treasurer of the Philippines, General Fund Account—Time Deposit" covering net collections, Jan. 1–May 31, 1939	15,128,032.82
May 11, 1940	June 1–Dec. 31, 1939, less ₱39,928.18 for refund of taxes	19,420,151.20
Aug. 16, 1940	Jan. 1–Mar. 31, 1940, less ₱105,773.74 for refund of taxes	8,492,225.46
Oct. 10, 1940	Apr. 1–June 30, 1940, less ₱92,762.56 for refund of taxes	8,942,705.54
Dec. 21, 1940	July 1–Sept. 30, 1940, less ₱707,237.44 for refund of taxes	7,318,875.38
	Transfers covering net collections, Jan. 1, 1939–Sept. 30, 1940	59,301,990.40 (z)
	Total transfers June 10, 1934–Dec. 31, 1940	207,858,161.84

(z) Of the amount of ₱59,301,990.40, the following were withdrawn by, and transferred to, the Treasury of the Commonwealth per report of the Secretary of the United States Treasury:

Date of withdrawal:	
Oct. 22, 1940	₱10,000,000.00
Dec. 12, 1940	10,000,000.00
	₱20,000,000.00

leaving a balance of ₱39,301,990.40 deposited in the United States Treasury as of Dec. 31, 1940.

Other receipts:

Interest on coconut oil excise tax deposited in the United States Treasury and credited to the Philippine government within the periods below stated:

Up to Dec. 31, 1938		2,797,988.28
Jan. 1–June 30, 1939		204,858.90
July 1, 1939–June 30, 1940		862,756.42
July 1–Dec. 31, 1940		867,218.60
Total other receipts—		
Prior to Jan. 1, 1939	₱4,600,291.91	
On and after Jan. 1, 1939	132,530.29	4,732,822.20
Transfers covering net collections and other receipts prior to Jan. 1, 1939		153,156,463.35
Transfers covering net collections and other receipts on and after Jan. 1, 1939		59,434,520.69
Total transfers and other receipts June 10, 1934–Dec. 31, 1940		212,590,984.04

TABLE 12.—*Expenditures by years from coconut oil excise-tax fund*

Year	Coconut oil excise-tax fund		Total
	Prior to Jan. 1, 1939	On and after Jan. 1, 1939	
	Pesos	*Pesos*	*Pesos*
1937 (calendar) [a]	26,009,522.50	(b)	26,009,522.50
1938 (calendar)	31,869,994.70	(c)	31,869,994.70
1939 (January–June)	12,894,263.49	489,907.22	13,384,170.71
1939–40 (July–June)	26,195,393.79	34,062,176.69	60,257,570.48
1940–41 (July–June)	23,524,263.67	20,108,731.36	43,632,995.03
Total expenditures	120,493,438.15	54,660,815.27	175,154,253.42

[a] No expenditures were made from coconut oil excise-tax funds prior to the calendar year 1937.
[b] ₱24,340,000 used to replenish the general fund proper.
[c] ₱10,000,000 used to replenish the general fund proper.

TABLE 13.—*Balance sheet, coconut oil excise-tax fund, Dec. 31, 1940, compared with Dec. 31, 1939*

Particulars	Dec. 31, 1940			Dec. 31, 1939
	Collections on and after Jan. 1, 1939 fund	Collections prior to Jan. 1, 1939 fund	Total	
Assets:	*Pesos*	*Pesos*	*Pesos*	*Pesos*
Cash	7,749,098.32	39,633,849.90	47,382,948.22	52,418,318.34
Deferred charges				
Other assets		1,354,257.28	1,354,257.28	
Total assets	7,749,098.32	40,988,107.18	48,737,205.50	52,418,318.34
Liabilities and surplus:				
Current liabilities	176,150.42	980,216.48	1,156,366.90	
Deferred credits				
Total liabilities	176,150.42	980,216.48	1,156,366.90	
Released appropriated current surplus	6,803,567.71	23,636,948.57	30,440,516.28	38,972,907.70
Unreleased appropriated current surplus	32,904,793.73	18,446,070.65	51,350,864.38	61,291,581.23
Unappropriated current surplus	(32,135,413.54)	(2,075,128.52)	(34,210,542.06)	(47,846,170.59)
Total current surplus	7,572,947.90	40,007,890.70	47,580,838.60	52,418,318.34
Total liabilities and surplus	7,749,098.32	40,988,107.18	48,737,205.50	52,418,318.34

Special funds.—The increase, as shown in table 14, in the aggregate total receipts of the special funds for the period from July 1 to December 31, 1940, as compared with the like period of the preceding year was largely due to an increase of about ₱500,000 in local excise tax collections, an increase of like amount in the revenue derived from wharfage fees, and an increase of ₱9,000,000 in "Other revenue and transfers in," the last figure representing mostly appropriations from the general fund for the University of the Philippines and for the national markets and waterworks revolving fund pursuant to Commonwealth Act 403. Expenditures from these funds were greater by ₱4,004,319.34 than in the 1939 period due mainly to heavier expenditures for public works.

The aggregate total current surplus of the special funds (table 15) rose to ₱76,995,736.86 on December 31, 1940, from ₱59,056,092.91 on December 31, 1939, or an increase of ₱17,939,643.95.

Bonds fund.—The bonds fund (table 16) reflects activities arising from the investment of the proceeds of the financial interest protection bonds issued under Act 2999, amounting to ₱10,156,000. This fund is invested in bonds and the interest earned, aggregating approximately ₱500,000 annually, constitutes its only source of income. The excess of receipts over expenditures is automatically reverted to the general fund at the end of each fiscal year.

Public debt.—From June 30 to December 31, 1940, the public debt of the Philippines (see table 17) increased by ₱1,850,000. The increase was accounted for by an issue of ₱500,000 on August 1, 1940, by the metropolitan water district (authorized by Act 58), ₱350,000 on September 1 by the city of Davao (authorized by Act 389), and ₱1,000,000 on December 1 by the city of Manila. Of the ₱500,000 issued by the metropolitan water district, 45 percent each was purchased by the Philippine National Bank and the Agricultural and Industrial Bank and the remaining 10 percent by the University of the Philippines. The entire issue of the city of Davao was sold to the Agricultural and Industrial Bank while, of the bonds of the city of Manila, 83 percent were sold to the Philippine National Bank, 10 percent to the Agricultural and Industrial Bank, and 7 percent to private parties.

TABLE 14.—*Receipts and disbursements, special funds, July 1 to Dec. 31, 1940, compared with July 1 to Dec. 31, 1939*

Particulars	July 1 to Dec. 31	
	1940	1939
Receipts:	*Pesos*	*Pesos*
Excise tax (sec. 1495, Act 2711, as amended)	5,465,112.97	4,907,427.65
License and business tax, etc. (Act 3045, as amended)	1,091,457.76	1,013,748.66
Wharfage fees (Act 3592, as amended)	2,046,447.54	1,592,987.93
Total revenue from taxation	8,603,018.27	7,514,164.24
Less:		
Gasoline fund apportioned to local governments (Act 3248, as amended)	(1,197,516.00)	(1,000,000.00)
Motor vehicle fund apportioned to local governments (Act 3992)	(295,482.00)	(500,000.00)
Net revenue from taxation	7,110,020.27	6,014,164.24
Other revenue and transfers in	18,374,064.76	9,569,243.14
Total receipts	25,484,085.03	15,583,407.38
Disbursements:		
Salaries and wages	2,301,793.12	2,143,792.43
Other administrative disbursements	1,393,451.76	1,249,758.02
Contributions to local governments	44,068.83	33,806.52
Pensions and gratuities	35,184.62	13,068.91
Outlays and investments	137,533.23	209,953.49
Public-debt service	151,653.67	
Public works	7,913,624.10	4,624,268.57
Other charges and transfers out	696,871.83	395,213.88
Total disbursements	12,674,181.16	8,669,861.82
Excess of receipts over disbursements	12,809,903.87	6,913,545.56

TABLE 15.—*Balance sheet, special funds, Dec. 31, 1940, compared with Dec. 31, 1939*

Particulars	Dec. 31, 1940	Dec. 31, 1939
	Pesos	*Pesos*
Assets:		
Cash	55,613,096.93	43,096,388.44
Deferred charges	679,827.40	687,717.89
Other assets	39,293,696.18	35,139,465.07
Total assets	95,586,620.51	78,923,571.40
Liabilities and surplus:		
Current liabilities	2,672,671.77	4,387,939.07
Deferred credits	15,918,211.88	15,479,539.42
Total liabilities	18,590,883.65	19,867,478.49
Released appropriated current surplus	73,619,737.33	57,210,551.42
Unreleased appropriated current surplus	3,328,661.68	1,798,203.64
Unappropriated current surplus		
Reserve for determined losses	47,337.85	47,337.85
Total current surplus	76,995,736.86	59,056,092.91
Total liabilities and surplus	95,586,620.51	78,923,571.40

TABLE 16.—*Receipts and disbursements, bonds funds, July 1, to Dec. 31, 1940, compared with July 1 to Dec. 31, 1939*

Particulars	July 1 to Dec. 31	
	1940	1939
	Pesos	*Pesos*
Receipts	238,747.50	248,510.00
Disbursements		115,479.77
Excess of receipts over disbursements	238,747.50	133,030.23

TABLE 17.—*Authorized, issued, and uncovered bonded public debt of the Philippine Commonwealth and accumulated sinking funds pertaining thereto as of Dec. 31, 1940*

Particulars	December 31, 1940	June 30, 1940
I. BONDS OF NATIONAL AND LOCAL GOVERNMENTS	*Pesos*	*Pesos*
Authorized:		
National government direct issues	176,350,000.00	168,350,000.00
National government issues against local government bonds	19,015,900.00	19,015,900.00
Local government direct issues	10,440,000.00	10,440,000.00
Total public debt authorized	205,805,900.00	197,805,900.00
Issued:		
National government direct issues	128,450,000.00	127,950,000.00
National government issues against local government collateral	17,387,000.00	17,037,000.00
Local government direct issues	2,920,000.00	1,920,000.00
Total public debt issued	148,757,000.00	146,907,000.00
Accumulated sinking funds:		
National government direct issues	65,519,851.20	61,896,519.86
National government issues against local government collateral	9,820,339.04	9,393,134.37
Local government direct issues	670,250.77	650,545.21
Total sinking funds	76,010,441.01	71,940,199.44
Net public debt uncovered	72,746,558.99	74,966,800.56
Composition of the sinking funds:		
Cash	6,417,241.01	3,612,249.44
Investments and securities	32,114,200.00	30,848,950.00
Canceled bonds, Act 3014	37,479,000.00	37,479,000.00
Total sinking funds	76,010,441.01	71,940,199.44

TABLE 17.—*Authorized, issued, and uncovered bonded public debt of the Philippine Commonwealth and accumulated sinking funds pertaining thereto as of Dec. 31, 1940.—Continued.*

Particulars	December 31, 1940	June 30, 1940
	Pesos	*Pesos*
II. BONDS OTHER THAN ABOVE GUARANTEED BY THE COMMONWEALTH OF THE PHILIPPINES		
National Power Corporation 4½ percent, Commonwealth Acts 120 and 495 (authorized not to exceed ₱20,000,000):		
Issued prior to June 30, 1940	3,000,000.00	3,000,000.00
Issued Nov. 1, 1940	3,000,000.00	
Total	6,000,000.00	3,000,000.00

Total outstanding bonds of the National Power Corporation, amounting to ₱6,000,000 as of December 31, 1940, were ₱3,000,000 greater than on June 30 of that year. The greater portion of these bonds were likewise acquired by other government entities such as the Philippine National Bank and the Agricultural and Industrial Bank.

Currency Circulation and Reserves

The currency of the Philippines has remained, since the establishment of the Commonwealth, as before, legally tied to the United States dollar at the rate of two pesos for one dollar. Since the American occupation of the islands there has occurred a broadened use and greatly increased volume of bank credit. Basic conditions in the Philippines are such, however, that variations in the currency in circulation are of relatively much greater significance than in countries such as the United States. During the latter part of the fiscal year under review the volume of currency in circulation increased substantially over comparable figures for previous years and at the close of the period was at an all-time high. Factors contributing to this result were the good prices received for important Philippine crops and generally favorable economic conditions, but the most important cause probably was the heavy volume of expenditures by United States military and naval forces.

Total net circulation—that is to say, currency in treasury vaults available for circulation as well as currency in actual circulation—stood at ₱198,634,479 on June 30, 1941, as compared with ₱183,117,648 a year earlier. Inasmuch as the amount in treasury vaults available for circulation declined nearly ₱17,000,000 during the year, the increase in currency in actual circulation increased correspondingly, rising from ₱150,715,524 on June 30, 1940 to ₱183,145,861 a year later.

The bulk of the increase in net circulation was in treasury certificates, the amount of which was ₱171,018,239 on June 30, 1941, as compared with ₱155,465,462 a year earlier. The circulation of silver pesos, half pesos and subsidiary coins increased slightly during the year while that of notes of the Philippine National Bank and the Bank of the Philippine Islands declined somewhat. Details by types of currency are shown in Table 18.

TABLE 18.—*Philippine currency in circulation June 30, 1941, compared with June 30, 1940*

Types of currency	June 30, 1941			Total net circulation June 30, 1940
	In treasury vaults available for circulation	In actual circulation	Total net circulation	
	Pesos	*Pesos*	*Pesos*	*Pesos*
Silver pesos	919	4,177,877	4,178,796	4,198,021
Half-silver pesos	343,836	4,258,390	4,602,226	3,979,426
Subsidiary coins	145,258	10,749,596	10,894,854	10,489,335
Minor coins	169,161	4,012,984	4,182,145	4,099,166
Treasury certificates	14,829,444	156,188,795	171,018,239	[1] 155,465,462
Bank of P. I. notes		1,358,385	1,358,385	1,758,385
Philippine National Bank notes Philippine National Bank emergency notes		2,399,834	2,399,834	[2] 3,129,853
Total June 30, 1941	15,488,618	183,145,861	198,634,479	
Total June 30, 1940	32,402,124	150,715,524	183,117,648	[3] 183,117,648

[1] These treasury certificates are backed up by 100-percent reserve consisting of silver coins to the amount of ₱15,349,995 and of U. S. dollar deposits in the Treasury of the United States to the aggregate amount of $70,238,803.50 or ₱140,477,607.

[2] These emergency notes are backed up by 100-percent cash reserve consisting of any lawful money of the Philippines deposited in the treasury vaults, Manila.

[3] Owing to an error in the statistics from which this table was compiled the total differs slightly from the sum of the component items.

Detailed information concerning the status of the exchange standard fund and treasury certificate fund, as well as the ratios of reserves to circulation, as of December 31, 1940, the latest date for which most of such data are available, is provided in tables 19 and 20. It will be noted that the assets and liabilities of the exchange standard fund were not greatly different on December 31, 1940, than six months earlier. On the other hand, the cash balance of the treasury certificate fund, which constitutes the reserve for outstanding treasury certificates, amounted to ₱164,925,607 on December 31, 1940, as compared with ₱158,892,607 on June 30 of the same year.

Although reserves increased during the period they did not increase as much proportionally as currency circulation with the result that the ratio of cash surplus in the exchange standard fund to circulation declined slightly from 28.4 percent on June 30 to 28 percent on December 31, 1940. The ratio of total reserves to net circulation declined somewhat more—from 140 percent to 136 percent between June 30 and December 31—but was still high.

TABLE 19.—*Philippine currency reserve funds as of December 31, 1940, compared with June 30, 1940*

Particulars	Dec. 31, 1940	June 30, 1940
EXCHANGE STANDARD FUND		
Assets:		
In Philippine treasury—		
In Philippine currency less outstanding warrants, pesos	1,178,265.65	2,330,102.91
In United States currency, equivalent to pesos	7,597,315.00	6,204,307.80
Total in Philippine treasury, equivalent to pesos	8,775,580.65	8,534,410.71
On deposit in the United States—		
United States Treasury, demand, dollars	6,775,290.73	6,956,540.73
United States Treasury, time, dollars	13,350,000.00	12,725,000.00
Chase National Bank, demand, dollars	1,514,856.20	1,451,337.80
Total on deposit in United States, dollars	21,640,146.93	21,132,878.53
Total on deposit in United States, equivalent to pesos	43,280,293.86	42,265,757.06

TABLE 19.—*Philippine currency reserve funds as of December 31, 1940, compared with June 30, 1940*—Continued.

Particulars	Dec. 31, 1940	June 30, 1940
Cash surplus, pesos	52, 055, 874. 51	50, 800, 167. 77
Other assets, pesos	125, 611. 16	138, 638. 43
Total	52, 181, 485. 67	50, 938. 806. 20
Liabilities and surplus:		
Accounts payable, etc., pesos	550, 039. 32	503, 969. 79
Surplus, pesos	51, 631, 446. 35	50, 434, 836. 41
Total liabilities and surplus, pesos	52, 181, 485. 67	50, 938, 806. 20
TREASURY CERTIFICATE FUND		
Assets:		
In Philippine treasury, silver pesos and half pesos, pesos	18, 448, 000. 00	18, 415, 000. 00
On deposit in United States—		
United States Treasury, demand, dollars	31, 588, 803. 50	28, 588, 803. 50
United States Treasury, time, dollars	41, 650, 000. 00	41, 650, 000. 00
Total on deposit in United States, dollars	73, 238, 803. 50	70, 238, 803. 50
Total on deposit in United States, equilvant to pesos	146, 477, 607. 00	140, 477, 607. 00
Cash balance, total assets, pesos	164, 925, 607. 00	158, 892, 607. 00
Liabilities and surplus: Reserve for outstanding Treasury certificates, pesos	164, 925, 607. 00	158, 892, 607. 00
TOTAL CURRENCY RESERVES		
Cash surplus in exchange standard fund, pesos	52, 055, 874. 51	50, 800, 167. 77
Cash balance in Treasury certificate fund, pesos	164, 925, 607. 00	158, 892, 607. 00
Total reserves, pesos	216, 981, 481. 51	209, 692, 774. 77

TABLE 20.—*Ratio of reserves to circulation of Philippine currency as of December 31, 1940, compared with June 30, 1940*

Particulars	December 31, 1940	June 30, 1940
EXCHANGE STANDARD FUND RATIO		
Cash surplus in exchange standard fund, pesos	52, 055, 874. 51	50, 800, 167. 77
Government circulation (total of coins and treasury certificates in circulation and available for circulation), pesos	186, 018, 426. 65	178, 697, 589. 91
Ratio of cash surplus in exchange standard fund to government circulation (minimum legal limit, 15%), percent	28. 0	28. 4
Revertible from cash surplus in exchange standard fund to general fund (excess over 25% of government circulation), pesos	5, 551, 267. 85	6, 125, 770. 29
TOTAL RESERVE RATIO		
Total reserves, pesos	216, 981, 481. 51	209, 692, 774. 77
Net circulation in hands of the public, pesos	159, 177, 462. 75	150, 214, 069. 43
Ratio of total reserves to net circulation, percent	136. 3	140. 0

TABLE 21.—*Consolidated bank report of selected balance sheet items as of June 28, 1941, compared with June 29, 1940*

[Exclusive of Agricultural and Industrial Bank and Philippine Postal Savings Bank]

Particulars	June 28, 1941	June 29, 1940
Debit items:		
Liquid resources:	*Pesos*	*Pesos*
Cash	51,312	48,371
Net receivable from overseas banks	27,145	14,509
Total	78,457	62,880
Net receivable from local banks, branches, and agencies	1,398	4,402
Investments	31,301	30,219
Loans, discounts, and overdrafts	211,879	234,724
Credit items:		
Deposits	223,267	224,352
Net worth accounts:		
Net payable to home offices	34,944	39,346
Capital, surplus, and reserves	57,359	55,095
Total	92,303	94,441
Ratios:		
Liquid resources to deposits	35.1	28.0
Investments to deposits	14.0	13.5
Loans, discounts, and overdrafts to deposits	94.9	104.6

Banking

At the end of the fiscal year 1941 the banks in the Philippines were in a relatively good condition. According to the consolidated statement of banks throughout the Philippines (excluding the Agricultural and Industrial Bank; see table 21) liquid resources, particularly net receivable from overseas banks, were nearly 25 percent greater than they had been a year earlier while loans, discounts, and overdrafts were materially lower. In this connection, however, it should be observed that during the period under review the Commonwealth government is reported to have transferred a considerable amount of loans from banks covered by the consolidated statement of banks referred to above, notably the Philippine National Bank, to the Agricultural and Industrial Bank.

During the early part of the fiscal year 1941 the condition of banks in the Philippines had not been very satisfactory. As a result of the financing of heavy imports and an outward movement of capital, cash on hand had reached a low in the early part of September 1940 only about one-half the figure for the January 1 of that year. In subsequent months, however, the downward trend was reversed and at the end of the fiscal year on June 30, 1941, the total was nearly ₱3,000,000 greater than it had been a year earlier.

Bank deposits fluctuated considerably during the fiscal year and at the end of the year the consolidated bank statement showed a total very close to that at the beginning of the fiscal year. It is reported, however, that during the year the Commonwealth government withdrew from banks covered by the consolidated statement substantial deposits of public funds. Bearing in mind this quali-

fication it is nevertheless significant that the ratio of liquid resources (cash and net receivable from overseas banks) to deposits stood at 35.1 percent on June 28, 1941, as compared with 28.0 percent a year earlier. There was also a substantial improvement in the ratio of loans, discounts and overdrafts to deposits, which was at 94.9 percent at the end of the fiscal year as compared with 104.6 percent at the beginning.

Respectfully submitted.

