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Quezon and His Business Friends: Notes on the Origins of Philippine National Capitalism

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Much of Quezon's political and economic policies centered on creating a home-grown industrial base which in its infancy was pitted against the more influential American industrial complex. Despite charges of patronage and undue use of political influence, Quezon relied heavily on his business associates to support his administration's economic policies and projects. Quezon's failure to effect long lasting structural changes was brought about by his fear of antagonizing the Americans with protectionist policies in order to speed up the granting of full independence to the country and his business friends, most of whom belonged to the landed elites and the prominent families in Philippine society.

Introduction

The Commonwealth government of the Philippines was inaugurated on November 15, 1935. At the helm of the new government was Manuel L. Quezon who had been elected by the Filipino voters as President. The Commonwealth government had been established in accordance with the Tydings-McDuffie Law which had earlier been enacted by the United States Congress after intensive lobbying by members of the Philippine Legislature led by Quezon himself.[1] It was to be the transition government preparatory to the promised grant of independence after ten years.

Quezon viewed the Commonwealth government as "only a means to an end." Indeed, he looked at it as "an instrumentality placed in our hands to prepare ourselves fully for the responsibilities of complete independence."[2] He was also well aware of the challenges faced by the Commonwealth government at that time. The world was still reeling from the great economic depression of the decade and the Philippines had not been spared from it.

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Elsewhere war clouds were hovering and in a few more years the country became one of the victims of the Second World War.

The development of the national economy was a major goal set by Quezon. As he put it:

> To enable us more adequately to meet the new responsibilities of the Commonwealth and to raise the living conditions of our people, we must increase the wealth of the Nation by giving greater impetus to economic development, improving our methods of agriculture, diversifying our crops, creating new industries, and fostering our domestic and foreign commerce. . .[3]

How Quezon's views on economic development, particularly those on the development of the industrial/manufacturing sector, were translated into policies and programs to aid or encourage the growth of Filipino capital and entrepreneurship during his time is the subject of this research. More specifically, the research has tried to look into the following questions:

1. What were Quezon's ideas/views about Philippine economic development, particularly industrialization, in the context of an independent nation?

2. What were the relevant economic policies (laws, executive and administrative orders, etc.) adopted during his term?

3. What government agencies/offices and programs were established to implement these economic policies?

4. Who were Quezon's friends and supporters from the business sector and what concessions/privileges did they receive from the government at that time? What were the socioeconomic and regional backgrounds of these friends and supporters?

5. What were the visible effects/impacts of the official economic policies and concessions/privileges given to Filipino businessmen/entrepreneurs in the development of Philippine industry and economy in general during Quezon's time? What, if, any, were the long-term consequences of these policies?

6. What lessons, if any, can be drawn from this research for present policy-making on:

   a. economic development in general, and

   b. the promotion of Philippine industrialization and a self-reliant economy?

This research should be particularly instructive as it would also allow us to compare the issues on the role of "cronies" in government and business during Quezon's time and the present.[4]

Research Methodology

Data for this research were gathered mainly by using primary and secondary sources in various libraries, especially the National Library, the University of the Philippines Filipiniana Library, and the Batasang Pambansa Library. The primary sources of information were laws, executive and administrative orders during the period 1930 to 1939, the speeches delivered by President Quezon and the special collection of Quezon papers at the National Library.

The Quezon papers provide a wealth of information which the researcher has only been able to partially tap because of sheer volume. These are compiled in the Rare Books and Manuscripts Room of the Filipiniana Division of the National Library. The total volume of the collection is 259 cu. ft.; its net volume is 172 cu. ft.; and the approximate number of items is 180,000 filed in 1,626 boxes.

Quezon's papers consist chiefly of extensive correspondence and miscellaneous papers — reports, cablegrams, memoranda, transcripts of press conferences, pictures, notes, speeches, scrapbooks, etc. — covering personal matters; the administration of public offices he held in Mindoro, Tayabas, Manila and the United States; and national politics. Quezon's correspondents included Filipinos, Americans and other foreigners. Some of the letters and records are in Spanish. The correspondence are classified into family correspondence, general correspondence, financial resources and specific topics such as sugar trade, agriculture, lumber trade, National Development Co., etc. So far, the researcher has gone over 38 boxes of family correspondence, 58 out of 116 boxes of general correspondence; 35 out of 79 boxes of financial records (personal); 12 boxes of records on fibers (abaca, cotton, maguey), agriculture, the Cebu Portland Cement Co., lumber trade, Manila Electric and Light Company, National Development Company, National Coal Company, National Economic Council; 3 out of 21 boxes on the Philippine Legislature; and 4 out of 8 boxes on the sugar trade and others. It is obvious that the researcher will still need more time just to go over the rest of the boxes.

Additional sources of information are the metropolitan dailies and weeklies published from 1930 to 1939. These can be found in the National Library's Microfilm Division. Press Books containing news clippings on Quezon are also available at the National Library but a thorough examination of these would entail a lot of time since these are not yet indexed.

Secondary sources of information include books, articles, etc., written about Quezon and his administration; biographies of his contemporaries such as Osmeña, Roxas, Vargas, etc.; memoirs of officials and their collec-

tion of papers (such as the Vargas memorabilia); and books or articles written about groups such as the National Economic Protectionism Association (NEPA) and the Commonwealth era as a whole.

The researcher had also planned to conduct interviews with surviving officials and members of the Commonwealth government or associates of Quezon but has had limited success on this. To date, the researcher has been able to interview extensively six knowledgeable persons. These interviews provide a fruitful source for cross-checking published information or for further leads as to which historical materials are likely to yield more data.

Considering the voluminous sources of data mentioned above, the reseacher had to devise a methodology for looking at these materials. An initial bibliographic survey of books on Quezon was made for leads as to what documents and primary historical materials were to be consulted. For example, Carlos Quirino's book[5] mentions a number of close associates of Quezon from both the business and government sectors and contains anecdotes on how he tapped them for public service or for contributions for government and personal projects. The researcher listed down these friends and associates. The list served as a guide for tracking down further information regarding their business/economic interests, socioeconomic backgrounds, history and nature of their friendships and relations with President Quezon, and their influence on government policies and programs during the Commonwealth era.

The research has yielded a lot of data and insights on the topic but is far from being complete. At best what the researcher has found is a mine of information that should further be examined and analyzed to shed light on the development of Philippine national capitalism and the problems of national economic development. Nonetheless, we need to look at the initial research findings to give further direction to this continuing investigation. In order to put in context and better appreciate the findings of this study, it is necessary to first examine the country's economic conditions during the Commonwealth era.

State of the Economy During the Commonwealth Era

At the time of Quezon's inauguration as Commonwealth President, the Philippines was a predominantly agricultural, export/import economy. The bulk of its exports was made up of three principal crops — sugar, coconut and hemp. Most of these went to only one market, the United States, which also became the principal source of Philippine imports. This state of affairs may be explained as the cumulative impact of American colonial policy of free trade relations with the Philippines which was inaugurated by the Payne-Aldrich Act of 1909. Under the Act, American goods could

enter the Philippines in unlimited quantities free of duty. However, there was a quota imposed on Philippine goods which could enter the United States free of duty. These restrictions were the result of opposition to free trade by vested American interests, particularly sugar, tobacco and rice producers. American rice growers were in fact able to block the entry of Philippine rice. In 1913, the Underwood-Simmons Act abolished all quota limitations for Philippine products and this free trade relations continued until 1934.[6]

Because of free trade relations, the Philippines gradually became economically dependent on the United States. At the turn of the century, the United States' share in the total value of the import and export trade of the Philippines was only 11 percent. By 1910, this share rose to 41 percent, became 65 percent in 1920 and reached 72 percent by 1935. Philippine imports from the United States grew from 9 percent of its total imports in 1899 to 64 percent in 1933. Philippine exports to the United States comprised only 18 percent of its total in 1899. In 1933, this had reached 83 percent.[8]