FRANCIS B. SAYRE,
United States High Commissioner
to the Philippine Islands.

APPENDIX I

Report of Civilian Emergency Planning Board of March 11, 1941

MARCH 11, 1941.

To: His Excellency The United States High Commissioner to the Philippine Islands and His Excellency The President of the Philippines.

Subject: Report of the Civilian Emergency Planning Board.

The Civilian Emergency Planning Board appointed by you in October 1940, submits herewith a report of its accomplishments to date and the recommendations it considers itself justified in making based on existing conditions as determined by its investigations. This report consists of a compilation of brief reports and recommendations made by each of its six committees and the recommendations of the Board based on the reports of these various committees.

The reports and recommendations submitted by the committees are as follows:

I. Supply

The surveys made by the supply committee to date clearly indicate that:

(*a*) The supply position of all items is constantly changing and the consumption rates of various items are highly variable. This is particularly true as regards foodstuffs and electrical supplies.

(*b*) Many items, particularly those produced locally, are procured from sources of supply which are so small and widely scattered that accurate figures regarding stocks on hand and the production and consumption rates on such items cannot be obtained.

(*c*) In general, existing stocks of the items considered by the Committee are on the low side throughout the Philippines.

(*d*) Definite shortages are known to exist among the following items:

Emergency electric lighting sets.
Hardware and building materials in general.
Textiles suitable for military uniforms.
Barbed wire.
Nails.
Flour.
Canned fish.
Hand gasoline pumps.
Airplane equipment, life rafts, etc.

The coal situation appears to be difficult, due to lack of local production and shipping space problems on imported coal.

(*e*) The food supply of Manila and the provinces bordering on Manila Bay is unsatisfactory. The area in question cannot be made self-sustaining. If Manila and these provinces were cut off from

the interprovincial rail and road connections on Luzon and from inter-island and overseas shipping, it is estimated that there would not be sufficient locally produced food and reserve stocks to sustain the population of nearly 3,000,000 for more than 2 months. The greater percentage of all the fresh meats, canned meat, milk, and dairy products consumed in Manila and the Manila Bay area are imported from abroad.

(*f*) Outside of Manila and neighboring areas the food situation is better, due to local production and smaller concentrations of population. It is not possible at this time to make a worth while estimate on the food situation in provincial areas, except to say that it does not constitute an immediate problem.

(*g*) The majority of the deep-sea fish supplied Manila markets come from Palawan and Visayan waters and could be easily cut off from Manila by a blockade of Philippine waters. From 60 to 65 percent of the fish consumed in this area are deep-sea fish, while the remainder consists of "bangus"—small fish from fishponds within this area.

(*h*) The deep-sea fishing industry is now manned principally by Japanese fishermen. It is doubtful if there are sufficient trained Filipino crews to operate the fishing fleet.

(*i*) All large scale petroleum fuel (all kinds) storage is above ground and highly concentrated in restricted areas—e. g., the Pandacan area in Manila.

(*j*) Maximum storage capacity for gasoline and oil fuels is about 5 months' normal supply in Manila and Luzon and 8 months in southern areas. Average stocks on hand run about 3 months' normal supply in Manila and Luzon and 5 months in southern areas.

The Committee on Supply therefore recommends that:

(*a*) The Commonwealth authorities immediately develop and put into effect a plan to increase the production of essential foodstuffs throughout the Philippine Islands and that special attention be paid to the development of self-sufficiency of food supply in each locality. The growing of short-time crops should be developed and the raising of livestock and poultry to meet the requirements for meat, dairy, and poultry products should be encouraged in every practicable manner. The Bureau of Agriculture has already distributed seeds and started action along this line.

(*b*) The Commonwealth authorities promptly cause a suitable reserve stock of food supplies to be established in suitable locations by either:

(1) acquiring and storing such stock at the Commonwealth Government's expense, or by

(2) encouraging suppliers of these items to build up the necessary reserve stock with a definite arrangement that in case of emergency the Government will requisition and pay for such stock on an equitable basis. If no emergency develops, the Government will insure suppliers against loss in disposal of such stock.

Storage space for these reserve stocks should be established in localities that will be reasonably free from bombing attacks and which would facilitate the distribution of supplies to areas known to be in need thereof.

(*c*) The Commonwealth authorities encourage the development of the deep-sea fishing industry under the control of Filipinos and with ships manned by Filipino crews. It is recognized that this would be a long-term campaign, probably requiring several years to complete.

(*d*) The Commonwealth authorities encourage suppliers of all essential items other than food to increase their reserve stock of such item to such an extent that at least a 6 months' normal supply is always on hand and available in an emergency. Definite arrangements would have to be worked out for the government to carry the extra burden of financing and risk of loss which would be involved in carrying abnormally large stocks.

(*e*) The military authorities make provision for properly located and protected underground storage for sufficient fuel supplies to take care of their own combat and supporting needs.

(*f*) Provision be made for appointment of a food administrator and a fuel administrator in case of emergency.

In conclusion, it should be pointed out that the Philippines are far from self-sustaining. In native foods, timber, and a few other items, local production takes care of nearly full normal requirements and could be expanded to meet emergency conditions. With the exception of a limited amount of alcohol and coal, all fuels have to be imported. Machinery, manufactured equipment, textiles, and other essentials, are practically all imported, with extremely limited facilities for local production.

II. Transportation

This committee has made a survey of and inventoried transportation facilities as follows:

(*a*) *Rail.*—A complete list has been prepared showing railroad routes, distances from station to station, running time between stations, the number of freight, passenger, and trailer cars and locomotives available, the facilities existing for the repair of bridges and roadbeds, and freight yards and sidings by length of track and by car capacity.

The demands of the military authorities for rail transportation during an emergency cannot be stated with exactness, but it is highly probable that such demands as will be made will not, except perhaps during the initial stage of the emergency, seriously interfere with rail facilities required for essential civilian activities.

(*b*) *Water.*—The Committee has compiled a complete list of bay ports and harbors, of vessels of all classes showing tonnage and passenger capacity of each together with data regarding radio equipment carried. The needs of the Army and Navy will create heavy initial demands for water transportation in the Manila Bay area, especially for launches, lighters, lorchas, and tank barges in the case of the Army and for larger ships and towing vessels in the case of the Navy.

During any emergency requiring active military and naval operations, a joint Army-Navy Procurement Board will allocate water transportation to all concerned. For this reason, except for compiling and maintaining data on this subject, the Committee is of the opinion that it should take no further action at this time.

(*c*) *Motor.*—A complete list of all passenger bus operators by name and address and the number of busses operated by each has been compiled. This list shows that a total of 4,206 busses are in operation, with an estimated carrying capacity of 168,200 persons. A similar list has been compiled in the case of operators of trucks for hire, which indicates that there are 810 such trucks now in operation,

having an estimated cargo capacity of 2,430 tons, while a similar list of operators of private trucks shows 11,626 such trucks in operation, with an estimated cargo capacity of 34,878 tons. In addition to the foregoing, operators of special types of motor vehicles in the Philippines operate 784 such vehicles which can be used to transport personnel to the number of 19,600 or could be used as light cargo trucks. Taxicabs operated in the Philippines number 1,286.

Unfortunately it is impossible to secure definite information regarding the condition and state of repair of the above-mentioned motor vehicles. This changes from day to day. However, it is believed a number of each type sufficient to meet emergency demands are always to be found in serviceable condition.

A list of automobile repair shops licensed by the city of Manila has been prepared in which such shops are classified according to the floor space available for repair purposes in each shop.

(*d*) *Animal.*—Lists have been prepared showing the names and addresses of owners of animal-drawn transportation, classified according to the type of rig. The survey shows that this type of transportation is adequate to meet all emergency requirements.

(*e*) *Air.*—A list has been prepared showing all certified airplanes by license number, plane model, model year, motor type and horsepower, passenger capacity, cruising speed, and owner's name. All licensed pilots, both American and Filipino, have been listed by name, address, license number, and class of license. A similar list has been prepared of licensed air mechanics. All airports and landing fields have been listed, a brief description of each one being given. Data regarding each of the Aeronautical Radio stations operated by the government and by the Iloilo-Negros Air Express Co. have been compiled in usable form.

The Committee, having been informed that practically all usable aircraft will be required by the military authorities for the duration of the emergency, will continue to keep this data up to date but will take no action to prepare plans for the civil use of this type of transportation.

The Committee is of the opinion that in an amergency the use of motor transportation should be limited to such as is essential. Passenger traffic, both motor and rail, except for essential reasons, should be forbidden. No motor vehicle should be permitted to operate for pleasure purposes. The operation of motor vehicles engaged in business should be limited to those engaged in essential industries or government business. For local haulings animal-drawn transportation should be utilized. This will conserve the supply of gasoline, oil, spare parts, and tires now on hand for motor vehicles.

III. Medical

The existing health organizations of the Commonwealth Government composed of medical health officers, nurses, technicians, attendants, and other health workers may be made to form the nucleus of the medical aid personnel. They can be classified into two main groups, as follows:

1. Those who are assigned to the field for the control of communicable diseases and for sanitation work. They also do some work on medical care.
2. Those who work in regular hospitals.

The health personnel doing health work is distributed in every town and important community of the country. Hospitals are located in specific places as may be seen in the list hereto attached marked Appendix "A". The health organization of the Commonwealth Government is in a position to meet whatever emergency may arise such as in times of disaster or calamities, including eventualities in times of war. The health personnel, with their number as of February 28, 1941, is listed as follows:

Physicians:		
Director		1
Chiefs of Divisions		5
District Inspectors		5
Chiefs of Sections and other Medical Officers		34
Physicians—Modern Leprosy Treatment and Clinical Investigation		23
Physicians—Malaria Control		12
Physicians—TB Control		16
Medical Officers—Puericulture Centers and Community Health Social Centers		91
District Health Officers		49
Assistant or Sub-District Health Officers		12
City Health Officers and Assistants		13
Presidents of Sanitary Divisions		353
Bateriologists		4
National Charity Clinic Physicians		557
Medical Supervisors	2	
Full time medical officers	97	
Part time medical officers	458	
	557	
Sanitary Inspectors		1,515
Vaccinators		155
Nurses		730
Midwives		204
Sanitary Engineers and Assistant Sanitary Engineers		6
Dentists		17
Dentists, National Charity Clinics		97
Temporary Presidents of Sanitary Divisions who are registered nurses, sanitary inspectors, and cirujano ministrantes		14
		3,913

NOTE.—Hospital technical personnel excluded in this tabulation.

The Director of Health has been requested to prepare a complete list or census of available surgeons, specialists, dentists, nurses, as well as medical technicians who are not in the government service and whose services can be availed of in times of emergency.

A list of physicians and nurses in the provinces, excluding the city of Manila is also hereto attached and marked as Appendix "B".

Other topics on medical aid assigned to this Committee for study can be covered and provided for by making use of the existing health organizations of the Commonwealth Government and of other organizations which are functioning directly or indirectly under its supervision and control.

SUPPLIES

Biological.—The Government biological laboratories operated by the Institute of Hygiene are in a position to prepare any biological products that may be needed in the country in case of emergency or in

the event that no further importation thereof could be secured from countries outside of the Philippines, including the United States. On the other hand, the Government drug inspectors, who have been detailed to scout all importers of biologic products and the existence of stock, assured the undersigned that the products at present in existence can be utilized and may hold for at least a period of 6 months. The same may be said of drugs and surgical dressings. With regard to X-ray equipment, including films, these have to depend entirely on what is at present available in the market, which is very limited, and on those coming from the United States.

Surgical instruments.—With regard to surgical instruments commonly used in ordinary operations, local manufacturers can produce and make them. However, for delicate or special instruments for diagnostic or other purposes which cannot be manufactured locally, we have to depend entirely on the limited supply available in the local market. Usually those particular instruments are ordered abroad. The same may also be said with regard to rubber goods, like gloves, etc., which need to be stocked or ordered immediately before any acute emergency arises. Dental equipment, including shears which are ordinarily used, can be manufactured locally, and so with hospital furniture, beds, and equipment. Special psychotherapy equipment, etc., should be ordered beforehand.

Revised list of hospitals in the Philippines—their names, location, class, and bed capacity, October 1940

GOVERNMENT HOSPITALS

[Under the Bureau of Health, Department of Public Instruction—Maintained either from Provincial Health Fund, Provincial General Fund, or Municipal General Fund]

Name of hospital	Location	Class	Bed capacity
1. Antipolo Emergency Hospital [1]	Antipolo, Rizal	General	6
2. Eladia Memorial Hospital	San Miguel, Bulacan	do	12
3. Iloilo Emergency Hospital	Mandurriao, Iloilo	do	24
4. Ilocos Norte Emergency Hospital	Laoag, Ilocos Norte	do.[2]	12
5. Margosatubig Emergency Hospital	Margosatubig, Zamboanga	do	12
6. Mati Emergency Hospital	Mati, Davao	do	6
7. Pikit Emergency Hospital	Pikit, Cotabato	do	8
8. Puerto Princesa Hospital	Pto. Princesa, Palawan	do	26
9. San Pablo Hospital	San Pablo, Laguna	do	35
			141

HOSPITALS FINANCED BY INSULAR AID AND PROVINCIAL FUND

1. Bayombong Hospital	Bayombong, Nva. Viz	General [2]	20
2. Bontoc Hospital	Bontoc, Mt. Province	do	35
3. Bukidnon Public Hospital	Malaybalay, Bukidnon	do.[2]	16
4. Butuan Public Hospital	Butuan, Agusan	do	24
5. Cervantes Hospital	Cervantes, Ilocos Sur	do	8
6. Cotabato Public Hospital	Cotabato, Cotabato	do.[2]	40
7. Cuyo Hospital	Cuyo, Palawan	do	20
8. Davao Public Hospital	Davao, Davao	do	40
9. Kiangan Hospital	Kiangan, Ifugao	do	15
10. Lanao Public Hospital	Danzalan, Lanao	do.[3 4]	50
11. Lubuagan Hospital	Lubuagan, Kalinga	do	8
12. Rizal Memorial Hospital	Dapitan, Zamboanga	do.[3]	30
13. Sulu Public Hospital	Jolo, Sulu	do.[2 3]	46
14. Zamboanga General Hospital	Zamboanga, Zamboanga	do.[2 3 4]	100

[1] In operation only when necessity arises.
[2] X-Ray.
[3] Ambulance.
[4] Jitney or truck

Revised list of hospitals in the Philippines—their names, location, class, and bed capacity, October 1940—Continued.

HOSPITALS UNDER ACT 1134, AS AMENDED

Name of hospital	Location	Class	Bed capacity
1. Albay Provincial Hospital	Daraga, Albay	General [2]	35
2. Antique Provincial Hospital	San Jose, Antique	do.[3]	16
3. Batangas Provincial Hospital	Batangas, Batangas	do.[3]	30
4. Bohol Provincial Hospital	Tagbilaran, School	do.[3]	30
5. Bulacan Provincial Hospital	Mulolos, Bulacan	do.[3]	45
6. Capiz Provincial Hospital	Kalibo, Capiz	do	30
7. Ilocos Sur Provincial Hospital	Vigan, Ilocos Sur	do.[3]	20
8. Laguna Provincial Hospital	Sta. Cruz, Laguna	do.[3]	55
9. Leyte Provincial Hospital	Tachloban, Leyte	do	40
10. Misamis Oriental Provincial Hospital	Cagayan, Misamis Oriental	do.[3]	25
11. Nuova Eciju Provincial Hospital	Cabanatuan, Nva. Ecija	do.[2 3 4]	75
12. Occ. Negros Provincial Hospital	Bacolod, Occidental Negros	do.[2 3 4]	100
13. Pampanga Provincial Hospital	San Fernando, Pamp	do.[3]	50
14. Pangasinon Provincial Hospital	Dagupan, Pangasinan	do.[2 3 4]	75
15. Samar Provincial Hospital	Catbalogen, Samar	do	20
16. Sorsogon Provincial Hospital	Sorsogon, Sorsogon	do	14
17. Tarlac Provincial Hospital	Tarlac, Tarlac	do.[3]	50
18. Tayabas Provincial Hospital	Lucena, Tayabas	do.[3]	80
			77

HOSPITALS FINANCED BY INSULAR FUND

1. Baguio Hospital	Baguio, Benguet	General [2 3 4]	80
2. National Psychopathic Hospital	Mandaluyong, Rizal	Insane [3 4]	[5] 1,600
3. Maternity and Children's Hospital	Croquieta, Manila	Maternity and Children,[3 4]	110
4. San Lazaro Hospital	Santa Cruz, Manila	Infectious [2 3 4]	[6] 1,343
5. Southern Islands Hospital	Cebu, Cebu	General [2 3 4]	110
6. Culion Leper Colony Hospital	Culion, Palawan	Leper	649
			3,892

SEMIGOVERNMENT HOSPITALS

1. Abuyog Maternity House	Abuyog, Leyte	Maternity	5
2. Argao Maternity House	Argao, Cebu	do	13
3. Bacolod Maternity and Children's Hospital	Bacolod, Occidental Negros	Maternity and Children.[4]	80
4. Balayan Maternity House	Balayan, Batangas	Maternity	6
5. Barili Maternity House	Barili, Cebu	do	9
6. Bato Maternity House	Bato, Leyte	do	5
7. Cadiz Maternity House	Cadiz, Occidental Negros	do	10
8. Cantilan Maternity House	Cantilan, Surigao	do	4
9. Cebu Maternity House	Cebu, Cebu	do	33
10. Hilongos Maternity House	Hilongos, Leyte	do	4
11. Isabela Maternity House	Isabela, Occidental Negros	do	27
12. Jimenez Maternity House	Jimenez, Occidental Misamis	do	14
13. Kabankalan Maternity House	Kabankalan, Occidental Negros.	do	22
14. Laoag Maternity House	Laoag, Ilocos Norte	do	12
15. Maasin Maternity House	Maasin, Leyte	do	4
16. Mambajao Maternity House	Mambajao, Misanus Oriental	do	8
17. Masbate Maternity House	Masbate, Masbate	do	3
18. Open Maternity House	Opon, Cebu	do	3
19. Ormoc Maternity House	Ormoc, Leyte	do	4
20. San Miguel Maternity House	San Miguel, Bulacan	do	2
21. Silay Maternity House	Silay, Occidental Negros	do	26
22. Surigao Maternity House	Surigao, Surigao	do	8
23. Tacloban Maternity House	Tucloban, Beyte	do	8
24. Tayabas Maternity House	Tayabas, Tayabas	do	10
25. Tuburan Maternity House	Tuburan, Cebu	do	3
26. Unisan Maternity House	Unisan, Tayabas	do	3
			326

[2] X-Ray.
[3] Ambulance.
[4] Jitney or track.
[5] Dormitory beds.
[6] Including 406 dormitory beds for lepers.

Revised list of hospitals in the Philippines—their names, location, class, and bed capacity, October 1940—Continued

LEPROSARIA AND LEPER TREATMENT STATIONS

Name of hospital	Location	Class	Bed capacity
1. Bicol Treatment Station	Legaspi, Albay	Treatment Station.	235
2. Culion Leper Colony Hospital	Culion, Palawan	Leper [2 4]	[7] 649
3. Eversley Childs Treatment Station	Mandawe, Cebu	Treatment station.[4]	780
4. Mindanao Central Treatment Station	Station Cruz, Zambo	do	50
5. San Lazaro Hospital	Station Cruz, Manila	Leper	[7] 406
6. Western Visayas Treatment Station	Station Barbara, Iloilo	Treatment Station.[4]	250
7. Lanao Treatment Station	Dansalan, Lanao	do	35
8. Sulu Treatment Station	Jolo, Sulu	do	40
9. Central Luzon Leprosarium	Caloocan, Rizal (Ha. Tala)	Leper [4]	444
			2,889

UNDER THE BUREAU OF PUBLIC WELFARE

1. Welfareville Hospital	Mandaluyong, Rizal	Special [4]	150

UNDER THE DEPARTMENT OF PUBLIC INSTRUCTION

1. Philippine General Hospital	Taft Avenue, Manila	General [2 3 4]	727

UNDER THE DEPARTMENT OF JUSTICE

1. Bilibid Prisons Hospital	Station Cruz, Manila	Special [8]	347
2. Davao Penal Colony Hospital	Davao, Davao	do.[8]	72
3. Iwahig Penal Farm Hospital	Iwahig, Palawan	do.[8]	82
4. San Ramon Penal Farm Hospital	Zamboanga, Zamboanga	do.[8]	46
			547

UNDER THE UNIVERSITY OF THE PHILIPPINES

1. U. P. Infirmary	Padre Vaura, Manila	Special [8]	37
2. U. P. Los Banos Infirmary	Los Banos, Laguna	do.[8]	24
			61

UNDER THE BUREAU OF EDUCATION

1. Central Luzon Agricultural School Infirmary.	Munoz, N. Woija	Special [8]	24

FEDERAL GOVERNMENT HOSPITALS

[Military and Naval]

1. Camp John Hay Hospital	Baguio, Benguet	Special [2]	[3] 50
2. Camp Stotsenberg Hospital	Angales, Pampanga	do.[2]	[3] 72
3. Canacao Hospital	Cavite, Cavite	do.[2]	[3] 150
4. Fort McKinley Hospital	Pasig, Rizal	do.[2]	[3] 200
5. Fort Mills Hospital	Corregidor, Cavite	do.[2]	[3] 150
6. Petit Barracks Hospital	Zamboanga, Zamboanga	do	26
7. Sternberg General Hospital	Arroceros, Manila	do.[2]	[3] 250
			918

[2] X-Ray.
[3] Ambulance.
[4] Jitney or truck.
[7] Already included in "Hospitals Financed by Insular Funds."
[8] No record.

Revised list of hospitals in the Philippines—their names, location, class, and bed capacity, October 1940—Continued

PRIVATE HOSPITALS

MISSION HOSPITALS

Name of hospital	Location	Class	Bed capacity
1. Bethany Hospital	Tacloban, Leyte	General	40
2. Bethany Hospital [9]	San Fernando, La Union	do	40
3. Davao Mission Hospital	Davao, Davao	do	34
4. Dumagueto Mission Hospital	Dumaguete, Or. Neg	do	68
5. Emmanuel Mission Hospital	Capiz, Capiz	do	80
6. Frank Dunn Mission Hospital	Vigan, Ilocos Sur	do	26
7. Holy Child Hospital	Cebu, Cebu	do	26
8. Hospital Notre Dame de Lourdes	Baguio, Benguet	do.[2]	100
9. Manila Sanitarium and Hospital	Vermont, Malate, Manila	do.[3]	50
10. Mary Johnston Hospital	Tondo, Manila	Special	110
11. Mary Chiles Hospital	Sampaloc, Manila	General	70
12. Milwaukee Hospital	Legaspi, Albay	do.[2]	29
13. Misamis Mission Hospital	Cagayan, Or. Misamis	do	52
14. St. Luke's Hospital	Binondo, Manila	do.[2 3]	150
15. Presbyterian Mission Hospital	Tagbilaran, Bohol	do	50
16. Sallie Long Read Hospital	Laoag, Ilocos Norte	do	40
17. San Diego Hospital	Tacloban, Leyte	do	15
18. St. Theodore Hospital	Sagada, Mt. Province	do	55
19. San Juan de Dios Hospital	Intramuros, Manila	do.[2 3 4]	236
20. St. Paul's Hospital	Intramuros, Manila	do.[2 3 4]	100
21. St. Paul's Hospital	Iloilo, Iloilo	do.[2 3 4]	120
22. The Emmanuel Hospital of the First Medical Cooperative in the Philippine	Manuguit, Manila	do	51
23. Iloilo Mission Hospital [10]	Jaro, Iloilo	do	121
24. Brent (Zamb.) Mission Hospital	Zamboanga, Zamboanga	do	45
25. Community Hospital & Clinic	Tuguegarao, Cagayan	do	13
			1,721

SOCIETY HOSPITALS

1. Angeles Hospital	Angeles, Pampanga	General	24
2. Bambang Maternity	Bambang, Manila	Maternity	20
3. Camilla Simpson Hospital	Olongapo, Zambales	General	20
4. Camarines Sur Medical Society General Hospital.	Naga, Cam. Sur	do	28
5. Cebu General Clinic	Cebu, Cebu	do	24
6. Chinese General Hospital	Sta. Cruz, Manila	do.[2 3]	130
7. Chinese (Chong Hoa) Hospital	Cebu, Cebu	do	20
8. Clinica del Dr. Manuel J. Santos	Butuan, Agusan	do	7
9. Clinica Medico-Quirurgica del Dr. Pil E. Valencia.	Cebu, Cebu	do.[2]	15
10. Cosca Hospital	San Roque, Cavite	do	12
11. Davao Oriental Hospital, Inc	Davao, Davao	do	32
12. Dr. Cruz' Maternity and Women's Hospital	Manuguit, Manila	Maternity and Women.	30
13. Fernandez Hospital	Dagupan, Pangasinan	General	8
14. Filipino-Nippon Maternity Hospital	Concepcion, Manila	do	16
15. General Luna Hospital	Harrison St., Baguio	do	25
16. Gloria Hospital	Capiz, Capiz	do	30
17. Harrison Hospital and Maternity	Pasay, Rizal	do.[3]	35
18. Hospital de Calauan	Calauan, Laguna	do	16
19. Hosp. Espanol de Santiago	Makati, Rizal	do.[2 3 4]	80
20. Hospital Sta. Teresita	Lagaspi, Albay	do	15
21. Iloilo Polyclinic and Hospital	Iznart St., Iloilo	do	20
22. Japanes General Hospital	Lepanto, Manila	do	10
23. J. P. Acosta Clinic	Rosales, Pangasinan	do	12
24. Lorma Hospital	San Fernando, La Union	do	24
25. Manila Central Hospital	T. Alonso, Manila	do	60
26. Manila City Hospital	P. Paredes, Manila	do.[2]	100
27. Manila Height Hospital	San Juan, Rizal	Special	33
28. Masbate Emergency Hospital	Masbate, Masbate	General	12
29. Mercy Hospital	Taft. Ave., Pasay, Rizal	do	25
30. Paracale Mercy Hospital	Paracale, Cam. Norte	do	10
31. Pasig General Hospital	Pasig, Rizal	do	10
32. Pines City Hospital	Baguio, Benguet	do	25
33. Sampaloc Maternity House	M. Earnshaw, Manila	Maternity	35
34. San Antonio Hospital	Laoag, I. Norte	General	18
35. St. Anthony's Hospital	Oroquieta-Tayabas, Manila	do.[2 3]	65
36. San Ramon Maternity and Children's Hospital.	San Roque, Cavite	Maternity and Children.	14
37. Singian Clinic	Gral. Solano, Manila	General [2]	20
38. St. Joseph's Hospital	Quiapo, Manila	do	75
39. St. Joseph's Hospital	Cebu, Cebu	do	24

[2] X-Ray.
[3] Ambulance.
[4] Jitney or truck.
[9] Formerly United Brethren Hospital.
[10] Formerly Union Mission Hospital.

Revised list of hospitals in the Philippines—their names, location, class, and bed capacity, October 1940—Continued

SOCIETY HOSPITAL—Continued

Name of hospital	Location	Class	Bed capacity
40. St. Mary's Hospital	Felix Huertas, Manila	Maternity	15
41. St. Theresita's Hospital	Sampaloc, Manila	General [2]	60
42. Saviour Hospital	Baguio, Benguet	do	35
43. Sto. Nino Hospital	Measin, Leyte	do	6
44. Quezon Institute [11]	Quezon City	T. B.[2 3 4]	641
45. Santos Clinic	Malolos, Bulacan	General	21
46. The Sacred Heart Hospital	Paco, Manila	Maternity and Children.	16
47. Virgin Milagrosa Hospital	Naga, Cam. Sur	General	45
48. Del Monte Sanitarium	San Francisco del Monte, Rizal.	Nervous and Mental.	20
			2,038

INDUSTRIAL HOSPITALS

1. Antamok Hospital	Itogon, Benguet	Special	20
2. Cadwallader Gibson Lumber Co. Hospital	Tandoc, Siruma, Cam. Sur	do	15
3. Calamba Sugar Estate Hospital	Canlubang, Laguna	do	46
4. Coto Hospital	Masinloc, Zambales	do	10
5. Dahican Hospital.—A. G. & P. Co	Dahican, Cam. Norte	do	30
6. Del Carmen Hospital	Del Carmen, Pampanga	do	37
7. Hospital del Central Azucarera de Tarlac	San Miguel, Tarlac	do	18
8. Ilco Hospital	Fabrica, Occidental Negros	do	50
9. Itogon Mining Co. Hospital	Itogon, Mt. Province	do	35
10. Japanese (Mintal) Hospital	Davao, Davao	do	50
11. Kolambugan Hospital	Kolambugan, Lanao	do	30
12. Marsman General Hospital	Paracale, Cam. Norte	do	50
13. Masbate Consolidated Mining Co. Hospital	Rio Guinobatan, Masbate	do	24
14. North Negros Sugar Co. Hospital	Manapla, Occidental Negros	do	66
15. Pathfinder Hospital	Kabasalan, Zamboanga	do	10
16. Philippine Iron Mine Hospital	Larap, J. Panganiban, Cam. Norte.	do	81
17. Plantation Hospital	San Jose, Mindoro	do	50
18. Rizal Memorial Hospital [12]	Binalbagan, Occidental Negros.	do	15
19. San Mauricio Mining Co. Hospital	Mambulao, Cam. Norte	do	30
20. Sta. Rosa Mining Co Hospital	J. Panganiban, Cam. Norte	do	12
21. IXL Emergency Hospital	Balete, Masbate	do	12
			691

[2] X-ray.
[3] Ambulance.
[4] Jitney or truck.
[8] No record.
[11] Formerly Santol Tuberculosis Sanatorium.
[12] Formerly Binalbagan Estate Hospital.

Number of physicians and nurses, by provinces, excluding the city of Manila

Provinces	Physicians	Nurses	Provinces	Physicians	Nurses
Abra	21	21	Masbate	18	14
Agusan	15	25	Mindoro	23	21
Albay	62	41	Mountain Province	71	90
Antique	12	23	Nueva Ecija	132	72
Bataan	34	12	Nueva Vizcaya	16	37
Batanes	3	13	Occidental Negros	165	184
Bohol	32	60	Oriental Negros	28	51
Bukidnon	9	18	Occidental Misamis	16	33
Bulacan	166	45	Oriental Misamis	32	32
Cagayan	49	40	Palawan	27	45
Camarines-Norte	41	35	Pampanga	193	31
Camarines Sur	55	40	Rizal	352	[1] 369
Capiz	58	72	Romblon	8	15
Cavite	121	52	Semar	28	25
Cebu	138	122	Sorsogon	27	12
Cotabato	30	46	Sulu	12	15
Davao	54	68	Surigao	19	24
Ilocos Norte	38	41	Tarlac	81	39
Ilocos Sur	57	54	Tayabas	120	29
Iloilo	121	116	Zambales	31	25
Isabela	28	18	Zamboanga	41	62
Laguna	141	56	Batangas	124	45
Lanao	27	33	Pangasinan	126	94
La Union	36	58			
Leyte	67	56	Total	3,117	2,515
Marinduque	11	17			

[1] These figures include the physicians and nurses in the Quezon Institute, Quezon City.

IV. Communications

a. Telephone

1. Of the different telephone systems existing in the Philippine Islands, only two may be considered as of importance. These are the provincial telephone systems and those of the Philippine Long-Distance Telephone Co., the latter operating on the island of Luzon to the north from Manila to San Fernando, La Union, to Baguio, Mountain Province, and to Cabanatuan, Nueva Ecije, and to the south from Manila to Cavite, Cavite, to Lucena, Tayabas, to Santa Cruz, Laguna, and to Batangas, Batangas. The Philippine Long-Distance Telephone Co. also operates telephone systems in Cebu, Iloilo, and Occidental Negros in the Visayas, and in Davao in Mindanao. These telephone systems are supplemented by radio stations located in Manila, Cebu, Iloilo, and Davao.

In addition to the systems operated by the Philippine Long-Distance Telephone Co. and the various provinces, other entities operate telephone systems on a minor scale. These are: two private companies—one in Camarines Norte and one in Albay—operating in four towns in each province; the Manila Railroad Co., on Luzon, and the Philippine Railway Co., in the islands of Cebu and Panay, principally for railroad businesses; and some sugar centrals that operate exclusively for their private business.

Provincial maps have been prepared by the Committee that show all lines operated by these different systems as well as all lines operated for private use by various corporations or individuals.

2. The equipment in use by the Philippine Long-Distance Telephone Co., particularly in chartered cities, is modern and up-to-date apparatus, and the system of operation employed is patterned after the American system. Copper wires, strung on concrete poles, are used in its principal circuits. The teletype system is in use between Manila and Baguio.

The Philippine Long-Distance Telephone Co. maintains adequate and well-equipped testing and repair shops.

As far as the provincial telephone systems are concerned, the equipment used—although of American manufacture—is of the old type, much of it having been in use since the establishment of these systems some 10 or 15 years ago. Galvanized wire, cheap in cost but of high electrical resistance, is almost invariably used. Generally these wires are supported on wooden or bamboo poles procured locally, although in a few places iron poles are used.

3. Maintenance of the Philippine long-distance telephone lines is under the expert supervision of men trained and experienced in this work. Even repairmen and section linemen are fully trained before being put to work. Supplies and spare parts are adequately provided.

The maintenance of provincial telephone systems is in charge of the district engineers who, because of a multitude of other duties, cannot devote full time to this work. Lack of funds precludes the employment of trained men for this work. Supplies and spare parts are entirely inadequate, only those for immediate needs being provided.

4. With regard to capacity for expansion, the Philippine Long-Distance Telephone Co., being a business entity, has extended its lines

only to such places as will provide sufficient number of customers to pay a profit on the operation of their systems. The extension of their system to other localities could be made possible only by a direct subsidy or some other form of compensation to the company. The rapidity with which any such expansion could be made would depend entirely on the speed with which the necessary apparatus and line materials could be imported. Cement or wooden poles, cross-arms, pins and plugs, could be made locally, but wires, instruments, and other electrical apparatus must necessarily be imported. At this time the company has no material on hand available for any large scale expansion of its system.

The same may be said even more emphatically of the provincial telephone systems. In addition to the lack of supplies and equipment, there is the handicap that each province operates its telephone system independently of the others. For national use the provincial telephone systems are of slight benefit since communication is limited from one point to another in the same province.

In considering the matter of expansion of existing facilities it would therefore appear necessary that consideration should be given first to the interlinking of adjacent provincial telephone systems into one unified system, thereby making possible direct communication between provinces, or between these and the seat of the central government. Once this is accomplished, the extension of the system to places not yet served could be proceeded with.

b. Telegraph

1. The Bureau of Posts alone operates the telegraph system in the Philippine Islands. It comprises telegraph land lines interlinked by cables and supplemented by radio stations at strategic places.

Two main lines extend north on Luzon from Manila, one to Laoag along the west coast and the other to Aparri through the central portion of the island. Two main lines also extend to the south of Manila, one going to Lucena, thence by cable to Marinduque and Romblon to Panay Island, connecting Iloilo, Occidental Negros, and Cebu; the other passing southern Luzon to the Bicol peninsula.

The important islands in the Visayas are provided with radio stations and telegraph lines connecting important cities and towns. There are no telegraph lines in Palawan, and only the northern coast of Mindanao has these, but these islands are provided with radio stations in the more important cities and towns.

There are at present 459 telegraph offices, and 110 radio stations, including 14 privately owned but operated by the Bureau of Posts. There are also under construction 11 stations for the broadcasting of weather reports, and 20 others for commercial use. Telegraph lines total 14,489 kilometers on a pole line of 3,388 kilometers, while there are 29 single-line cables totaling 328.3 nautical miles. Maps by provinces have been prepared by the committee showing the location of the installations above referred to, as well as maps showing existing radio stations. The locations of the various cables are also indicated on these maps.

2. The telegraph equipment used is rather old, and some of it has become obsolete. Galvanized wires strung on iron poles are used

throughout the system, although wooden poles are also used in many places. The cable connecting Manila and Panay Island is comparatively new, having been laid only some 12 years ago. The other cables, however, are now old and will require replacement soon. The radio equipment is comparatively new, although not of the latest model. Appropriations have, however, been secured recently, and orders have been placed for new and more up-to-date radio and telegraph equipment and line materials for the improvement of the communication system between Manila and Legaspi, and between Manila and Cebu and Iloilo.

3. Maintenance of the telegraph system is under capable supervision, but lack of sufficient funds prevents the employment of more and better trained field men.

Supplies and spare parts now available are sufficient for 6 months' use. A plan for the acquisition of these items for a 1-year's normal supply is now under consideration. There is also under consideration at the present time the acquisition of several hand-driven radio transmitting sets for installation at strategic places where it is difficult to send fuel, battery, and oil supplies, or spare parts.

4. Although there are now only 459 telegraph offices, the telegraph service is available to some 500 other municipalities and barrios through what is called the "combined telegraph and telephone service," an arrangement whereby telegrams originating at or destined to any point in the Philippine Islands may be forwarded by telephone to or from a municipality or barrio where there is no telegraph office. This arrangement is in force with 33 provincial telephone systems.

Further expansion of the telegraph system could be obtained through the utilization of the same wire circuits for both telegraphy and telephony. Without actually extending the provincial telephone lines, but only improving them, and through the use of necessary apparatus, it is possible to superimpose telegraph signals over the voice on the same wires and at the same time. This would extend both the telegraph and telephone services to hundreds of places which are now served only with one or the other. It would also eliminate duplication of pole lines and wires, thus reducing investment costs and repair and maintenance expenses. It would place the service under one management, thereby avoiding duplications, reduce overhead expenses, and make possible the standardization of equipment and construction materials and supplies, and make future planning for future expansion and improvement more intelligent and more economical. Above all, in case of a national emergency, the system could be pressed into the service much more quickly as there would be only one management to deal with instead of several.

Extension of the service to places not as yet served will depend on the necessity therefor, the availability of funds, and on whether the necessary apparatus and materials could be imported at a given time. At present the Bureau of Posts has no material on hand for extension of the system.

c. Radio

1. A list of all existing radio stations in the Philippine Islands, except those operated by the United States Army and Navy, has been compiled. This list includes all existing amateur radio stations.

2. The existing radio control law (Act No. 3846), as amended by Commonwealth Acts Nos. 365 and 571, is deemed adequate to insure effective control of all radio installations. The regulations prescribed under existing law may be briefly summarized as follows:

a. Only licensed operators are permitted to operate radio stations.

b. Operator licenses are issued only to those who can qualify in an examination given by the department of national defense.

c. Holders of valid United States licenses are issued Philippine licenses without further examination.

d. Operator licenses are issued only to United States and Philippine citizens.

e. Amateur radio station licenses are not issued to corporations or associations.

f. Amateur radio station licenses are issued only to holders of amateur operator licenses.

g. Before an operator license is issued (new or renewal license), the applicant is required to submit information concerning his personal circumstances and family connections. This is to determine whether or not it would be safe for the applicant to be authorized to engage in the radio operating profession. All such information would constitute a complete record of all radio operators.

h. Applications in the provinces for amateur radio station licenses are referred to the Philippine Constabulary for investigation of the character and conduct of the applicant.

These regulations are now under revision.

3. Although under existing laws and regulations amateur radio stations may be used only for amateur radio communication, the handling of any type of message (including commercial messages) over amateur radio stations located in isolated places may be permitted, providing no financial consideration is involved. Such stations also may be used to complement the public service stations should the necessity arise. They also may be operated by the government in time of war, calamity, or disaster.

4. The misuse of radio stations may be prevented by means of the monitoring and checking station of the Department of National Defense, located in Manila, which monitors and checks all classes of radio stations on a 24-hour-a-day basis. The Department of National Defense also has portable receivers with which to detect the operation of unauthorized stations. Direction finder units are now being acquired, and plans contemplate the acquisition of mobile direction finders and monitoring units. Amateur communication with foreign countries is now prohibited.

The checking and monitoring of radio stations is not at present as effective as it should be. More monitoring and checking stations should be established in strategic places all over the Islands.

For the operation of proposed additional stations, the following personnel will be needed:

Baguio stations, 2 radio operators at ₱720	₱1,440
Casiguran Tayabas station, 2 radio operators at ₱720	1,440
Legaspi station:	
1 radio inspector at ₱1,200	1,200
1 radio operator at ₱720	720
Iloilo station:	
1 radio inspector at ₱1,200	1,200
1 radio operator at ₱720	720
Cebu station:	
1 radio inspector at ₱1,200	1,200
1 radio operator at ₱720	720
Zamboanga station:	
1 radio inspector at ₱1,200	1,200
1 radio operator at ₱720	720

Davao station:	
1 radio inspector at ₱1,200	₱1,200
1 radio operator at ₱720	720
Puerto Prinessa station, 2 radio operators at ₱720	1,440
Total for personnel	₱13,920

The following equipment will be needed:

8 radio receivers at ₱450	₱3,600
Maintenance expenses	₱3,000

5. With regard to the prevention of new stations being established for enemy use, the following restrictions are applicable:

a. By law and regulations—the establishment of commercial stations on land requires a franchise from the national assembly (sec. 1, Act No. 3846 as amended).

b. Only United States or Philippine citizens may be permitted to establish and/or operate radio stations (sec. 4, Act No. 3846).

c. The conduct of applicants for a permit to construct an amateur radio station is thoroughly investigated before authority to construct and operate it is granted.

d. No stations are permitted to be installed in premises owned or controlled by aliens.

e. Operation of stations must be done by duly licensed operators. As operator licenses may be issued only to United States or Philippine citizens, the operation of all stations in the Philippine Islands is practically under the control of Filipino operators.

f. The operation of all stations is being checked 24 hours a day.

g. Radio dealers have been circularized and requested not to sell radio transmitters or radio parts which might be used for construction or assembling of radio transmitters to any person except holders of construction permits or station licenses issued by the Department of National Defense.

h. The Department of National Defense investigates all information which indicates the possible existence of illegally established operation stations.

6. Regarding the maintenance of existing stations, data have been secured from the various communication companies which indicates that their supply status is in a satisfactory condition, all having a sufficient supply of spare parts to meet normal demands over a period of at least one year.

d. Substitute means of communication

In case telephone, telegraph, or radio service should be seriously interrupted in any area, it is recommended that the following means of communications be used:

1. Trained signal details composed of senior Boy Scouts, using wig-wag, lamp, or heliograph signals. Locations for the establishment of signal posts to relay messages from one community to another should be selected in advance and signal towers erected wherever necessary throughout the Islands. The necessary equipment such as flags, signal lamps, and heliographs should be procured at once by each community.

2. A relay messenger system should be established, where practicable, between adjoining communities, using bicycle or motorcycle volunteer messengers. Where distances are great, relay stations for messengers should be established at intermediate points.