There was little change in this pattern of Philippine trade during the early Commonwealth period. From 1937 to 1940, the value of imports from the United States comprised 68.8 percent of the total imports made by the Philippines. During the same period, the value of exports to the United States was 78.4 percent of the total.[9]

Most of the Philippine imports during the period 1937 to 1940 were manufactured goods. Food accounted for 18.6 percent of the total value of imports; beverages and tobacco, 5.8 percent; mineral fuels and lubricants, 8.3 percent; chemicals, 7.6 percent; rubber manufacturers; 2.0 percent; paper and paperboard manufactures, 3.0 percent; base metals and manufacture of metals, 12.0 percent; clothing and footwear, 2.8 percent; machinery and transport equipment, 14.4 percent; textile yarns, fabrics, 18.0 percent; and all other imports, 7.7 percent.[10] The bulk of Philippine exports in 1937 to 1940 was made up of agricultural and other raw materials of which sugar, centrifugal, comprised 40.3 percent of the total; coconut (copra, coconut oil and dessicated coconut) 25.3 percent; abaca, unmanufactured, 12.2 percent, logs and lumber, 3.4 percent; canned pineapples, 1.4 percent; and others, 17.4 percent.[11]

Free trade relations resulted in the dominance of American traders and investors in the Philippine economy. By 1922, there were 33 modern sugar centrals in the country, most of which were American and Spanish-controlled; only one was Filipino-owned.[12] By 1935, of the total capital invested in sugar production, 43 percent was American and 23 percent Spanish and 1 percent cosmopolitan.[13]

A similar pattern of investments was evident in the coconut industry. From 1920 to 1930, coconut exports including copra rose by 223 percent. Of US $12 million invested in coconut mills and refineries, US $5 million (45.8 percent) was American capital, US $3.5 million (29.2 percent) was British and the remaining was Filipino and Spanish. By 1935, of the factories supplying almost all the dessicated coconut exported to the United States, six were American, two were British, one was Chinese and one was Japanese. There were some 173 registered soap manufacturers mainly for local consumption. The three largest soap factories at that time were owned by Americans, Swiss and Chinese.[14] In the hemp industry, from 1920 to 1930, there were five cordage factories in the country with a total investment of US $3 million. In terms of spindle capacity, 53 percent was American, 40 percent Filipino and the rest Chinese.[15]

Americans dominated not only the major export industries but also import trade and other economic activities in the Philippines. This can be seen in the news, columns and advertisements in the *American Chamber of Commerce Journal* during the colonial era.[16] These "Manila Americans" developed vested interests and "took a proprietary attitude toward the country, and all throughout the American occupation constituted one of the staunchest pressure groups against Philippine independence."[17]

The structure of the Philippine economy had remained practically unchanged since the Spanish regime. Majority of the gainfully employed (73 percent according to the 1939 census) were engaged in agriculture. Yet total income from agriculture constituted only 50 percent of the gross national product.[18] The national income of the Philippines in 1938 was US $640 million; the per capita income was only US $40.

The above data indicate that there was widespread poverty among the population. This poverty was generally attributed to two problems; the low productivity of Philippine agriculture and the concentration of land ownership in the hands of a few which resulted in the inequitable distribution of the fruits of agricultural production. In 1938, five agricultural crops together accounted for 88.7 percent of the total area planted in the country. These were rice (42.4 percent of total area planted); corn (15.6 percent); sugar (5.1 percent); abaca (11.3 percent); and coconut (14.3 percent).[20] Yet the yield rates on these crops were quite low compared to the average for Asia. During the period 1934-38, the average yield of rice in the Philippines was 1,090 kg./hectare compared with the Asian average of 1,520 kg./hectare. For sugar, the average yield in the Philippines during the period was 3,820 kg./hectare compared with 4,800 kg./hectare in Mauritius and 7,190 kg./hectare in Puerto Rico. Similarly, the average yield rates for other crops were much lower than the Asian average at that time.[21]

The inequitable distribution of agricultural land was the historical consequence of the introduction of private land ownership during the Spanish regime and the increasing profitability of large-scale farms/plantations due to the rising demand for cash crops for export especially during the nineteenth century. This led to the loss of communal lands by the native Filipinos, concentration of lands in the hands of a few, especially the religious corporations or friar estates, the rise of tenancy and landless laborers, all of which bred agrarian discontent that culminated in the Philippine Revolution of 1896.