V. Welfare

(*a*) *Police Protection and Traffic Control*

1. The Committee recommends that the matter of police protection for the civil population be provided through the joint cooperation of the Philippine Constabulary, the police departments of the various

chartered cities, and the police departments of all municipalities of the various provinces. The supervision of such police protection and traffic control should be exercised by the Provincial Governor acting through the Constabulary Provincial Inspector and in each of the municipalities or cities by the mayor thereof acting through the chief of police of his particular municipality or city.

2. Traffic control during emergencies should remain a function of the Philippine Constabulary who should act in cooperation with the police forces of the various cities and municipalities.

3. The chief of constabulary should be directed immediately to prepare a plan to provide for adequate police protection for the civil population and for the control of traffic during any emergency. The details of this plan should be carefully worked out to insure the most effective cooperation of the police forces of the various cities and municipalities. These police forces should be fully informed regarding the provisions of this plan with regard to the tasks assigned them therein. The plan should provide for any necessary increase in the strength of the constabulary or any of the city or municipal police forces to meet emergency conditions and for the training of such additional personnel through a system of voluntary instruction. The securing and training of additional personnel should begin at once so that if and when an emergency occurs they will be prepared for it.

(*b*) *Fire Prevention and Fire Fighting Units*

Such units are highly essential and should be formed and trained now to augment existing fire departments. These units should be formed and trained as outlined in the attached plan for "air raid protection."

In addition to these units, the entire population should receive elementary instruction in fire-fighting methods and each head of a house should be required to keep on hand as many cans filled with water as he can reasonably afford. Shovels and piles of sand or dirt for emergency use in extinguishing fires and incendiary bombs should likewise be kept available.

(*c*) *Air Raid Protection*

Pending further study of this subject by the Committee, it has adopted the attached plan prepared by Lt. Col. Robert M. Carswell, chairman of the Civilian Emergency Planning Board. The Committee believes that the organizations described therein should be created without delay and trained as outlined therein. The information contained in this plan on pages 6 to 12, inclusive, under the caption "Air raid wardens" should be communicated to the public through the air raid wardens service.

The Committee is of the opinion that it is of particular importance that the warning service be established at once and a definite but simple system of air-raid alarms to give warning to the public of approaching air raids, gas attacks, or other catastrophes be announced. The public should be familiarized with these alarms through frequent periodical practice black-outs conducted in Manila and all other vulnerable cities and towns. The public should also be informed as to the re-

strictions they must comply with during a "blackout" and such restrictions should be strictly enforced and violations thereof penalized. Practice "blackouts" should be initiated without further delay.

In the United States it has been found that hand-operated siren stations, located within sound of each other, are the simplest and surest means of giving the air-raid alarm. It is recommended that they be used by the warning service. The use of flags, lanterns, church bells, or other signals with which the public is familiar as being used for other purposes, should not be adopted for use as air-raid alarms.

Concerning air-raid shelters, other than the elementary types described in the above plan, the Committee is of the opinion that because of the low lying terrain of Manila and other coastal cities and towns, the high cost of providing underground bombproof shelters is prohibitive. The high cost and scarcity of proper construction materials likewise render the construction of bombproof surface shelters impracticable. However, this matter is receiving further study and the plans for such shelters are being prepared. The Committee is of the opinion that the most feasible plan for minimizing the loss of life to civilians in case of air raids is the dispersal of the population from districts most likely to be bombed. This matter will be referred to later in topic (J).

With regard to the adaptation of existing buildings for use as air-raid shelters and to house and protect personnel and records of governmental and other essential offices, it is recommended that a special survey be made in Manila to determine the number and location of the buildings that would be utilized for such purposes. Similar surveys should be made in Cebu, Iloilo, and other important cities.

(*d*) *Gas Attacks*

This matter is discussed in the attached plan for "Air raid protection."

As gas masks are not now available in the Philippines but materials are available for their manufacture, it is recommended that the Coconut Corporation or the National Development Co. be designated to investigate at once the possibility of local manufacture of this item.

(*e*) *Public Utilities*

The Philippine Constabulary has prepared a plan to protect public utility establishments in Manila from sabotage. A certain number of constabulary soldiers will be detailed to guard such establishments in case of emergency, the number depending upon the nature of the utility. The constabulary should prepare a similar plan for the protection of all public utility establishments in the other chartered cities and municipalities in the Philippines. These plans should be prepared with the cooperation of the local authorities concerned.

As an auxiliary force to augment the constabulary, it is believed desirable that volunteer guard units be organized and trained in each locality for the purpose of safeguarding public utility and other essential establishments from sabotage. These units units should be organized and trained under the direction of the chief of constabulary. It is recommended that the organization and training of these units

be begun without delay. When properly trained, these units should be able to relieve the regular constabulary soldiers and local police from the duty of safeguarding public utility and other essential establishments and render them available for other important duties.

All public utility establishments should, without delay, accumulate a stock of essential supplies needed in the maintenance and repair of such establishments. Such a stock should be large enough to take care of the normal demand for such supplies over a one year period of time. The stock of such supplies should be maintained continuously at that level.

(*f*) *Control of Firearms and Ammunition*

The control of firearms and ammunition should continue to be under the control of the constabulary as at present.

(*g*) *Publicity and Propaganda*

A publicity and propaganda committee should be established composed of persons who have had practical experience in such matters. This Committee should cooperate with the military and naval authorities in the use of established radio stations and telephone and telegraph systems in the dissemination of desirable publicity and propaganda. Maximum use should be made of all existing press and publication facilities for this purpose. The public school system should likewise be utilized for this purpose.

(*h*) *and* (*i*) *Mass Feeding and the Rationing of Food, Fuel, and Clothing During Emergencies*

This work should be entrusted to the Red Cross in cooperation with local authorities. The Red Cross should immediately prepare detailed plans for such activities.

(*j*) *Evacuation of Threatened or Partially Destroyed Areas*

This activity should be the responsibility of the Red Cross acting in cooperation with the local authorities concerned. Detailed plans for this activity should be prepared without delay. Such plans should involve surveys for the selection of areas to which refugees could be moved, and definite sites for the establishment of refugee camps if such are necessary. Such localities should have an adequate supply of suitable drinking water, be free from malaria and such like diseases, be accessible by satisfactory roads, and suitable from a sanitary point of view. The local supply of food and methods of augmenting the same to care for the influx of refugees should receive careful attention in selecting these areas. In planning for the movement of refugees and essential supplies to these areas, the military authorities should be consulted regarding the routes over which these movements should be made, and necessary arrangements for traffic control over these routes should be made with the constabulary. It is believed the plan should provide for the appointment of local leaders and subleaders in areas to be evacuated who will assist in the evacuation. Use should

be made of existing organizations, such as Boy Scouts and high-school cadets, to assist in maintaining order among the evacuees and in directing traffic during the evacuation.

A survey of the towns and barrios in the provinces of Rizal and Laguna, which was made with a view to utilizing these places to house évacuées from Manila, has been completed by the Red Cross. This survey indicates that these communities are not self-sufficient in food supplies to maintain their present population, and that a sudden influx of évacuées to them would develop a serious food shortage in less than 6 weeks. Of the 33 municipalities surveyed, only 14 produce enough rice to feed their present population, and no adequate commercial or other form of permanent storage of rice exists in the entire area. Normally only 11 of the 33 municipalities produce sufficient vegetables and beans to care for the demands of their present population. Livestock and poultry are estimated to be sufficient to supply the present population for a period of 4 months, but the future resources would be greatly reduced by their consumption.

Laguna de Bay, according to the best available information, could provide the entire population of the area with fish. However, the most abundant kind of fish are not eaten by the people during April and May because of the taste and smell. In the case of an emergency it would be necessary to institute a method of supervision and control over fishing in these waters.

The large influx of refugees to these municipalities would require the construction of extensive temporary housing facilities. The housing plan of the Philippine Red Cross disaster relief service, which has been in disasters caused by floods and typhoons, is suitable for use in this type of emergency. This plan provides for the construction of low-cost native houses constructed from materials locally available insofar as they are sufficient. A special survey is now being conducted of available building materials in this area. The Bureau of Forestry is also being consulted regarding materials from nearby forest areas.

Facilities for sanitation, health, and hospitalization were found to be inadequate in this area even for the needs of the permanent population. Temporary hospitalization, community health centers, and first-aid stations would have to be established throughout the area. With regard to sanitation and personnel, provisions for sanitary arrangements are inadequate. It will be necessary to set up an additional emergency sanitary service to correct this deficiency. The Red Cross plan provides for these needs.

Evacuees moved to this area should be used in agricultural and food production schemes and the construction of temporary shelter and other activites of a necessary nature.

It is recommended that a campaign for the planting of quick maturing food crops be organized and vigorously conducted in the entire area in the same manner as that put on by the Red Cross following the destructive typhoon of 1928.

It is estimated that Red Cross activities in connection with the evacuation to these areas will require ₱135,000 initially. Based on disaster relief experience during the past 20 years, provisions for shelter, feeding, and general care of evacuees would cost approximately ₱25.00 per person for each 100-day period. This estimate

includes health and medical attention and the erection of low-cost temporary houses. This figure does not include the cost of administration referred to above as ₱135,000.00.

Air-Raid Protection Annex

In the event of hostilities, air raids may be expected. The defense against such raids may be considered under two headings:

1. The active defense, conducted by the military authorities by means of guns, automatic weapons, searchlights, and our own aircraft;

2. The passive defense, which may be considered under a number of different headings, the most important being:

(*a*) The maintaining of the morale of the civilian population;
(*b*) The provision of protection from bombing, including construction of shelters;
(*c*) The instruction of the population regarding precautions to be observed and actions to be taken before, during, and after an air raid;
(*d*) The evacuation of personnel from threatened areas to districts less liable to attack;
(*e*) The safeguarding and maintenance of vital services and essential industries, including food supplies, transportation, electricity, gas and water, and postal, telephone and telegraph services;
(*f*) The treatment of air-raid casualties, and the creation of an organization to establish and operate hospitals, first-aid stations, and ambulance service;
(*g*) The repair of damage caused by an air raid, including clearance of debris, fire fighting, and street and highway repair;
(*h*) Antigas measures, including individual and collective protection against gas attacks, construction of gas-proof shelters, and decontamination of gassed areas;
(*i*) Restriction on lighting—black-out discipline.

The civilian population is vitally interested, and must wholeheartedly participate in all means of passive defense. It must be taught how to conduct itself during an air raid; panic must be prevented and the population must be self-disciplined to act with courage and fortitude during an air raid. Every citizen should be impressed with the idea that it is his patriotic duty to learn what he should do to protect himself and his family during aerial attacks, and then to do it.

The hazards to which the population is subject during an air raid may be classified as:

(*a*) A direct hit by a high-explosive bomb. This usually results in the destruction of the object hit and in the death or injury of all persons in the immediate vicinity. Fortunately, such direct hits are of rare occurrence.
(*b*) Demolition or damage to buildings by high-explosive bombs. This frequently results in damage to adjoining buildings, and to injury to persons in the close vicinity from falling debris.
(*c*) The concussion caused by the explosion of a high-explosive bomb, which is a form of shock transmitted through air. This causes casualties to persons who are nearby and who have no protection. Protection from shock can be easily obtained by construction of shelters and seeking refuge therein.
(*d*) Splinters and fragments from high-explosive bombs, which may be effective for distances as great as 400 yards from the point where the bomb bursts. Protection from this effect can be cheaply and easily procured.
(*e*) Damage from incendiary bombs. Experience in England indicates that these bombs cause more damage to property than high-explosive bombs.
(*f*) Gas attacks in the form of gas bombs or spray from airplanes. These attacks are not particularly dangerous if gas masks are used and proper gas discipline is enforced.

(*g*) Machine-gun fire from low-flying airplanes. This form of attack is effective only on persons standing in the open or along roads congested by traffic. Lying down in the field, in a ditch or trench, or taking cover from sight in a building render such attacks less effective.

Fortunately, proper instruction to and organization of the population will minimize the effects of the hazards listed above. The dispersion of the population over a wide area and away from concentrated centers of population in the cities is one way of minimizing the results of air raids as far as individual casualties are concerned.

The construction and use of proper emergency shelters will greatly reduce the number of casualties in cities. The responsibility for the construction of shelters rests with the local authorities. The proprietors of factories and business buildings should be required to provide adequate shelters for their employees and to organize first-aid, fire-fighting, and rescue units among them. The government should, however, offer technical assistance and advice regarding the construction of suitable shelters and the organization of first-aid, fire-fighting, and rescue units.

3. Bombs may be classified as:

(*a*) *Incendiary.*—The object in using this type of bomb is to cause damage to property by causing fires. These bombs usually weigh one "kilo," or 2¼ pounds, and will penetrate ordinary roofing materials such as slate or tile, and when dropped from altitudes of from 10,000 to 20,000 feet may penetrate several stories of wooden structures.

The type of incendiary bomb in common usage consists of a composition of magnesium and thermite. These ignite on impact and cause a violent sputtering, and throw off fiery particles to a distance of 50 feet; this action of the bomb continues for about 1 minute. The bomb then burns less fiercely for about 10 or 15 minutes. It generates great heat and throws off fumes which are unpleasant to breathe but are not dangerous.

(*b*) *High-explosive.*—These may be classified as (1) demolition and (2) fragmentation bombs.

(1) Demolition bombs vary in weight from 100 pounds to 2,000 pounds. Those most commonly used in Europe are the 100-, 250-, and 500-pound bombs. Some explode upon impact with an object, while others are fitted with a delayed-action fuse permitting them to pierce the object struck before exploding. They are designed to destroy buildings and other structures such as docks, bridges, etc.

(2) Fragmentation bombs usually weigh from 25 to 30 pounds, explode on impact, and throw off steel fragments and splinters. They are designed primarily for use against military personnel. They also may be used against civilian personnel to break down the morale of the population by causing death and injury.

(*c*) *Gas.*—This has not been reported as being used in the present European War, nor are the Japanese reported to have used it in China. It is designed to cause casualties to personnel and to weaken the morale of the civilian population. It has no destructive effect on buildings and structures. While the possibility of its use appears to be remote, the use of gas must be considered as a possibility and the necessary precautionary measures must be taken.

Gas attacks can be rendered practically harmless by the proper organization and instruction of the population to combat them.

There are two main types of poison gas that may be used:

(1) *Persistent.*—Usually consisting of liquids which give off an effective concentration of vapors in the air at the point of their release. This concentration is effective for more than ten minutes and necessitates protection from its effects. Some "persistent" gases last for days and even weeks if not neutralized. The vapor is generally invisible.

(2) *Nonpersistent.*—Rapidly mixes in the atmosphere and becomes ineffective within ten minutes after its release.

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Gases may be classified, in accordance with their effects on persons, into:

(1) *Lung irritants (choking gases).*—These gases produce irritation of the throat and lungs, coughing, retching, and a smarting and watering of the eyes. Breathing strong concentrations of these gases, even for a short time, may result in death.

(2) *Eye irritants (tear gas).*—These gases cause extreme smarting and pain in the eyes, and a resultant copious flow of tears; the effects are temporary only and rapidly disappear.

(3) *Nose irritants (sneezing gas).*—This type of gas contains chemical compounds in the form of fine dust or smoke; they generally are invisible and have no distinctive odors; they cause intense irritation and pain in the nose, mouth, throat, and chest, which in turn causes intolerable sneezing, coughing, crying, or headaches, and vomiting. These effects are temporary and cause no permanent injury.

(4) *Blister gases (mustard).*—These gases burn and, upon coming in contact with the skin, cause blisters which take a long time to heal; when in liquid form they readily penetrate ordinary clothing; prolonged exposure to them, even in vapor form, causes serious injury.

In organizing the population for the passive defense, air raid protective units of various types must be formed throughout the country. Such units must be organized into:

a. A warning service;
b. Air raid warden's service;
c. Auxiliary fire fighting units;
d. First-aid units;
e. Rescue units;
f. Demolition and repair units;
g. Decontamination units.

The Warning Service

This service is of great importance and will be provided by a national system. Its purposes are to give warning to the general public of an approaching air raid, to give the signal "all clear" when the raid is over, and to sound the "gas" alarm if gas is used.

This system should operate in conjunction with the Army Warning Service and should make use of all existing Bureau of Posts, provincial and commercial, telephone and telegraph lines and radio stations. This service should be organized to operate for twenty-four hours each day. A definite set of signals must be adopted in accordance with existing facilities in each community whereby the necessary warnings can be instantly conveyed to the public.

The chief of constabulary will organize and train the personnel of the Warning Service and be responsible for the operation of the same.

Air Raid Wardens

There will be a great need in time of air raids for persons who possess the qualifications of courage and leadership to a high degree, and a thorough knowledge of their neighborhood, to lead, advise, and help their neighbors and serve as a connecting and guiding link between the people and the authorities. For this purpose an air raid wardens' service will be organized under a chief warden in each province, city, municipality, and town.

Air raid wardens will cooperate with the constabulary and the municipal police forces in the preservation of order and the prevention of panic during air raids. Their duties include giving

advice and instruction to their neighbors as to the action to be taken prior to, during, and after an air raid, and also the method of constructing air raid shelters.

The air raid wardens service will be organized with a national air raid warden in charge; in each province there will be a provincial air raid warden; in each chartered city there will be a city air raid warden; each provincial air raid warden will be assisted by a municipal air raid warden in each municipality; each city and municipal air raid warden will be assisted by one air raid warden for every 500 persons; each air raid warden will have 5 assistant air raid wardens under his jurisdiction, one being authorized for every 100 persons or major fraction thereof.

In the provinces and chartered cities, the district and city engineers will, respectively, perform the duties of provincial and city air raid wardens. They will appoint and supervise the training of all personnel of the air raid wardens service within their respective province or city.

All members of the air raid wardens service should be thoroughly familiar with the construction of bombproof shelters, as well as simple methods of reinforcing the then existing buildings, to protect personnel from concussion and flying fragments of steel. As a guide for use in such work the following data have been compiled:

(*a*) Protection against a direct hit by any type of bomb now in use can be obtained from reinforced concrete 8 feet thick. Protection against a 500-pound bomb is afforded by a cover of reinforced concrete from 5 to 7 feet thick, or by an underground shelter located from 50 to 70 feet below the surface of the ground.

(*b*) Protection against a 500-pound bomb bursting 50 feet away from an object can be secured

(1) Laterally, from splinters and blast effect, by 12½ inches of brick or stone masonry or 30 inches of dirt or sand.

(2) Overhead, from falling debris and incendiary bombs, by 5 inches of reinforced concrete, 6 inches of ordinary concrete, or 18 inches of earth or sand.

In only a few places in the Philippine Islands do buildings exist which can be reinforced for use as bombproof shelters except at prohibitive expense. Some buildings can, however, be easily adapted for air raid shelters by piling sand bags, or other containers filled with earth, to a height of 8 feet above the floor and 30 inches in thickness in front of each window. Doorways should be similarly treated except that a passageway should be provided. The sketch attached hereto, modified to suit local conditions, indicates an approved method of protecting doorways.

Householders should be encouraged to provide an air raid shelter to protect them and their families. Existing wooden buildings will not be suitable for this purpose. However, by using one room as a refuge, carefully reinforcing the floor and ceiling, piling sand bags against the outer walls to a thickness of at least 30 inches and protecting the windows by a sand bag barricade as described above, will provide a reasonably safe refuge.

Perhaps the simplest, cheapest, and most effective type of shelter is known as the "trench type." It is constructed wholly or partially underground. The overhead protection required is obtained by 5 inches of concrete or by from 18 to 24 inches of earth. A roof of

earth greater in depth than 24 inches should not be used because if the roof collapses the occupants might have difficulty in getting out. The shelter should afford at least 6 feet of head room, should be fitted with seats, and the walls should be lined with strong material to prevent collapsing. The floor should be covered with duckboards and suitable drainage should be arranged. The accompanying sketches show suitable "trench type" shelters.

"Surface shelters," built entirely above ground, are also satisfactory although they are generally more expensive than the "trench type." The walls of such shelters should consist of 15 inches of ordinary concrete, or 12 inches of reinforced concrete, or 12½ inches of brick or stone masonry. Roofs should be built of reinforced concrete at least 5 inches in thickness.

No shelter should be located nearer to a building than one-half the height of such building.

All shelters should have two entrances; they also should be provided with drinking water, tools such as picks, shovels and crowbars, food, emergency lighting, and proper drainage.

In dealing with incendiary bombs, the air raid wardens service must instruct the public in the proper precautions to be taken by them before an air raid, and in the manner of extinguishing such bombs during and after an air raid. This instruction should cover the following points:

a. Before an air raid occurs, it is essential that easy means of access to all roof spaces and top floors of buildings be established.

b. All attics and top floors of all buildings should be cleared of all inflammable material.

c. All buildings should be equipped with long-handled scoops, hoes, and shovels, boxes full of sand or earth, and a number of buckets or cans of water for fire-fighting purposes. A stirrup type pump with a dual spray and jet nozzle also is desirable.

d. Roofs of buildings can be reinforced to reasonably withstand the penetrating effect of incendiary bombs by the use of noninflammable material. Wooden floors next below a roof can be made noninflammable by covering them with two inches of dirt or sand, or by building a false floor of corrugated iron on 2 x 4 inch timbers resting on edge on the floor, thus leaving an air space of approximately 4 inches between the false floor of corrugated iron and the wooden floor below it.

e. The wooden parts of buildings can be made fire resistant—but not fireproof—by painting all woodwork liberally with a mixture of 1½ pounds of kaolin (china clay) to 1 pound and 2 ounces of sodium silicate in syrup form, mixed in one pint of water.

Incendiary bombs do not explode but do generate great heat. The fumes generated by such bombs are unpleasant to breathe but are not injurious.