The Americans initially tried to undertake some agrarian reform through government purchase of the friar lands to be redistributed and sold to the tenants. However, the selling price set for these lands was beyond the reach of the tenants. The estates were thus eventually acquired by American corporations and other vested interests. The introduction by the Philippine Commission of Torrens titles to agricultural lands further reinforced the large-scale private landholdings and abetted landgrabbing which defrauded poor and ignorant farmers of their lands.[22] On the whole, the conservative land policy of the American colonial government benefitted the traditional landed elite and widened the gap between them and the Filipino masses.[23] The poverty and discontent of the latter gave rise to growing social unrest which culminated in labor strikes in the urban areas and violent peasant uprisings in the countryside during the American regime.[24]

Quezon's Views on Economic Development

The twin problem of securing political sovereignty and economic independence from the United States had been Quezon's concern since he became a member of the Philippine Legislature. He had strongly argued against the free trade provisions of the Payne Aldrich Tariff Act of 1909 while it was still pending in the United States Congress.[25] The Congress of the United States had disregarded Philippine opposition to the Payne Aldrich Tariff Act and imposed free trade relations. Quezon later changed his stand on the issue since it had been a *fait accompli* and he had also opted for pragmatism in Philippine politics, i.e. cooperation with the American colonial government in order to secure the best terms for Philippine independence and socioeconomic development.[26]

For Quezon, the attainment of economic independence involved two major tasks for the Commonwealth government: negotiating for the establishment of a mutually beneficial trade relations between the United States and the Philippines and adopting policies and programs that would ensure the development of an economically self-reliant Republic of the Philippines. He emphasized these in his acceptance speech as Coalition Nacionalista Party candidate for president of the Commonwealth government.[27]

While Quezon advocated the continuance of the free trade relations, he was aware of the fact that the economic provisions of the Independence Law were "not entirely fair to the Philippines" and that some of the legislation passed by the United States Congress were "discriminatory." He thus promised to work for the repeal of those discriminatory measures and to obtain amendments to the Independence Law in order to have "a more equitable trading arrangement between the United States and the Philippines during the Commonwealth."[28] Quezon was also conscious of the need to lessen Philippine economic dependence on the United States. Thus, he promised:

> During the transition period we shall endeavor to find new markets for our products so that if and when the market of the United States shall no longer be open to us, except on a competitive basis, we may not be left without outlets for our products.[29]

Quezon summarized the challenges facing the Commonwealth government regarding the development of the Philippine economy, thus:

> What the country direly needs today is a period of stability and business confidence so that we may proceed unhampered in the task of erecting our new Government and building up the national economy to increase the wealth of the nation, promote commerce, agriculture, and industry; improve the condition of our wage-earners, and create economic opportunities for all our citizens. We need to give capital reasonable certainty as to those conditions which affect investment; we need to assure the industries that are dependent upon the free American market that no radical changes will bring about a sudden loss of the market on which they depend; we need above all to provide economic security for the masses of our people which can only be accomplished through the maintenance of stable business conditions.[30]

It can be seen from the above quotation that Quezon placed a high priority on economic development that would benefit the masses of the Filipino people. For as he expressed it: "The contentment of the masses is the first insurance against social and political disorders."[31] The promotion of the welfare of the people would thus be the concern of the Commonwealth government. Quezon perceived that this would require government policies to "protect the working men against abuses and exploitation to secure to them fair wages and reasonable return for their labor," and to protect tenants' rights and forestall tenant unrest through government acquisition of the large landed estates or haciendas which could be sold in small lots to the tenants at a fair and just price.