The instant an incendiary bomb ignites it is necessary to:

a. Subdue and localize the fire started by the bomb, and

b. Control the bomb and prevent it from burning through the floor or roof upon which it rests.

The best way of handling an incendiary bomb is to smother it with sand or dirt, then remove it in a long-handled shovel or scoop, the handle of which is wrapped with wet cloths, and throw it to a place where it can cause no damage.

Water from buckets or cans should not be thrown directly on the bomb. If this is done it causes the bomb to increase its sputtering and

to throw off molten metal. If water is used it should be sprayed on the bomb from a spray nozzle. This causes the bomb to burn out more rapidly.

Chemical extinguishers of the soda-acid type may be used effectively on incendiary bombs, but other types of extinguishers should not be used.

Experience in England indicates that casualties from bombing can be greatly reduced by proper precautions. Statistics show that the greatest number of casualties is suffered by persons standing in the street; that this number is reduced by 50 percent in the case of those who lie face down in the street, and by 70 percent in the case of those lying face down behind low cover or in doorways. In the case of those having head and side cover away from windows of buildings, the number of casualties is reduced by 90 percent, while in the case of those who find refuge in approved types of shelters the number of casualties is reduced by 96 percent.

Based upon the above facts, the populace must be instructed as follows:

a. When an air raid is in progress to take cover at once; they are not to remain in the open.

b. If caught in the open and no shelter is available, lie flat on the ground, face down, preferably in a ditch or fold in the ground, as this will help to avoid injury from flying bomb splinters and fragments and from concussion due to the nearby explosion of bombs.

c. Keep your mouth open during an air raid. Placing a pencil or small piece of wood between the teeth and gripping it firmly will aid in doing this. Keeping the mouth open will assist in protecting the lungs against the effect of concussion.

d. Place a small pad of cotton in the ears to protect the ear drums.

e. If indoors, close all doors and windows. Restrain your curiosity and keep away from doors and windows after closing them.

f. Extinguish all fires in stoves or other places in all buildings.

With regard to gas attacks, the population should be instructed on the following points:

a. Gases used in warfare are heavier than air and therefore remain close to the ground.

b. Gases remain longest on low ground; therefore, avoid such places as hollows, basement areas, etc., during a gas attack. Keep on ridges, hilltops and other high places. If inside a house, move to the topmost floor.

c. If in the open:

(1) Remember that gas moves with the wind; therefore, keep up-wind from the gas.

(2) If you are caught down-wind from the gas, move out of the gassed area by moving to high ground. If gas is visible, move out of the area in a diagonal direction up-wind, keeping to high ground if possible.

d. Improvise a gas mask for each member of the family in accordance with the following directions:

Fold a piece of cotton cloth, preferably cheesecloth, into a pad about 8 inches wide and 1 yard long. In the center of this folded pad of cotton cloth place a pad of cotton large enough to cover fully the nose and mouth. Keep a jar of solution, mixed by volume as follows, available at all times for saturating the pad:

5 parts sodium bicarbonate (baking soda).
1 part glycerine.
8 parts water.

When needed for use, saturate the pad of cotton with the above solution, and then tie the improvised mask securely about the face so that it covers the nose and the mouth and is firmly tied behind the head.

Auxiliary Fire Service

In combating fires started by incendiary bombs, existing fire departments will be found to be entirely inadequate. They must be supplemented by auxiliary fire-fighting units composed of members of each community especially trained in the manner of extinguishing incendiary bombs and fires caused by them.

Fire-fighting units should be led and trained by active or retired firemen, or by carefully selected civilians who have received a special course of instruction in such work. They should be centered, as a general rule, near military objectives such as railway stations, docks, factories, and public buildings. Particular attention should be paid to the formation and training of such units in all areas, particularly slum areas and where buildings are constructed of highly inflammable materials. Emergency supply stations containing sand, buckets, and shovels should be established liberally in each unit area.

In case that water mains in cities are damaged, additional equipment for existing fire engines should be provided to enable them to pump water directly from the ocean rivers, or nearby reservoirs, to the location of the fire. Existing equipment of fire companies should be augmented by improvised fire engines carrying sand, buckets, ladders, and tools such as axes, shovels, crowbars, etc. Arrangements for the use of private automobiles and motorcycles to hasten the movement of personnel and light pieces of fire-fighting equipment and tools should be made. Units for such purposes should be organized and instructed from among those who volunteer the services of their automobiles or motorcycles.

Fire fighting units organized and trained along the lines indicated above will be organized in each community. In cities and towns where fire departments exist, these units will be organized and trained under the direction of the chief of such fire department. In other communities they will be organized and trained under the direction of the mayor of each municipality.

First-Aid Units

First-aid units will be organized on the basis of four persons and one automobile with driver to each party. Two ambulances with drivers and two attendants for each ambulance will form an integral part of such units. Where regular ambulances are not available, they should be improvised from suitable motor vehicles in the locality. A sufficient number of these units will be organized in each community so as to provide a minimum of one such unit to each 3,000 of population or major fraction thereof.

The Philippine Red Cross will be responsible for the organization and training of all first-aid units.

The instruction of such units should include the treatment of shock, hemmorrhage, fractures, unconsciousness, suffocation, electric shock, and burns and scalds, as contained in the usual first-aid course of instruction. In addition to this, instructions must be given in the proper treatment of gas casualties. Such instructions are briefly summarized below:

Localized areas of contamination on the body caused by blister gas (mustard) should be treated by removing the blister gas from the skin by using gasoline, alcohol, or naphtha as a solvent. To apply these

solvents a small piece of cotton batting should be held between the finger and the thumb, only the end of it being dipped in the solvent. Rubber gloves, if available, should be worn while applying the solvent. It is important to avoid spreading the blister gas by rubbing or using an excess of solvent. Solvents only remove the blister gas—they do not destroy it. For this reason a succession of swabs should be used, and the contaminated swabs burnt or buried. If the above solvents are not readily available, the affected part should be thoroughly washed with soap and water. In all cases where there has been contamination it is advisable for the casualty to be washed completely with soap and water, in addition to the solvent treatment described above for the affected part.

It must be emphasized that the success of any method of preventive treatment depends upon the promptness with which it is applied.

Lung Irritant Gas

Whether symptoms are present or not, any person who has been exposed to a lung irritant gas must, from the outset, be spared any further exertion. He must be kept lying down and be protected from chill. He should be removed as a stretcher case.

Eye Irritant Gas

Face the wind with the eyes open. Do not rub the eyes under any circumstances. If it is available, wash the eyes with a weak solution of boric acid.

First-aid stations for the treatment of ambulatory cases will be established in each community. The personnel and equipment for these stations will be trained and furnished by the Philippine Red Cross. These stations will be located in such places and in such numbers as not to require an injured person to walk any great distance.

Existing hospitals will be expanded, and buildings suitable for hospitals will be selected for use as hospitals whenever present facilities are inadequate. The Philippine Red Cross is responsible for the determination of the adequacy of existing facilities and for arranging for their expansion where deemed necessary. The Philippine Red Cross is also responsible for the securing of additional buildings suitable for hospitals whenever present facilities prove inadequate. Doctors, nurses, hospital attendants and other personnel will be procured by the Philippine Red Cross.

RESCUE UNITS

In each municipality rescue units will be formed whose duties are to rescue persons trapped in fallen buildings and in debris from such buildings. Each unit will consist of a leader and eight men, all of whom will be recruited from men skilled in the building trades. Rescue work requires a special knowledge of the method of handling and storing up debris in order to prevent injury to the persons being rescued and to the members of the rescue units.

Rescue units will be organized by, trained by, and operate under, the district and city engineers. One such unit will be organized for each 5,000 of population or major fraction thereof. Tools and equipment for the use of these units will be provided by the local authorities.

Demolition and Repair Units

Units to handle demolitions and repair will be organized in each community. The duties of such units are to clear streets of their wreckage, fill bomb craters, assist when necessary in the repair of damaged water and gas mains, sewers, electric transmission lines, etc. They also will cooperate with fire-fighting units when it becomes necessary to use explosives on or otherwise demolish structures in order to prevent the spread of fire and to bring a fire under control. The personnel of these units should be recruited from persons skilled in construction work, the handling and use of explosives, street and highway repair, and general utilities repair and maintenance.

These units will be organized by, trained by, and operate under, the district and city engineers. The strength and composition of each unit and the number of units in each locality will be determined by the district or city engineer after consideration of the installations to be maintained in each case.

Decontamination Units

Units formed for the purpose of decontaminating areas in which poisoned gas has been used will be organized in each community under the direction of district and city engineers. Each unit will consist of a leader and six men. One unit will be formed for each 5,000 of population or major portion thereof. While such units should be trained in the approved methods of decontaminating gassed areas, they also should be trained to assist in rescue, demolition, or repair work. The first step taken by these units will be to work out, with danger signs and barriers, the contaminated areas. No unauthorized persons should be allowed to enter these areas. Decontamination work should then begin promptly. The following materials may be used for decontaminating work:

a. Earth. Earth, sand, ashes, or sawdust may be spread over a contaminated area to provide temporary protection. The layer of covering material should be at least 3 inches thick and will be much more effective if wet down with water. The chemical used in the gas is not destroyed by this procedure but the covering layer will prevent the escape of further poisonous vapors.

b. Water. Some gases are readily decomposed by water, and a liberal wetting of the contaminated area is sufficient to destroy them. With some gases such as mustard, water has no neutralizing effect. Therefore, even long after an area has been washed with water it is dangerous to sit or lie down therein. If practicable, the area should be covered with a 3-inch layer of earth, sand, or ashes. Whenever it is available, chloride of lime should be used as indicated below.

c. Chloride of lime. This is a white powder which readily gives up its chlorine content when exposed to the air or moisture. It should be kept in air-tight containers and used immediately after removal from them. It combines quickly with blister gases (mustard) and if it is mixed with sand or earth no violent reaction will occur. The proportions should be about one part of chloride of lime to three parts of sand or earth. *One pound of chloride of lime is required for each square yard of gassed area.*

In decontaminating machinery, woodwork of buildings, etc., chloride of lime generally can be more easily and effectively applied in liquid form with rags, swabs, or brushes. The solution used should consist of one part of chloride of lime to one part of hot water.

d. Fire. An area covered with high dry grass or brush may be decontaminated by burning it, provided this can be done without danger to nearby personnel or property. *The heat in many instances will cause a heavy cloud of mustard vapor to be given off down-wind during the burning.*

VI. Personnel and Labor

The Committee on Personnel and Labor has made a complete and exhaustive study and report of the number and location of the various types of laborers, technicians, and professional persons in the Philippine Islands. The report of this Committee contains exhibits listing (a) the number of laborers, technicians, and professional persons in each province in accordance with their employment classification; (b) licensed chemical, civil, electrical, marine, mechanical, and mining engineers by provinces; (c) the population of the Philippine Islands classified by sex and age groups in each province; and (d) all persons by name and address who are engaged in the professions of public accounting, architecture, chemical, civil, electrical, marine, mechanical and mining engineering, optometry, medicine, pharmacy, dental surgery, and veterinary medicine and surgery.

This Committee recommends the immediate establishment of a Civilian Emergency Administration composed of representatives of the following departments of the Commonwealth Government to be appointed by the President of the Philippines:

a. Department of the Interior.
b. Department of Public Works and Communications.
c. Department of Agriculture and Commerce.
d. Department of Health and Public Welfare.
e. Department of Public Instruction.
f. Department of National Defense.

This organization is to promulgate and execute policies and prepare detailed plans for the organization of civilian emergency units in the provinces.

The Committee recommends the establishment in the provinces and chartered cities of branch committees of the Civilian Emergency Administration to be headed by the provincial governor or the mayor of the chartered city, with the provincial or city representatives of the departments represented in the national committee as members, together with such other persons as may be appointed by the provincial governor or mayor to serve as such. The Committee recommends the use of the Philippine Army and the Philippine Constabulary authorities in the provinces and chartered cities as collaborators, advisers, and coordinators of all activities of the provincial committee in connection with the organization and training of Civilian Emergency Administration units.

The Committee also further recommends to the President of the Philippines the immediate organization of Civilian Emergency Administration units as a preparation for their organization into civilian auxiliary units for employment in any catastrophe or grave emergency.

A copy of the complete plan for the organization of the Civilian Emergency Administration, as submitted by this Committee, is appended to this report and made an integral part thereof.

APPENDIX TO REPORT OF CIVILIAN EMERGENCY PLANNING BOARD

To Accompany Report of Subcommittee on Personnel and Labor

Civilian Emergency Administration Plan

Section I—Situation

Any national emergency caused by typhoon, flood, fire, or other catastrophe is normally marked by confusion, disorganization, and suffering, due to the inability of effecting early control and restorative administration. Despite the efficiency of any national relief agencies after a disaster has occurred, no organization for immediate action in an emergency normally exists, even in areas where floods, typhoons, or earthquakes are always a potential threat.

The Philippines is often visited by typhoons, floods, and earthquakes, as well as other calamities caused by outbreak of diseases or pest infestation. In order to prevent unnecessary sufferings as a result of these catastrophes, the necessity for a plan to organize the population into emergency organizations at once becomes apparent.

The objects of the Civilian Emergency Administration (C. E. A.) Plan are (*a*) to establish a civil body capable of ministering to the needs of the population in an emergency and providing relief to the population of areas affected by any catastrophe;

(*b*) To establish secondary units in each province to initiate plans for the provision of organized emergency groups, so that these will be prepared to function at any moment.

Section II—The Plan of Organization

Such established agencies of the Commonwealth Government as can be of service in the execution of this plan to be fully taken advantage of in executing initial organization of instrumentalities mentioned in the plan and in the conduct of such instructions and training of these units as may be found necessary.

The President of the Philippines, by executive order, may create a Central Administrative Civil Body composed of one representative from each of the following departments of the Commonwealth Government to be designated by their respective heads:

Department of the Interior.
Department of Public Works and Communications.
Department of Agriculture and Commerce.
Department of Health and Public Welfare.
Department of Public Instructions.
Department of Finance.
Department of National Defense.

This body to be charged with the promulgation and execution of policies and the preparation of detailed plan for the organization of the different Civilian Emergency Administration units in the provinces. Inclusion of representatives from certain departments of the Commonwealth Government is aimed at complete cooperation of these

departments. The committee thus created is to function directly under the President, who may delegate the supervision of these relief administrations to the Secretary of the Interior.

The offices of the Secretary of the Interior, provincial governors, and municipal mayors, being normally charged with the administration of civil affairs, may be utilized as the main channel of responsibility for the organization, administration and operation of the CEA units with the close cooperation of existing military and semi-military entities of the government and constant advice of the Army as the main planning agency and coordinator.

In the provinces, plans for the organization, administration, and operation of the CEA units may fall under the responsibility of the provincial governor, assisted by his staff, the provincial representative of the various departments of the government represented in the national committee and the constabulary provincial inspector. The civilian population may be organized into such emergency administration units as may be needed in each locality. Such units, as shown in Exhibit "A" (organization diagram), may be organized besides other minor units and sub-units as may be added from time to time. Some of these suggested units are:

a. General Service Battalion.
b. Administrative Unit.
c. Foodstuff Control and Distribution Unit.
d. Evacuation Group.
e. Utility Group.
f. Technical Unit.
g. Public Welfare Unit.
h. Medical Unit.
i. Other units, etc.

The municipal units of the CEA may be organized under the direction of the provincial governor with the municipal mayor as the administrator, assisted by an assistant administrator, his councilors, and other prominent members of the community as the provincial governor may appoint upon the recommendation of the municipal mayor concerned.

Section III—Chief Operations

The Civilian Emergency Administration units to be given definite missions in the institution of relief measures in emergency. The local organizations to provide immediate relief to areas affected by typhoons, floods, fires, and other catastrophes and may be reinforced by units from other places when necessary.

Each unit organized for certain relief activities to be employed for such special purpose as much as possible, but it may also be employed in the performance of other allied duties when circumstances demand.

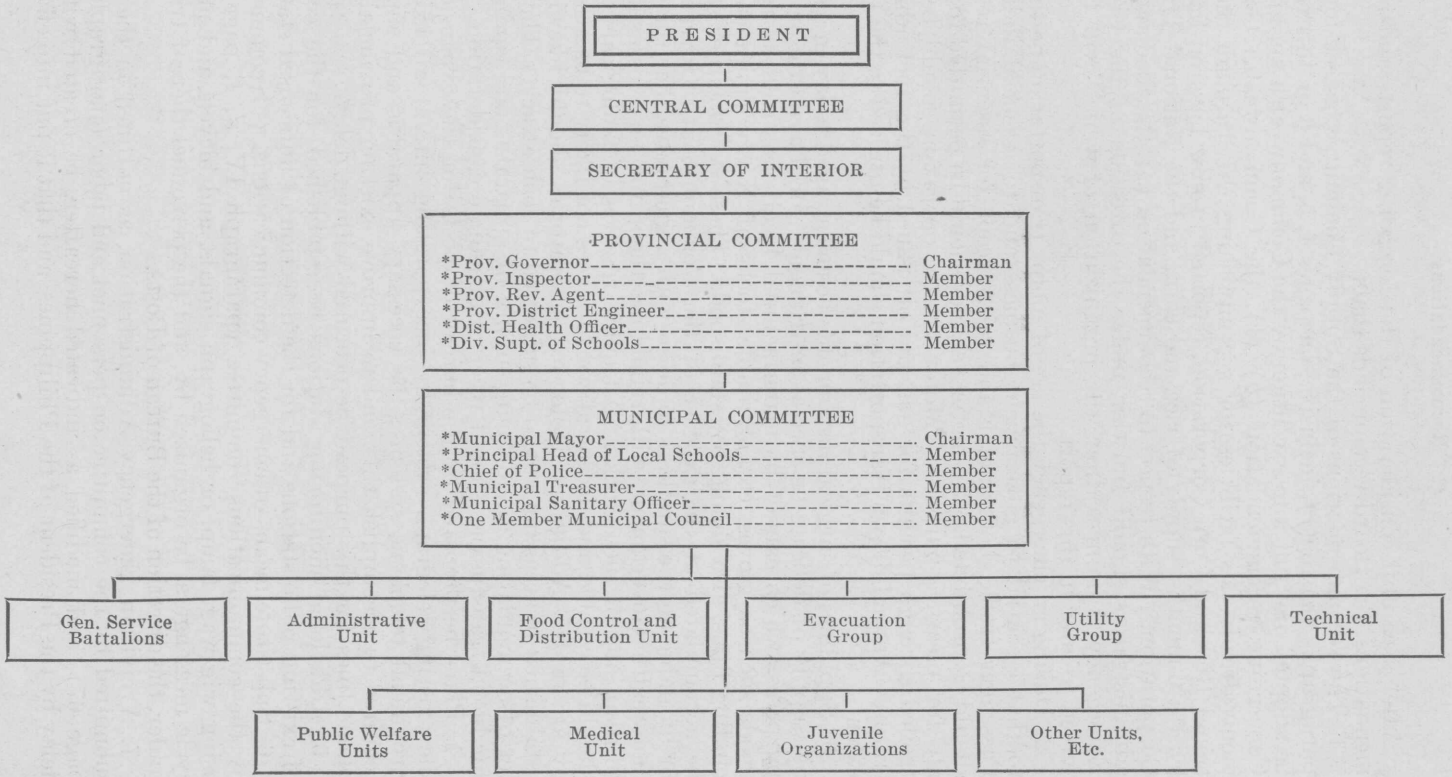
While the CEA units are especially organized for employment in emergency measures during floods, typhoons, etc., they should also receive instructions and be given wartime missions as a special provision for wartime service. For this purpose, they may be given other designations to conform with the probable military needs for civilian auxiliary units.

Section IV—Control and Administration

The Civilian Emergency Administration to operate as directed by the President of the Philippines. Control and administration may be exercised through the National Committee, the office of the Secretary of the Interior, and the provincial committees. In the National Committee and in the provincial committees the military representatives are for the purpose of assisting in the organization and coordinating instruction and training with a view to facilitate employment of civilian units as auxiliaries in the event of any major disaster caused by the occurrence of a war.

EXHIBIT "A"

ORGANIZATION DIAGRAM OF THE CIVILIAN EMERGENCY ADMINISTRATION



Recommendations

After a careful consideration of the foregoing reports and recommendations, the Board recommends that:

1. The recommendations of the Supply Committee, as set forth in paragraphs (*a*) to (*f*), inclusive, on pages 4, 5, and 6 of this report, be adopted and put into execution by the Commonwealth authorities. Concerning recommendation (*b*) (1), the Commonwealth Government already has facilities for accomplishing this through the National Rice and Corn Corporation, reported to now have on hand at least a 6-months' supply of rice and corn, and the National Trading Corporation. With respect to recommendation (*f*), the food and fuel administrators should function under the direction of the Civilian Emergency Administration, the organization of which will be referred to later in this report.

2. During an emergency the use of motor transportation be limited to that essential to government business and to essential industry. Passenger traffic, both motor and rail, except for essential reasons, should be prohibited. No motor vehicles should be permitted to operate for pleasure purposes. Motor vehicle operation should be controlled through permits for gas and oil issued by the fuel administrator. Animal-drawn transportation should be utilized to the fullest extent.

3. Suppliers of surgical instruments be encouraged to lay in a suitable supply of delicate or special instruments for diagnostic or other purposes, which cannot be manufactured locally, as well as rubber goods such as gloves, etc. Suitable stocks of X-ray equipment, including films, also should be established. These stocks either should be accumulated at the expense of the Commonwealth Government or by inducing the suppliers to do so with a guarantee that the Commonwealth Government will reimburse them for any loss suffered in disposing of such stocks. Adequate reserves of biological serums should be created and decentralized to places not likely to be attacked by air raids. Additional biological laboratories should likewise be established in areas not apt to be subjected to such attack. The matter of accumulating an adequate supply of apparatus and equipment for blood transfusions should receive immediate consideration.

4. Plans be prepared by the bureau of posts for the expansion of the existing telegraph system by incorporating into it all existing provincial telephone systems; the necessary apparatus and supplies required to accomplish this, and to improve existing provincial telephone lines for this purpose, be procured without delay.

5. Additional monitoring stations be established for the control of existing radio stations and for the detection of unlicensed stations.

6. Substitute means of emergency communications, as recommended by the communications committee (paragraph IV, *d*, 1, page 34), using wig-wag, lamp, or heliograph signals, and bicycle and motorcycle messengers, be organized by, and the personnel thereof trained under, the direction of the Bureau of Posts.

7. A civilian Emergency Administration, as outlined in the plan submitted by the committee on personnel and labor (paragraph VI, page 67), and modified as indicated hereafter, be created without delay by the President of the Philippines, and that it put into effect at

once the organization and training of the units specified in the air raid protection annex (a 16-page document with maps attached to it, which follows on this page of this report), submitted by the welfare committee.

The plan for the creation of the Civilian Emergency Administration, as submitted by the committee on personnel and labor, be modified as follows:

A national Civilian Emergency Administration should be created by the President of the Philippines, by Executive order, composed of one representative from each of the following departments of the Commonwealth government to be designated by the respective heads of such Departments:

Department of the Interior.
Department of Public Works and Communications.
Department of Agriculture and Commerce.
Department of Health and Public Welfare.
Department of Public Instruction.
Department of Finance.
Department of National Defense.

This organization should be charged with the duty of formulating and executing policies and plans for the organization and training of the different Civilian Emergency Administration units in the various provinces and chartered cities. It will function directly under the President of the Philippines.

Under the direction of this national organization the Philippine Red Cross should function in all emergencies. This organization should also control and formulate the policies for a director of publicity and propaganda, a food administrator, a fuel administrator, a national air raid warden and a director of communications, all of whom should be appointed by the President of the Philippines.

The units of the Civilian Emergency Administration to be organized in the provinces, municipalities and chartered cities as listed in the plan should be changed as follows:

a. Air Raid Protection Units.
b. Volunteer Guard Units
a. Air Raid Protection Units
d. Fuel Administration Units
e. Utilities and Industries Units
f. Publicity and Propaganda Units
g. Evacuation Units
h. Public Welfare and Morale Units
i. Medical, Health and Sanitary Units
j. Administrative Units
k. Transportation Units.

8. The chief of constabulary be directed to prepare immediately a plan to provide for adequate police protection for the civil population and for the control of traffic during an emergency, using the existing constabulary and city and municipal police forces augmented by additional volunteer personnel procured and trained under the direction of the chief of constabulary.

9. The chief of constabulary be directed to prepare plans for the protection from sabotage of all public utility establishments in all

chartered cities and municipalities. Such a plan has been prepared for the city of Manila.

10. Volunteer guard units be organized and trained under the direction of the constabulary in each locality for the purpose of protecting from sabotage all public utilities and other essential establishments in that locality, and that the organization and training of these units be begun without delay. These units, when organized and trained, will relieve the constabulary troops of guarding utilities and essential industries. These units should be incorporated into the Civilian Emergency Administration when it is organized.

11. The control of firearms and ammunition be continued under the control of the constabulary.

12. The Red Cross prepare plans for mass feeding of the populace in devastated areas.

13. The Red Cross continue its survey of areas available for housing évacuées from cities and that funds for its use for such purpose be made available.

14. Plans, based on the result of the surveys referred to above, be made by the Red Cross for the establishment of reception centers for évacuées in areas found suitable for such purposes and the quota of évacuées for each such reception center established. Plans should provide for the increase in water supply, sanitary arrangements, shelter, and food required to care for the évacuées. Provisions of these plans relating to transportation of évacuées and supplies should be coordinated with the military authorities and those relating to traffic control with the constabulary.

15. Frequent periodical black-outs be conducted in Manila and all other vulnerable cities and towns and the public educated regarding the precautions and actions they should take during black-out periods. Black-out discipline should be strictly enforced and violations thereof penalized.

16. The Commonwealth government advise all concerned to be prepared to provide additional guards and watchmen for all important governmental, municipal, and private utilities, bridges, manufacturing plants, warehouses and banks the instant an emergency develops. Present protective measures are not deemed adequate to meet emergency conditions. These guards should be selected and trained in advance, should be armed and have a distinctive badge of authority. Old employees, familiar with the plant and the various activities concerned, could profitably be used if physically fit. Sabotage must be prevented!

17. Posters, press releases, and radio announcements as set forth in the attached draft be prepared for immediate release and publication the instant an emergency develops.

In conclusion, the board wishes to reiterate its recommendations that air raid protective units and volunteer guard units be organized and trained without delay even though it be found necessary for any reason to delay the organization of the national civilian emergency administration and the other civilian emergency administration units.

ROBERT M. CARSWELL,
Chairman, Civilian Emergency Planning Board.

[Draft of Poster—radio and press instructions]

Air Raid Precautions

1. When an air raid is in progress take cover at once. Don't stand in the open and stare at the sky.

2. If caught in the open and no shelter is available, lie flat on the ground, face down, preferably in a ditch or fold in the ground. This will help you to avoid injury from flying bomb splinters and fragments and from concussion due to the nearby explosion of a bomb.

3. Keep your mouth open during the air raid. Putting a pencil or small piece of wood between the teeth and gripping it firmly with the teeth will aid you in doing this. Keeping the mouth open helps to protect your lungs against the effect of concussion.

4. Place a small pad of cotton in your ears to protect your eardrums.

5. If indoors, close all exterior doors and windows. Restrain your curiosity and keep away from exterior doors and windows after closing them.

6. Extinguish all fires in stoves and other places in the building.

7. At night, the instant the air raid alarm sounds, extinguish all lights or cover all windows and exterior doorways so that no light is visible from the outside.

8. Motorists park your car close to the street curb or off the edge of the road, preferably under a tree. At night switch off the headlights. Keep the parking and tail lights on.

In Case of a Gas Attack

9. Avoid low places such as hollows, basement areas, etc., during a gas attack. Gases used in warfare are heavier than air, remain close to the ground, and remain longest in low-lying ground.

10. Keep on ridges, hilltops, and other high places. If inside a house, move to the topmost floor.

11. Gas moves with the wind. Therefore keep up-wind from the point of release of the gas if you are in the open.

12. If you are caught in the open and down-wind from the point of release of gas, avoid the approaching gas by moving to high ground. If the gas is visible move out of the area in a diagonal direction up-wind and to high ground if possible.

13. Have ready and use at once improvised gas masks previously prepared for each member of the family. Such improvised gas masks can be made as follows:

Fold a piece of cotton cloth, preferably cheesecloth, into a pad about 8 inches wide and 1 yard long. In the center part of this pad of cotton cloth place a pad of cotton large enough to cover fully the mouth and nose. Keep a jar of solution available at all times for saturating the pad. This solution should be prepared by mixing, by volume:

3 parts of sodium bicarbonate (baking soda).
1 part glycerine.
8 parts water.

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When the gas alarm is sounded saturate the pad in this solution and then tie the improvised mask securely about the face so that it covers the nose and mouth and is tied securely behind the head.

Incendiary Bombs

14. Keep constantly on the alert for incendiary bombs. These do not explode. The fumes from such bombs are not dangerous. They do generate great heat and cause fires.

15. All houses and buildings should be equipped with long-handled shovels or scoops, hoes, and shovels, boxes full of sand or earth, and a number of buckets or cans filled with water. A stirrup type pump with a dual spray and jet nozzle is also desirable.

16. The instant an incendiary bomb ignites smother it with sand or dirt, then remove it in a long-handled shovel or scoop, the handle of which is wrapped in wet cloths, and throw it to a place where it cannot cause a fire.

17. Do not throw water from buckets or cans directly on an incendiary bomb. Spray it on.

18. Chemical extinguishers of the soda-acid type may be used safely against such bombs. Do not use other types of chemical extinguishers.

APPENDIX II

Acts passed during the Fourth Special Session and the Second and Third Regular Sessions of the Second National Assembly:

A. Fourth Special Session—July 8, 1940—August 10, 1940:

1. Acts not requiring the approval of the President of the United States:

Act No. 585 [1]

Act No. 586: An act to provide for the revision of the system of public elementary education in the Philippines including the financing thereof. Approved August 7, 1940. Effective same date.

Act No. 587: An act appropriating nine million five hundred thousand pesos for primary and intermediate schools. Approved August 7, 1940. Effective same date.

Act No. 588: An act authorizing the President of the Philippines to make temporary appointments in certain public offices. Approved August 12, 1940. Effective same date.

Act No. 589: An act establishing a school ritual in all public and private elementary and secondary schools. Approved August 19, 1940. Effective beginning with the school year 1940–1941.

Act No. 590: An act authorizing the President of the Philippines to sell or exchange certain government properties. Approved August 19, 1940. Effective same date.

Act No. 591: An act to create a Bureau of the Census and Statistics to consolidate statisticala ctivities of the Government therein. Approved August 19, 1940. Effect same date.

Act No. 592: An act to create the City of Dansalan. Approved August 19, 1940. Effective same date.

Act No. 593: An act to suspend the effect of sections three and four of Commonwealth Act numbered five hundred and sixty-seven (which was an Act to stabilize sugar industry), for the year beginning July first, nineteen hundred and thirty-nine, and ending June thirty, nineteen hundred and forty, insofar as they affect owners or persons in control of sugar lands. Approved August 19, 1940. Effective same date.

Act No. 594: An act to authorize the President of the Philippines to grant retirement gratuity to the estate of Lorenzo Palileo. Approved August 19, 1940. Effective same date.

Act No. 595: An act to authorize the Philippine Charity Sweepstake Office to hold annually one special sweepstake race for the benefit of the Boy Scouts of the Philippines and another for the benefit of the Philippine Amateur Athletic Federation. Approved August 19, 1940. Effective same date.

Act No. 596: An act providing for the verification free of charge by Justices of the Peace as notaries ex-officio, and for registration free of charge by Register of Deeds, of instruments of mortgage, transfer or incumbrance of any nature, executed by a member of a cooperative association in favor of the latter. Approved August 19, 1940. Effective same date.

Act No. 597: An act to amend purpose VI of section ninety-seven of Commonwealth Act numbered one (the National Defense Act), as amended by section thirty-nine of Commonwealth Act numbered five hundred and sixty-nine. Approved August 19, 1940. Effective same date.

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[1] For purposes of continuity between this and the preceding report, notation is here made of Act No. 585 which was approved by the President of the Philippines on November 5, 1936, and by the President of the United States on June 7, 1940. It is "An Act prohibiting the exportation of fibers (buntal), seeds, or seedlings of the plant commonly known as the 'buri'," and it became effective on June 15, 1941.

Act No. 598: An act relating to the procedure in the administrative discipline of subordinate officers and employees in the Civil Service and creating a Civil Service Board of Appeals. Approved August 19, 1940. Effective same date.

Act No. 599: An act to amend sections one, three, four, five, six, seven, and eight of Commonwealth Act numbered three hundred ninety-six, entitled "An Act providing for the levying of special assessments to cover the cost of the construction, improvement or repair of national roads within the City of Manila" by making the same applicable to certain municipalities and all chartered cities. Approved August 19, 1940. Effective same date.

Act No. 600: An act declaring a state of emergency and authorizing the President to promulgate rules and regulations to safeguard the integrity of the Philippines and to insure the tranquillity of its inhabitants. Approved August 19, 1940. Effective same date.

Act No. 601: An act to regulate the establishment, maintenance and operation of places of amusement in chartered cities, municipalities, and municipal districts. Approved August 19, 1940. Effective January 1, 1941, or earlier upon the promulgation of rules and regulations provided for in the act.

Act No. 602: An act to further amend article five of chapter one of the Administrative Code, as amended by Act numbered forty-two hundred and fifty-eight, and to provide penalties for the unlawful use of the arms and great seal of the government of the Philippines or the commission of any act to dishonor or ridicule the same. Approved August 19, 1940. Effective same date.

Act No. 604: An act to amend certain sections of the charter of the City of Iloilo. Approved August 22, 1940. Effective same date.

Act No. 605: An act to provide pensions for veterans of the past Philippine revolutions or wars, to create a Board on Pensions for Veterans, and to appropriate funds therefor. Approved August 22, 1940. Effective same date.

Act No. 606: An act to regulate the transfer of vessels and of shipping facilities and to provide penalties for the violation thereof. Approved August 22, 1940. Effective same date.

Act No. 607: An act providing for the organization of the Commission on Elections. Approved August 22, 1940. Effective same date.

Act No. 608: An act to revise Commonwealth Act numbered four hundred and sixty-one, entitled "An Act to regulate the relations between landowner and tenant and to provide for compulsory arbitration of any controversy arising between them." Approved August 22, 1940. Effective same date.

Act No. 609: An act to amend Commonwealth Act numbered two hundred forty, entitled "An Act appropriating five million fifty thousand pesos for elementary school buildings." Approved August 29, 1940. Effective same date.

Act No. 610: An act to amend Commonwealth Act numbered three hundred thirty, entitled "An Act appropriating ninety-six million, three hundred fifty-one thousand and three hundred pesos for public works." Approved, with excepted items, August 29, 1940. Effective same date.

Act No. 611: An act to amend Commonwealth Act numbered four hundred and sixty-nine, entitled "An Act appropriating eight million one hundred eighty thousand pesos for public works," as amended. Approved, with excepted items, August 29, 1940. Effective same date.

Act No. 612: An act to amend Commonwealth Act numbered five hundred and sixty-six, entitled "An Act appropriating six million one hundred thousand pesos for public works." Approved, with excepted items, August 29, 1940. Effective same date.

2. Acts requiring the approval of the President of the United States:

Act No. 603: An act to amend certain sections (1795 and 1796–B) of the Administrative Code so as (a) to authorize the levy of inspection fees of not more than two pesos nor less than ten centavos for each bale of fiber inspected and stamped, the Secretary of Agriculture and Commerce to fix the fees with the approval of the President, and (b) to direct the deposit of fees for grading permits, baling and sale of specimens of the official standards in the National Treasury to the Secretary of Agriculture and Commerce for specified uses. Approved August 22, 1940. But see page 50, infra.

B. Third Regular Session—January 27, 1941–June 22, 1941

1. Acts not requiring the approval of the President of the United States: [2]

Act No. 614: An act amending further section eighteen of the Administrative Code, as amended by Act numbered forty-two hundred and fifty-eight and by Commonwealth Act numbered six hundred and two. This act contains a description of the Arms and Great Seal of the Commonwealth. Approved February 23, 1941. Effective same date.

Act No. 615: An act to amend sections one hundred twenty-one and one hundred twenty-two of the Public Land Act so as to restrict the right of corporations, associations, and partnerships in lands subject to the Public Land Act. Approved May 5, 1941. Effective same date.

Act No. 616: An act to punish espionage and other offenses against the national security. Approved June 4, 1941. Effective same date.

Act No. 617: An act providing uniform units of volume or weight in tradings in rice and palay. Approved June 4, 1941. Effective three months after approval.

Act No. 618: An act to provide for the issue of bonds of the Government of the Commonwealth of the Philippines for replacement of the amount to be transferred from the Government Center Fund Reserve to the unencumbered surplus of the General Fund, for the construction of public improvements, and for such other purposes as may be authorized by law. Approved June 5, 1941. Effective same date.

Act No. 619: An act to provide for a new time limit for the payment of the taxes corresponding to the years nineteen hundred and thirty-eight and nineteen hundred and thirty-nine. Approved June 5, 1941. Effective same date.

Act No. 620: An act to amend section one of Commonwealth Act numbered six hundred which was the act passed by the Fourth Special Session declaring a state of emergency and empowering the President to take steps to safeguard the integrity of the Philippines. Approved June 6, 1941. Effective same date.

Act No. 621: An act to amend section fourteen of Act numbered thirty-eight hundred and ninety-six, entitled "An act to authorize the organization of rural banks in the Philippine Islands and for other purposes." The amendment exempts rural banks from all taxes, charges, and fees except income tax. Approved June 6, 1941. Effective same date.

Act No. 622: An act to include the City of Baguio among the cities relieved from the payment of sheriff fees. Approved June 7, 1941. Effective same date.

Act No. 623: An act to authorize the payment of retirement gratuities to officers and employees of chartered cities, amending thereby Act numbered four thousand one hundred and eighty-three. Approved June 7, 1941. Effective same date.

Act No. 624: An act appropriating the sum of ten million pesos for civilian defense. Approved June 7, 1941. Effective same date.

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[2] For record purposes, note is here made that Act No. 613, "An Act to control and regulate the immigration of aliens into the Philippines," was approved by the President of the United States August 26, 1940, effective January 1, 1941.

Act No. 625: An act providing the manner in which the option to elect Philippine citizenship shall be declared by a person whose mother is a Filipino citizen. Approved June 7, 1941. Effective same date.

Act No. 626: An act to penalize any violation of section 17, Article VI, or subsection (2), section 11, Article VII, of the Constitution of the Philippines as amended. Those sections prohibit certain activities by Senators, Representatives, and members of the Commission on Elections. Approved June 7, 1941. Effective same date.

Act No. 627: An act appropriating amounts from the coconut oil excise tax fund collected on and after January first, nineteen hundred and thirty-nine, for the fiscal year ending June thirtieth, nineteen hundred and forty-two. Approved June 7, 1941. To take effect on July 1, 1941, except where otherwise stated.

Act No. 628: An act creating a Code Committee. Approved June 10, 1941. Effective same date.

Act No. 629: An act to designate the provincial sheriff in provinces where there are chartered cities as sheriff ex officio thereof, with additional compensation. Approved June 10, 1941. Effective same date.

Act No. 630: An act amending Act numbered thirty-six hundred and seventy-three and repealing Act numbered four thousand thirty-one and Commonwealth Acts numbered one hundred and sixty-six and three hundred and forty-seven, all relating to public lands. Approved June 10, 1941. To take effect as of July 1, 1941.

Act No. 631: An act providing for a new time limit for the filing of applications for retirement under Act numbered twenty-five hundred eighty-nine and its amendments. Approved June 10, 1941. Effective same date.

Act No. 632: An act to amend section five hundred fifteen of the Administrative Code. This has to do with the branding and registration of cattle. Approved June 10, 1941. Effective same date.

Act No. 633: An act to authorize the President of the Philippines to appoint the first additional councilors for municipalities passing to higher class, further amending section two thousand one hundred seventy of the Administrative Code. Approved June 10, 1941. Effective same date.

Act No. 634: An act to penalize disrespect to the Philippine National Anthem, amending Commonwealth Act numbered three hundred and eighty-two, entitled "An Act to adopt the original authentic form of the Philippine National Anthem and to appropriate funds for its printing and free distribution." Approved June 10, 1941. Effective same date.

Act No. 635: An act granting vacation leave and sick leave to employees of the Bureau of Health who are civil-service eligibles but who receive their salaries from the funds donated for the national charity clinics. Approved June 10, 1941. Effective same date.

Act No. 636: An act amending sections three and nine of Commonwealth Act numbered one hundred and ninety-two. This concerns the National Produce Exchange. Approved June 10, 1941. Effective same date.

Act No. 637: An act to exempt from certain taxes nonresident citizens of the United States and corporations organized under the laws of the United States. Approved June 10, 1941. Effective same date.

Act No. 638: An act to provide for the uniform publication and distribution of the official gazette. Approved June 10, 1941. Effective same date.

Act No. 639: An act to amend section one hundred and thirty-four of the Administrative code, as amended by Commonwealth Act numbered three. This relates to the appointment of Justices of the Supreme Court. Approved June 10, 1941. Effective same date.

Act No. 640: An act extending the periods of time during which the appropriations authorized in item I–IV–4 of Commonwealth Act numbered five hundred fifty-five, and in section one of Commonwealth Act numbered five hundred eighty-seven, shall be available for expenditure. Approved June 10, 1941. Effective same date.

Act No. 641: An act to amend section twenty-one of the Administrative code as amended by Commonwealth Act numbered two hundred and seventy and specifies the person who shall be empowered to administer oaths. Approved June 11, 1941. Effective same date.

Act No. 642: An act to amend sections eight and ten of Act numbered thirty-two hundred and twenty-two, entitled "An Act granting authority to the province of Iloilo and certain municipalities thereof to issue bonds for the purpose of providing funds for permanent public improvements, and authorizing the issue of bonds of the insular government secured by bonds of said province and municipalities, and for other purposes." Approved June 11, 1941. Effective same date.

Act No. 643: An act authorizing the transfer to the "Philippine Airlines, Incorporated," of the franchise of the "Philippine Aerial Taxi Company, Incorporated," to operate an aerial transportation service in the Philippines. Approved June 11, 1941. Effective same date.

Act No. 644: An act authorizing the Pan American Airways Company to sell, assign, or otherwise transfer its franchise and all property and rights acquired under Act numbered forty-two hundred and forty-nine in favor of the Pan American Airways Incorporated. Approved June 11, 1941. Effective same date.

Act No. 645: An act to amend subsection (c), section twenty-two, of Commonwealth Act numbered one, otherwise known as the National Defense Act, as amended by Commonwealth Act numbered five hundred sixty-nine. Approved June 11, 1941. Effective same date.

Act No. 646: An act providing for the establishment of cinchona plantations in public forest lands. Approved June 11, 1941. Effective same date.

Act No. 647: An act to grant maternity leave to married women who are in the service of the Government or of any of its instrumentalities. Approved June 14, 1941. Effective same date.

Act No. 648: An act creating the National Housing Commission. Approved June 16, 1941. Effective same date.

Act No. 649: An act to reduce the contribution of provinces and municipalities to the agricultural fund. Approved June 16, 1941. Effective same date.

Act No. 650: An act amending section one of Commonwealth Act numbered two hundred and twenty-three and appropriating three hundred thousand pesos as additional fund for the award of increased air-mail contracts. Approved June 16, 1941. Effective same date.

Act No. 651: An act authorizing the province of Rizal and twelve municipalities thereof to issue bonds for the purpose of providing funds for permanent improvements. Approved June 16, 1941. Effective same date.

Act No. 652: An act to amend subsections (c) and (d) of section eight, article two, chapter two, of Act numbered thirty-nine hundred and ninety-two, as amended, relating to the registration fees for private motor trucks. Approved June 19, 1941. Effective same date.

Act No. 653: An act to require the registration and fingerprinting of aliens. Approved June 21, 1941. Effective same date.

Act No. 654: An act appropriating funds for the operation of the Government of the Commonwealth of the Philippines during the fiscal year ending June thirtieth, nineteen hundred and forty-two. Approved June 21, 1941. Effective on July first, nineteen hundred and forty-one except where otherwise stated.

Act No. 655: An act to permit the sale of meat of animals slaughtered in the national slaughterhouses in any place, without paying extra fees or levies of any kind. Approved June 21, 1941. Effective same date.

Act No. 656: An act amending paragraph three of section seven of Commonwealth Act numbered five hundred eighty-six, known as the Educational Act of nineteen hundred forty. The amendment relates to the collection of matriculation fees in municipalities and municipal districts. Approved June 21, 1941. Effective same date.

Act No. 657: An act to reorganize the Commission on Elections. Approved June 21, 1941. Effective same date.

Act No. 658: An act appropriating fifteen million seven hundred sixty thousand five hundred pesos for public works. Approved June 21, 1941. Effective same date.

Act No. 659: An act to amend sections two, three, twelve, nineteen, twenty, twenty-one, twenty-four, and twenty-seven of Commonwealth Act numbered five hundred and two, and inserting new sections therein, to be known as sections thirteen-A, twenty-one-A, twenty-one-B, twenty-one-C, twenty-one-D, twenty-one-E, twenty-one-F, and twenty-one-G. This Act relates to Quezon City. Approved June 21, 1941. Effective same date with exception of section ten which shall take effect as of July 1, 1941, with certain provisions.

Act No. 660: An act authorizing the abolition of the Department of the Interior Approved June 21, 1941. Effective same date.

Act No. 661: An act to create an additional branch of the court of first instance of Cagayan in the first judicial district. Enacted, without Executive approval, June 22, 1941. Effective upon its approval.

Act No. 662: An act to grant to the Hawaii-Boholanos Agricultural & Commercial Co., Ltd., a franchise to install, operate and maintain an electric light, heat, and power system in the municipality of Tubigon, province of Bohol. Enacted, without Executive approval, June 22, 1941. Effective upon its approval.

Act No. 663: An act to grant to Aurelia S. de Intengan a franchise for an electric light, heat, and power system in the municipality of Balamban, province of Cebu. Enacted, without Executive approval, June 22, 1941. Effective upon its approval.

Act No. 664: An act to grant to Jesusa Viuda de Arroyo a franchise for an electric light, heat, and power system in Midsayap, Cotabato. Enacted, without Executive approval, June 22, 1941. Effective upon its approval.

Act No. 665: An act amending paragraph (d) of section twenty-five hundred and fifty of the Administrative Code, as amended. Enacted, without Executive approval, June 22, 1941. Effective upon its approval.

Act No. 666: An act to provide for the first election for President and Vice President of the Philippines, Senators, and Members of the House of Representatives, under the Constitution and the amendments thereof. Enacted, without Executive approval, June 22, 1941. Effective upon its approval, to govern only the first election.

Act No. 667: An act to grant to Ruperto A. Villareal a franchise for an electric light, heat, and power system in the municipality of Mambusao, province of Capiz. Enacted, without Executive approval, June 22, 1941. Effective upon its approval.

Act No. 668: An act to amend section eleven hundred and fifty-one of the Administrative Code, as amended by Act numbered thrity-one hundred and six, and Commonwealth Act numbered one hundred seventy-five, by adding Cagayan, province of Misamis Oriental, as Port of Entry. Enacted, without Executive approval, June 22, 1941. Effective upon its approval.

Act No. 669: An act to provide for the apportionment of the gross proceeds of the real property tax on machineries used in sugar central, mills, or refineries, amending for this purpose, sections four and five of Commonwealth Act numbered four hundred and seventy, known as the "Assessment Law." Enacted, without Executive approval, June 22, 1941. Effective upon its approval.

2. Acts requiring the approval of the President of the United States:

Bill No. 3217: An act authorizing the President of the Philippines to prohibit by proclamation the exportation of food products and other articles or commodities of prime necessity. Passed by National Assembly May 22, 1941. Approved by President of the Commonwealth June 9, 1941.

APPENDIX III

Titles of Resolutions Adopted by the Philippine National Assembly During the Fourth Special and Third Regular Sessions of the Second National Assembly:

Fourth Special Session

No. 82—Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that the Assembly is ready to receive any communication which the Chief Executive may see fit to send. Adopted July 8, 1940.

No. 83—Resolution fixing the hour for the daily session of the National Assembly. Adopted July 8, 1940.

No. 84—Resolution creating a committee to canvass the returns of the general election on the amendments to the Constitution of the Philippines. Adopted July 8, 1940.

No. 85—Resolution expressing the condolence of the National Assembly upon the death of the Honorable Eugenio Santos, former Representative for the second district of Rizal in the Philippine Legislature. Adopted July 8, 1940.

No. 86—Resolution expressing the profound sorrow of the National Assembly over the death of the Honorable Cirilo B. Santos, former Representative of the Philippine Legislature and Provincial Governor of Bulacan, and providing for adjournment in token of mourning. Adopted July 9, 1940.

No. 87—Resolution expressing the condolence of the National Assembly over the death of the Honorable Aurelio Pineda, former member of the first Philippine Assembly for the Second District of Tarlac. Adopted July 10, 1940.

No. 88—Resolution certifying the approval by the people of the amendments to the Constitution of the Philippines and the ordinance appended thereto. Adopted July 12, 1940.

No. 89—Resolution notifying the President of the Philippines of the existence of a vacancy in the National Assembly. Adopted July 27, 1940.

No. 90—Resolution concurring in Proclamation No. 606 of the President of the Philippines excluding from the operation of Proclamation No. 208, dated October 5, 1937, and opening to disposition under the provisions of Commonwealth Act No. 137 a parcel of land situated in the barrio of Camp 7, Municipality of Minglanillal Province of Cebu, Island of Cebu. Adopted August 9, 1940.

No. 91—Resolution concurring in Proclamation No. 604 of the President of the Philippines excluding from the operation of the resolutions of the Philippine Commission dated January 25, 1907, and August 30, 1916, and opening to disposition under the provisions of Commonwealth Act numbered one hundred and thirty-seven a parcel of land situated within the Baguio town-site reservation. Adopted August 9, 1940.

No. 92—Resolution concurring in Proclamation No. 607 of the President of the Philippines excluding from the operation of Proclamation No. 823, dated June 29, 1935, and opening to disposition under the provisions of Commonwealth Act No. 137 a parcel of land situated in the barrios of Baleno and Magdalena, Municipality of Aroroy, Province of Masbate, Island of Masbate. Adopted August 9, 1940.

No. 93—Resolution concurring in Proclamation No. 605 of the President of the Philippines excluding from the operation of Executive Orders Nos. 35 and 35, series of 1904 and 1912, respectively, the whole Island of Darab, located in the Province of Palawan, Philippines, and declaring the same open for mining purposes. Adopted August 9, 1940.

No. 94—Resolution authorizing the speaker to employ ways and means in his discretion looking to the early approval of resolution numbered seventy-three. Adopted August 10, 1940.

No. 95—Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its fourth special session, unless the Executive have (sic) some message or communication to transmit to the Assembly. Adopted August 10, 1940.

No. 96—Resolution declaring the minutes of the session of today, August tenth, nineteen hundred and forty, to have been read and approved. Adopted August 10, 1940.

Third Regular Session

No. 97—Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that this body is ready to receive any communication which the Chief Executive may see fit to send. Adopted January 27, 1941.

No. 98—Resolution fixing the hour for the daily session of the National Assembly. Adopted January 27, 1941.

No. 99—Resolution expressing to the President of the United States of America the deep gratitude of the people of the Philippines for his early approval of the amendments to the Constitution of the Philippines proposed by the National Assembly in its resolution numbered seventy-three, adopted April eleventh, nineteen hundred and forty. Adopted January 28, 1941.

No. 100—Resolution expressing to the Secretary of the Interior, Harold C. (sic) Ickes, of the United States the gratitude of the people of the Philippines for recommending to the President of the United States the approval of the amendments to the Constitution of the Philippines. Adopted January 28, 1941.

No. 101—Resolution to congratulate President Franklin D. Roosevelt and Vice President Henry A. Wallace. Adopted January 28, 1941.

No. 102—Resolution congratulating Honorable Jose Yulo, Speaker of the National Assembly, for the success of his mission in securing the early approval by the President of the United States of the amendments to the Constitution of the Philippines, and inserting in the records of the National Assembly the speech delivered by him upon his arrival in Manila on January fourteenth, nineteen hundred and forty-one, as expressing the official stand of the said body on the question of American-Pnilippine relationship. Adopted January 28, 1941.

No. 103—Resolution expressing the condolence of the National Assembly on the death of the Honorable Honorio Ventura, former Secretary of the Interior. Adopted February 3, 1941.

No. 104—Resolution expressing the profound sorrow of the National Assembly over the death of the Honorable Teodoro M. Kalaw, former Assemblyman for the Third District of Batangas in the Second Philippine Legislature, and providing that the Assembly adjourn in token of mourning. Adopted February 3, 1941.

No. 105—Resolution expressing the profound regret of the National Assembly over the death of the Honorable Miguel Lukban, former Representative of the sole district of Camarines Norte in the Ninth Philippine Legislature, and providing that the Assembly adjourn in token of mourning. Adopted February 5, 1941.

No. 106—Resolution expressing the profound sorrow of the National Assembly over the death of the Honorable Buenaventura Rodriguez, former Representative for the first district of Cebu in the Ninth and Tenth Philippine Legislature and Assemblyman in the First National Assembly, and providing that the Assembly adjourn in token of mourning. Adopted February 7, 1941.

No. 107—Resolution expressing the profound sorrow of the National Assembly over the death of the Honorable Venancio Cudilla, former Representative for the Fifth District of Iloilo in the Seventh, Eigth, Ninth, and Tenth Philippine Legislature, and providing for adjournment in token of mourning. Adopted April 18, 1941.

No. 108—Resolution petitioning the President and the Congress of the United States to amend the provisions of Section 6 of Public Act numbered one hundred and twenty-seven of the Congress of the United States, approved March 24, 1934. Adopted May 21, 1941.

No. 109—Resolution declaring that the question of the political relations between the United States and the Philippines is definitely settled. Adopted May 22, 1941.

No. 110—Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its Third Session, unless the Executive have (sic) some message or communication to send to the Assembly. Adopted May 22, 1941.

No. 111—Resolution declaring the minutes of the session of today, May twenty-second, nineteen (sic) hundred and forty-one to have been read and approved. Adopted May 22, 1941.

No. 112—Resolution expressing the high regard and appreciation of this Assembly for its illustrious speaker, Honorable Jose Yulo, and to its most distinguished floor leader, Honorable Quintin Paredes, for the righteous, wise, able, and dignified manner in which they have guided the affairs and deliberations of this body.

APPENDIX IV

Speeches of the United States High Commissioner to the Philippine Islands During the Fiscal Year 1941

Speech of U. S. High Commissioner Francis B. Sayre, July 4, 1940

Fellow Americans:

One hundred and sixty-four years ago today 13 colonies in a distant part of the world united in a startling declaration. In that day everywhere in Europe it was an accepted truism that individual human beings were of differing rank and must content themselves with that state of life "unto which," as the Church of England catechism put it, "it shall please God to call" us. In their social relations men were not free agents but were bound to their allotted places in a fixed social hierarchy. In their political relations men were subject to their supreme overlord, the sovereign king. He ruled by Divine Right; he could do no wrong; against him individual subjects could possess no individual legal rights.

Now listen to the flaming words of this audacious Declaration of Independence by Thirteen Colonies on the edge of the wilderness 164 years ago: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed—that whenever any form of government becomes destructive of these ends, it is the right of the people to alter or to abolish it, and to institute new government."

It took courage to say that. And it took a divine faith in humanity. You see, this was more than a brave declaration that the colonies would fight for their independence. It went further and roundly declared that there exist fundamental and inalienable human rights, paramount to all else, which no government has the right to deny. It asserted that human personalities are the transcendent values of life, and that subjects, therefore, do not exist for the benefit of the state but that the state and its government exist for the benefit of them. How that must have shocked the dignitaries of that day! Eighteenth century philosophers, considerably to the left, had said these things. But here were Thirteen Colonies, inspired by a divine faith in human rights and human liberty, boldly daring to set up a government founded on these beliefs and undertaking in the world of realities to make it work.

A Nation Is Born

You know what followed. Five years of soul-wracking war; five years of disaster and supreme discouragement; five years of dwindling hope. Was the splendid vision of a new and youthful nation, inde-

pendent and free, built upon these shining new concepts of human freedom and democracy, nothing more after all than a utopian dream? Lesser souls would have gone down in defeat. But their sustaining faith in the great ideals for which they fought gave those early American leaders an indomitable force and a spiritual power which defied material losses and disasters and turned successive defeats into final victory. In 1781 the mother country recognized their independence, and a few years later the youthful nation adopted a constitution into whose very warp and woof was woven this same divine faith in the transcendant value of human personality.

This conception of the sacredness of human rights and liberties, mark you, did not originate in 1776. It was our heritage from England, where it had been won by centuries of sacrifice and heroic struggle. In fact, the new American Constitution took over some of the very language of Magna Charta, written more than five and a half centuries before. The fight for human liberty against entrenched power begins when man first emerges from savagery, and the progress of that fight is the story of advancing civilization. What the youthful American nation did was to give new and more practical expression to these slowly evolving concepts and to incorporate them into a written constitution setting up federal courts in which they could be effectively enforced.

With the success of the American experiment, the faith spread. The peoples of other countries, hearing of what was taking place in the Thirteen American States, thrilled to the same ideas and demanded similar rights. France electrified Europe with her proclamation of the Rights of Man. During the century which followed the new faith in one form or another triumphed over monarchism and swept across one European country after another.

Made America Great

It was a faith which possessed limitless inherent strength. Partly because every nation in the last analysis is made up of human beings, and no human being exists who does not crave the freedom to develop his life and his powers according to his own conscience rather than that of another. Partly because a government based upon human freedom brings out and develops the latent capacities of the people and releases hidden and often unsuspected human energies. This was the faith which made America great, which stimulated her people's energies and drive, which transformed thirteen wavering states into a powerful nation extending from ocean to ocean—many peoples welded into one through their common faith in a government based upon human rights and liberties.

Three-quarters of a century after its birth the nation faced a crisis as terrible as that of Revolutionary days. For 4 long years the tide of civil war rose and ebbed; there were dark days when the fate of the government "of the people, by the people, and for the people" hung in the balance. Happily, out of those days of crisis emerged an even greater nation to whose people the concepts of human liberty and democracy were enriched and consecrated by the suffering of those 4 years and illumined with new meaning by Abraham Lincoln.

Another three-quarters of a century passed. The American people, peace-loving, progressive, humanitarian, have now become one of the strongest and most powerful nations which the world has ever known. Bred in their very bones, part of their very being, is a profound and unshakeable faith in human liberty and democracy—a faith inherited from centuries of English history and from the experience of more than a century and a half of our own. That faith is now confronted with the most terrible challenge which it has ever been called upon to face. The crisis is perhaps more grave—and certainly infinitely more far-reaching—than that which we faced in 1776 and in 1861.

The Challenge From Europe

We cannot afford to blind our eyes to the stark and menacing realities of the situation. There has been built up in Europe through the course of the past few years the most formidable military machine which the world has ever known. That machine is under the complete control and direction of a small handful of men, utterly ruthless in their purposes and in their methods restrained by no considerations of humanity or morality, bent on gaining their selfish ends through naked force, even though to do so means the wrecking of human civilization. The machine, the product of man's inventive genius, is being used to wreck mankind itself. It is like the story of Frankenstein come true.

The philosophy which drives this group is simple and age-old. It goes back to primitive days when man was first emerging from the brute. It is the belief that brute force is the source of supreme power and that therefore whatever restrains or limits the exercise of brute force is weakening and to be shunned. Of course, every impartial student of history or of biology knows that this is not true. Humanity has progressed and species have developed only through the exercise in one form or another of restraints.

The situation which confronts us today, therefore, is a head-on conflict between two utterly conflicting philosophies or ways of life. On the one hand, is the philosophy of human brotherhood; the faith that the human personality is the supreme value of life; the belief that human rights and human freedom are paramount to all else. This was the faith which was boldly proclaimed 164 years ago today in ringing phrases by thirteen venturesome colonies; this was the faith embodied in the very heart of our Constitution; this was the foundation faith upon which our nation was built and has grown to power.

The Philosophy of Force

Opposing it is the philosophy of unrestrained force. We have been witnessing during the past terrible weeks the fruits of that philosophy. Battle and murder and sudden death, forced upon countries desiring only peace; neutral nations ruthlessly invaded; nonbelligerent ships bombed and submarined. Homes destroyed, women and children machine gunned, families wiped out, cities blown to pieces, human suffering and agony indescribable. Wave after wave of fear and cruelty unloosed upon the world, spreading everywhere havoc and deterioration.

In a world ruled by such a philosophy there can be, even for the conquerors, no security, no individual freedom, none of the peaceful content that makes for the happiness of life. It must mean a world of savage repression, of death for those who give voice to opposing beliefs, of eternal fear and eternal individual suffering.

The philosophy of force is primitive and utterly barbaric. It destroys all faith in the pledged word; it undermines and destroys the very foundations of law; it strikes directly at moral and religious restraints upon which the higher and richer values of life must depend. Humanity cannot go forward, civilization cannot advance, except as the philosophy of force is replaced by that of human brotherhood. These two never can be reconciled, for they are postulated on altogether different and profoundly conflicting appraisals of human values.

Unhappily, the world is not large enough for both. To Americans individual freedom is more precious than life itself; yet how can we continue to allow full freedom if a "fifth column" is constantly working in our midst to undermine our defenses and deliver our nation over to the philosophy of force? Conscious as we are that large military power is not healthy for freedom and democracy, how can we avoid building up large-scale military and naval protection when we see the most powerful military machine the world has ever known in the hands of a nation which recognizes neither law nor humanity? How can we carry on our world trade on a basis of equal rights and opportunities for all if the trade of Europe is in the hands of those insisting upon discriminations and bilateralistic balancing and the other economic practices which for the past decade have been working disaster? The American philosophy presupposes a world safe for the peace loving; the philosophy dominating Central Europe today makes such a world impossible.

U. S. Profoundly Concerned

The United States is, therefore, profoundly concerned with what is going on in Europe today. To ignore these developments would be suicidal; to fail to take adequate precautions against possible eventualities would be to betray all that our country has stood for since its inception.

It is a time for somber realization, but not for dismay. In spite of the supreme tragedy in Europe, democracy is nowhere near beaten. It never will be beaten. Human freedom, liberalism, democracy, may be stifled for a time, but they never can be permanently defeated as long as the human race endures; for men and women know that only through these can the richer values of life be achieved, and men will continue to struggle and fight eternally until they achieve them.

In spite of the grim tragedy all around us let us remember that our country, one of the great strongholds of liberalism and democracy, is immeasurably the most powerful nation on the face of the earth. Not only this; I think it fair to say that the American people are the most virile people on earth—barring none. When the American people roll up their sleeves, things begin to happen. Ours is a faith which generates unconquerable spiritual strength; we have unparalleled material resources and wealth; we have a people vigorous, resourceful, highly intelligent, determined. All the winning cards lie in our hands, if we will but play them as we should.

Must Face Realities

In this stupendous battle for the defense of more than 10 centuries of hard-won human progress, in this terrific struggle between the upbuilders and the wreckers of civilization, we must face the realities. I pray God that the United States will not be forced into the blazing conflagration; I hope profoundly that American soldiers will never again be compelled to cross the ocean to join in a European war or in any other war built upon racial hatreds. Yet some things are more precious than life itself. Without human freedom life is not worth living. Without faith life is not worth living. Without hope of a world secure for the peace-loving, life is not worth living. Burning as is our desire to remain at peace, we cannot watch the smashing of our civilization won through centuries of heroic sacrifice and struggle and see the blackout of the great principles upon which our nation fundamentally rests, and not lift a finger.

We are incomparably the most powerful nation on the earth today. With such power goes high and great responsibility. We cannot afford to be fearful, as we were during the reconstruction following the last world war when we refused to go forward and share in a realistic attempt to achieve international cooperation through the instrumentality of a League of Nations. Now we and all the world are paying the tragic price. In the present time of terrible world crisis we must dare to play a part commensurate with our power.

Whether we like it or not, in a sense western civilization now passes into our keeping. Upon our decisions will depend in no small measure the future of that civilization. What shall be our course of action?

Must Aid England

First.—The civilization we would defend we inherited in substantial part from England; and England today has her back to the wall, fighting to defend it. Time is of the essence. Short of sending troops across the ocean, short of ourselves entering the war, surely we should help England to the uttermost—with money, with credit, with supplies, with material. We must not forget that the civilization which England is fighting to defend is substantially our own.

Second.—We must look after our own military defenses. The lesson of Europe is written in fire that the world today is not safe for the peace-loving and the free. Adequate naval and military defense forces cannot be created overnight. The time required for the building of such a military machine as is today smashing Europe is measured in years. The creation of such military power must always be distasteful to a free and democratic peace-loving people. But it is no longer a question of what is agreeable. Our civilization is under furious attack. The United States must push the work of building now—and building vigorously.

Third.—We must look after our spiritual defenses. Perhaps the noblest heritage which America can bequeath to succeeding generations throughout the world is that we preserved against destruction and further developed the best of ten centuries of European civilization—that we kept the torch alight and passed it on to those who follow. To achieve this in a world such as we face today will be of surpassing difficulty. How to retain the great principles which are

precious to us—the sacredness of individual human rights and liberties, freedom of conscience, freedom of speech, freedom of the press, true democracy—and yet to marshal our resources and exercise the degree of government control necessary for building up military defense adequate for what the time demands—here are problems as difficult as any we have faced. Yet they are problems which must be solved; for if we fail to preserve in America liberalism and democracy, if we allow these to be strangled by the spread of totalitarianism and by militarism, our military defense will be worse than useless.

Haven in New World

Henceforth, the New World must be the haven for all who love human freedom, and liberalism, and democracy. If Germany should fail to change her course, if the lamps of civilization go out in Continental Europe, liberty-loving men will turn their faces westward again as in the Seventeenth and Eighteenth Centuries. Such were the men who built our nation and gave it strength; perhaps again we shall draw strength and inspiration from men fleeing Europe in the eternal quest for liberty.

The Fourth of July is a day of memories—happy because our fathers made their splendid dream of a land of human liberty come true. Today we walk through the valley of shadows and the future hangs all in uncertainty. But we must be fearless, as they were fearless. We dream, as they dreamed, of a New World, the hope and the haven of lovers of humanity, believers in mankind. By heroic effort they made their dream come true. By heroic effort and with the aid of God we, too, shall make our dreams come true. Convinced of the eternal truth and power of our faith, pledged to the great principles of human liberty and democracy, without faltering and unafraid, we go forward.

(As copied from the Manila Daily Bulletin, July 5, 1940.)

Speech of U. S. High Commissioner Francis B. Sayre at the Armistice Day Banquet of the American Legion, Elks Club, Manila, P. I., November 11, 1940

Twenty-two years ago today we thought, at least in our generation, we had done with war. Today the world is being torn to pieces in the most titanic, the most cruel, the most terrible war of all time. The "war to end war," which we helped to win, has proved to be only the prologue to the most devastating struggle in history. Our world today is confronted not only with unparalleled physical tragedy and suffering but with disillusionment and collapse of hope.

To you who fought through the last world war, who offered life and all that is precious, as we believed, for a great cause, what shall be said? Was it all futility? Stripped of romance and idealism, was it, as has been charged in recent years, merely an enterprise promoted by bankers and profiteers for selfish gain? Were we dupes and pawns and did we gain nothing of worth to hand to our children's children?

Surely it is unnecessary for me to give the lie to such mendacious and fantastic charges as these. You know and I know that America went into the last war with her eyes wide open, counting the cost, de-

termined that we should have a part in the great fight for the defense of democracy and human freedom. America's assistance, given through you and men like you, was a substantial and determining factor in the winning of that war.

Sacrifices Not Vain

It is true that in spite of our victory, the enemies of democracy whom we vanquished in 1918 are today infinitely more powerful than they were in 1914. It does not follow that your sacrifices and the American lives laid down in France in 1917 and 1918 were vain or futile. Had we not stepped in in 1917, had the German forces actually won the first world war, there might today be left no power to defend democracy and perhaps no democracy to defend.

America, lover of peace, believer in human brotherhood, cannot sit idly by and see destroyed the very foundations of civilized society upon which alone peace can rest. America's resources and her power are so enormous that, if she chooses to use them, she can probably turn the scales one way or the other. With that power goes terrible responsibility. America without herself becoming a participant in the war, can in large measure determine, if she will, what our future world will be.

With this enormous power, we cannot, even if we would, remain apart from the rest of the world. Our very inactivity is as determinative of the destinies of nations as our activity. We do not desire to concern ourselves with the political affairs of Europe. But we are most emphatically concerned with the kind of world we ourselves must live in following the war, and that will depend vitally upon who wins.

Failure of Isolation

As we look into the future we shall want to profit from the mistakes of the past. Twenty years ago there were divided counsels too. Whatever men may argue about America's entry into the war, no one can deny that in 1919, when the peace came to be made, America had reached the very pinnacle of her power and influence and prestige in the counsels of the world; and no one can deny that America's refusal after the war to participate in the world's efforts to cooperate for permanent organized peace spelled the abrupt loss of her powerful influence and helped to bring about the rampant unbridled nationalism and break-down of organized cooperation which paved the way to the present international chaos and catastrophe.

Surely the lesson is clear. The policy of isolation and aloofness which we followed after 1919 led to disaster.

The present war differs from all former ones. It is a totalitarian war. There is not a nation in the world, great or small, the lives of whose individual citizens will not be vitally affected by whether or not Germany wins this war. The present war is not like most former ones, a mere struggle for racial or commercial or national ascendency. It is a struggle to determine whether or not henceforth individual men and women throughout the world are to be free to live their own lives according to their own consciences, or whether they must live according to the unconscionable orders of another. It is a struggle

to determine whether or not the social restraints—legal, humanitarian, moral, religious—upon which through the centuries we have been learning to build civilization shall be eliminated so as to allow the strong to take what they desire by the sword, unhindered by compunctions of justice or humanity. It is a struggle to determine whether the fundamental principles to which our nation is consecrated—democracy and individual liberty—can or cannot survive in a world such as that in which we live today.

Can't Sit Idly By

All of us abhor war. The profound desire in the hearts of American men and women throughout the nation is for peace. The cardinal objective of American foreign policy is the building for enduring peace. Unhappily, the way of life which Germany is wrecking Europe to establish is fundamentally based upon the utter disregard of other nations' rights, the flouting of justice and of international law, the mockery of treaty obligations, the utterly ruthless code of the outlaw and the gunman. If the totalitarian powers win there can be no lasting peace, because the only foundations upon which peace can rest will be destroyed.

If there is to be lasting peace, there is only one way. We know that as a result of modern methods of life peace through a single world empire—a Roman peace—even were it desirable, is no longer practical or possible. We know now through our own bitter experience that peace through a delicately poised balance of power is no longer practical or possible. Under modern conditions the only peace that can be enduring is a peace effected through organized cooperation, in which no nation is supreme or attempts to impose its will upon others unconsenting, but one in which all, equally sovereign, participate and build up effective international restraints by common consent.

Principles Will Triumph

Whatever the outcome of the present war, of one thing I am sure. The great principles that we fought to defend in 1917 and 1918 will ultimately triumph. Whatever temporary victories German arms may gain, neither Germany nor any other nation can endure so long as it is built upon a denial of the rights of the individual to think and to speak and to act according to his own conscience—so long as it rests upon nothing but armed force. Lasting power cannot be built upon evil. Power in the last analysis rests upon the ability to command the support of individual men and women; and human beings are inherently attracted by the good and the true and repelled by selfishness and cruelty and evil. Good is a cohesive force which binds people together to work for a common end. Therein is strength. Evil and self-interest are disruptive forces which split peoples apart. Evil carries with it the seeds of its own destruction.

America's strength and power will be enduring because the American faith is built upon the rock of human liberties and human brotherhood. Man will never cease fighting for the attainment of these ends; and as long as America remains America these are the principles upon which we will build our faith and stake our all.

In 1776 our fathers risked everything for the realization of these eternal principles. In 1861 Lincoln gave them new meaning. In 1917 and 1918 you and your fellows again translated them into stirring action. Now in a transformed and fast-changing world we are called upon to give them again a new application and fresh meaning. We too stand ready, without counting the cost and unafraid, to keep the American faith.

(As copied from the Manila Daily Bulletin, Nov. 12, 1940.)

Speech of U. S. High Commissioner Francis B. Sayre Before the Manila Rotary Club, Manila, P. I., December 19, 1940

I am delighted to have the chance of sharing with you this Christmas meeting. The singing of the familiar Christmas carols stirs old and sacred memories, and tightens the bonds between us, celebrating Christmas together over 7,000 miles from home.

"Peace on earth, good will to men!" In the cruel realities of the present day, how far away, how utterly unreal, such words sound! After all, do they express anything but a childhood dream?

As we look around us this Christmas upon a world seething with war and hate, if we are willing to appraise the situation realistically, what can we say? Never before in all history have such numbers of men been engaged in wholesale killing, in organized desecration, in sowing the seeds of hate and bitterness. Whole nations are set upon the task of overthrowing Christianity; whole peoples are bent upon supplanting Christian principles with pagan ones of the most primitive and brutish kind. The most precious things of our civilization, built upon centuries of patient toil and heroic sacrifice are hanging in the balance. In a large part of the world security of life and property is a thing of the past. Uncertainty and fear loom ahead. It is a time when even stout hearts quail and the bravest spirits are beset with discouragement.

Nevertheless, the more realistically we appraise the present situation, the clearer it becomes that this is not a time for despair. Despite present appearances the fundamental realities about us justify hope and confidence in the future.

Reign of Terror

The present German reign of terror which has blazed across Europe cannot permanently endure. The Nazi philosophy is too dreadful ever to be accepted on a world-wide scale. Humanity must always revolt against the stark materialism, the ruthless cruelty, the profound immorality of Nazi-ism. Its creed runs directly counter to the most profound and unchangeable instincts of human nature. It lacks the power to give the richer and more satisfying values of life which humanity eternally craves.

Furthermore, even could mankind accept it, the Nazi philosophy is too primitive, too crude, to be practical in this day and generation as a foundation for a strong civilization or an enduring governmental structure. You can't build a modern civilization which will be lasting upon a philosophy which seeks to enthrone naked force above all considerations of humanity or justice or morality and which denies

the claims of human brotherhood. Mankind has come a long way since savage times; today the strongest civilization must be built upon a recognition of human solidarity and social obligation.

Again, the Nazi philosophy is too narrowly nationalistic ever to constitute a cohesive force. Its inherent nationalism runs into direct conflict with the modern reality of internationalism. In the present-day world nations cannot be self-contained if they would. Unless a nation is willing to lower drastically its standard of living, unless it is willing to undergo a fundamental reorganization of its national economy, it must sell its industrial and agricultural surpluses in foreign markets, and this cannot be done except through active participation in world affairs. It must invest its surplus of capital in sound foreign enterprise. It must obtain from foreign shores such raw materials as it cannot itself produce for its manufactures and its arts. It must assimilate foreign knowledge and foreign ideas for its own advance. Although temporary set-backs may obscure the long-term trend, the movement toward internationalism is as inevitable and as inescapable in this era of the world's history as the rising and ebbing of the tide; and no philosophy based on a contradictory narrow nationalism can hope to become a world-dominant force.

German Philosophy

We see the proof of these incontrovertible facts in the stark events of the past twelve months. No nation which Germany has conquered and overrun has voluntarily embraced the German philosophy of Nazi-ism. The Nazi philosophy has in fact alienated every people whom it has touched. The German people, once loved and admired and respected for their humanity and for their incomparable music, their art, their literature, are today because of the Nazi philosophy enemies of the world.

What was the essential cause which finally turned England from a policy of appeasement and inaction to a policy of implacable resolve to resist further German advance to the last man? Not German dreams of pan-Germanism or military domination so much as the Nazi philosophy. For England realized that the success of the Nazi philosophy would spell, not merely the political subjection of England, but the annihilation of the very foundations of Western civilization. What was the essential cause which turned the United States, peace-loving, difficult to rouse, from a policy of isolation and business as usual to a policy of vigorous armament building and preparation for war? Not alone German victories in France, but unrelenting opposition to the Nazi philosophy, the success of which would spell the shattering of future individual liberty and democracy—the fundamentals upon which our own nation was built.

Humanity will not today or ever accept the Nazi philosophy. For that reason the German reign of terror and dominance of Nazi-ism cannot be enduring. Peace will come to this earth again; and good will, which is the only possible basis upon which an enduring civilization can ultimately be built, will in the end be the dominant reality.

Each generation deplores the destruction of the institutions with which it has become familiar and the passing of the world it has known. Seldom if ever before has there been such rapid break-up,

so swift a change, as that through which we are living today. With resulting tragedy all around us, to our limited vision the world looks grom indeed. It is too easy to grow disheartened and discouraged.

In Larger Light

The Christmas season, surely, is the time to see things in a larger light. Out of the present welter of disruption and break-down can come a better world, if we will but have it so. Western civilization as it had developed up to the outbreak of the war was very far from perfect. Its glaring faults and shortcomings made it highly vulnerable. It involved increasing mass unemployment. It had found no way of escaping alternately recurring periods of over—and under—production. It entailed deplorable conditions of life and work for large underprivileged groups. All too frequently material profit rather than human welfare was its watchword. With growing concentration of wealth and exaggerated cleavages between rich and poor, some were growing soft and others hopeless. A sense of futility was becoming dangerously prevalent. Substantial numbers were losing their faith in the goodness of life and in an overruling God. Mankind was finding itself in a cul-de-sac which seemed to block further advance.

I am looking at the picture, of course, in its broadest outlines. It is not so much a question of what individual businessmen could do under our present system but rather of what business as a whole may contribute toward bettering and remedying the defects of the present system. What can American business do to help cure the shortcomings which are obvious to all while preserving the freedom of private enterprise and reward for private initiative which are fundamental to our way of life?

End of Epoch

If civilization is to advance, change cannot be avoided. The important point to emphasize is that the passing of much in the world we knew may not bode altogether ill for man's advance; and more important still, that in the light of the revolutionary changes which are swiftly taking place, whether the future means progression or retrogression depends upon us. We have reached the end of an epoch; our future lies in a different world. It can be a better world if we build the new order upon truer and more humane foundations. In the future our standards must be human values and our goal a community of richer individual lives. That civilization will endure longest which consecrates itself to the enrichment of human personalities. The civilization which ignores and sacrifices these, such as the Nazi faith of today, will surely go under.

More immediately, it is not too early to be directing our thoughts to the nature of the coming peace which American effort should concentrate upon gaining. Clearly, the mere cessation of hostilities is not enough. However the specific details may be worked out, three fundamentals seem imperative.

Three Fundamentals

First, if there is to be a lasting peace it must be a cooperative peace. Peace by world conquest, enforced at the point of a gun, even were it desirable, is under modern conditions no longer practical or possible. The kind of peace which depends upon a delicately poised balance of power has been proved by our own bitter experience to be no longer practical or possible. Today the only kind of peace that can be enduring is a peace effected through organized cooperation, in which no nation is supreme or attempts to impose its will upon others unconsenting, but in which all nations, equally sovereign, participate in building up effective international restraints by common consent. The failure of the League of Nations was not a failure in the principle of international cooperation but a failure of the nations to follow the principle. Genuine international cooperation—the give and take of all common effort—is admittedly difficult, but it is the only alternative in our modern world to civilization's annihilation.

Second, it must be an organized peace, i. e., it must rest upon established standards of international conduct, based upon international law, morality, and justice, and machinery must be set up directed toward the enforcement of these standards.

Third, the political peace must be built upon economic peace. In other words, we must find a way of ending the economic warfare which preceded the present war, growing out of and evidenced by trade preferences and discriminations, taking form in quotas, in government monopolies, in exchange control and in the multiform measures which helped to strangle trade and impoverish nations during the 1930's. We must insist upon commercial equality replacing commercial discrimination; and in the trade arrangements following the war there must be no privileges or discriminations as between victors and vanquished.

Meaning of Christmas

In spite of the tragedy all about us in the world today, therefore, there are certain comforting realities for which we may feel profoundly thankful and which may serve to make our Christmas glad. The Nazi reign of terror cannot endure. Furthermore, in spite of present breakdown and suffering, by our effort the evil can be transmuted into good and a happier and better world result. Those are tremendous facts.

Yet, the message of Christmas is still more tremendous. It comes down to this: that the world in which we live is a moral world, and that nothing inconsistent with its moral laws can ultimately survive. Man is a creature who inherently and in the long last is won by good and repelled by evil. That is no idealistic dream. It is one of the most inescapable and irrefutable facts of the universe.

In other words, the world in which we live is God's world. If this be true, nothing that man can do in such a world can ultimately frustrate God's will. God is supreme power. And the joyful fact is that also God is supreme goodness. It follows that goodness is bound to prevail ultimately over evil.

On Christmas we celebrate the manifestation of God to mankind. That God—supreme power—so deeply cares for us that He sent the

Christ-Child to earth—here is the abiding reality which gives us profound hope and cheer when all else fails. We may cut ourselves off from His saving love; we may fail Him; but He can never fail us, and His love and His power abide.

That is what Christmas means. And, as Christians, we can rejoice in the very teeth of world tragedy and know that with God's help it lies in man's own power to make the present breakdown and catastrophe serve as an opportunity to evolve a better and a happier world.

(As copied from the Phil. Herald, Dec. 19, 1940)

Speech of U. S. High Commissioner Francis B. Sayre at the Memorial Day Services, Cementerio del Norte, Manila, Philippine Islands, May 30, 1941

Soldiers and sailors, comrades, lovers of America:

We are gathered here today to decorate the last resting places of men who gave their full measure of devotion to their country. To them and to countless unknown heroes like them, prepared to give their all in the service of their country, America owes her place in the world. Without men like them, ready to offer their lives in defense of American ideals, there would be no American way of life, no democracy as we know it, no individual liberty. Today we render to them our homage and our gratitude.

Our lives are comfortable today—too comfortable—because of the struggles and sacrifices and blood of those who have preceded us. Unhappily, too many of us take our heritages for granted. Our most precious possessions which give to our individual lives their real worth and enjoyment—individual liberty, justice, democracy—have become to many of us but sounding words and empty symbols. We have forgotten the poignant suffering of life without them. We are unmindful of the responsibilities that go with heritages such as ours. We are in danger of seeking to avoid evil by appeasement and of growing soft and flabby-lived.

Today we would remind ourselves of what we owe to the past. The American nation came into being as the champion of human rights. Seventeenth and eighteenth century philosophers had talked about "inalienable human rights." But their ideas ended in talk. In colonial America men with burning faith determined that these ideals were worth fighting for and, if need be, dying for. They undertook to set up a nation dedicated to the practical realization of these fundamental human rights with a written constitution and a system of courts and laws to safeguard their enforcement. They undertook to translate the dreams of the philosophers into realities.

Can Forge World's Destiny

It took fighting to set up such a nation. After its independence had been achieved it took fighting to maintain it. Human rights will be attacked as long as greed and lust for power exist, and no one can remain their champion who is not willing to sacrifice in their defense. Because she was the champion of human rights and individual liberties, because her people dared, if necessary, even to die for them, America became great and powerful.

Blessed with incomparable natural resources and material wealth and with a strong and resourceful people, America today possesses

irresistible power if she will but use it. She can forge the destinies of the world if she wills to do so. Her real peril is a softening of fiber that comes from the easy security of her position. The only thing that can defeat her today is a loss of faith, a cynicism, a defeatism that corrodes the spirit.

In present-day Germany what gives driving force to the nation is the reborn faith of the German youth and of the German soldiery in the destiny of Germany. Upon the mad fervor of this faith the German people, determined to conquer and ready to sacrifice everything they possess, have forged immeasurable power. Strong faith always generates power.

The ideal which fires the German faith is to serve the German people at whatever cost to humanity. The American ideal is to serve humanity. That is why, if America steadfastly follows her ideal, she cannot be broken, as Germany some day will be.

The tragedy is that the faith of the German people is being betrayed and their great power prostituted by a little group bent on serving their own selfish ends. The power of Germany is being directed today to oppose and suppress human rights, to wreck western civilization.

Never before has so terrible and deadly an attack been made upon the rights of humanity, which America has always championed, as is taking place today. Never before has a nation possessed such incomparable power to shape the course of world events as America today. Never before has a nation become the veritable hope of humanity to quite such a degree as America today.

Surely, at such a time America with her great traditions cannot tolerate inaction or defeatism. We must recapture something of the burning faith of 1776. We have a part to play in the world, and with God's help we intend to play it.

We stand for the fundamental rights of humanity—the right of every man and woman to live in peace, to shape one's life according to one's individual conscience, to be reasonably secure against tyranny and cruelty and oppression. We stand for democracy—a social order based upon equality of opportunity for all and the right of a people freely to choose by the ballot their own leaders and their own destiny. We stand for the eternal moral verities—respect for the integrity of other peoples and of other nations, faith in the pledged word, the rule of right as distinguished from the rule of might.

These are the supreme ideals which have made America great. Never can they be achieved or permanently maintained by a policy of drift, by mere philosophical discussions, by "business as usual." They will always be under attack by selfish groups, and their defense will always involve struggle and sweat and blood.

Whatever the odds, America must rally to their defense. With her great heritage, with her present power to shape the destiny of the world, she cannot do otherwise. To American heroes of the past whose graves we this day commemorate we pledge afresh that in these grim days of crisis we shall keep the American faith.

(As copied from the Manila Daily Bulletin, May 31, 1941.)

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