To allay the fears of property-owners and businessmen, Quezon reaffirmed his belief in the institution of private property and his opposition to communism but stressed that "whenever property rights come in conflict

with human rights, the former should yield to the latter."[32] In his inaugural address, Quezon reiterated this underlying principle of his government, i.e. the need to promote social justice and to balance the needs of the various economic sectors. He pointed out:

> Protection to labor, especially to working women and minors, just regulation of the relations between labor and capital in industry and agriculture, solicitous regard on the part of the government for the well-being of the masses are the means to bring about the needed economic and social equilibrium between the component elements of society.[33]

Quezon's views on economic development were invariably entwined with his concept of social justice and democratic government. He also linked these to the fact that the Philippines was predominantly a Christian country. As he explained it:

> No Christian people should admit, much less practice, the theory that he who has can abuse or misuse his possessions. What we have in excess of our needs and reasonable luxuries should be spent *pro bono publico* . . . The task of our government is not only to protect the rights of those who have to the proper use and enjoyment of their property, but also to demand that those who have not received the fruits of their labor in its integrity should have sufficient for their needs and those of their dependents. . . .[34]

Quezon envisioned active government intervention to promote national economic development. He favored the adoption of government economic planning but this should be guided by what he called a policy of "progressive conservatism"[35] and the practical experience of governments in other countries during that time. He justified the need for government economic planning:

> I favor economic planning to the extent of providing the nation with the necessary leadership to balance and strengthen our economy, establish the proper relationship between our economic activities and our national needs, correlate productive energy with labor, capital and credit facilities, and direct the wise utilization of our natural resources—all with the view of securing the well-being of the people. The stimulus of private profits alone cannot accomplish these aims for money seeks investments for gain, irrespective of the consequences which they may entail on the government, on the people or on their legitimate desire to attain adequate social standards. Economic activity must be developed primarily to serve the interests of the whole nation, and should be guided towards profitable, convenient, and stable channels where it can render the greatest good to the people at large.[36]

Quezon believed that the creation of more opportunities for employment through the expansion of existing industries and creation of new ones is best left to private enterprise. Government cannot really create more jobs since Quezon advocated "a simple and economical government, one in keep-

ing with the resources of our country but which is capable of ministering to the needs of the nation."[37] He argued for keeping government expenditures "within our income" in order to maintain its financial stability. Thus he promised to "balance the budget" and keep government finances "in a sound condition."[38]

In Quezon's view, the proper role of government in the economy was to provide assistance in the establishment or promotion of industries and to "assure private capital engaged in these industries that it will be given necessary protection to insure the success of these enterprises." He did not favor government engaging directly in business enterprises. Nevertheless, he pointed out that government alone or in cooperation with private capital should establish and operate industry, "if no private capital is available or willing to undertake establishment of an industry which may be considered necessary and urgent for purposes of national defense, to provide the national economy with an indispensable requirement, or to promote the public welfare.[39]

Quezon elaborated further in another speech his views on the proper relationship between private and government enterprises. The latter "are not intended to compete with private enterprises but, rather, to aid and stimulate individual effort." He did not believe in the nationalization of business. He explained that his political and social philosophy was "opposed to government monopoly of economic enterprises except, perhaps, in the case of public utilities if and when circumstances demand it." Neither did he favor "bureaucratizing the whole system of production and distribution of commodities" as he considered it "one of the greatest calamities that could happen to this or any other country."[40]

Quezon also expounded his views on the relationship between Filipino and foreign, especially American capital. He emphasized the need to increase Filipino participation in economic activities. He explained that this policy was "prompted by more cogent reasons than merely a narrow and emotional nationalism" and, that is: "Our national economy can never gain stability and strength unless it is built permanently upon the brain and brawn, the work and wealth of our own people."[41] At the same time, he recognized the need to attract foreign capital to aid in the country's economic development. Thus he cautioned against the adoption of any policy that may be "interpreted as antagonistic to foreigners." He elaborated further on government policies towards Filipino entrepreneurs:

> Filipino businessmen should not assume that the Government will extend to them special privileges at the expense of the public interest or in disregard of the rights of Americans or foreigners engaged in legitimate business in the Philippines . . . . What the Filipino businessmen have the right to expect from

> the Government and what we are affording them, are the means which they did not have in the past, such as banking institutions, facilities for trade and communication, and new opportunities to engage in productive activities . . . . but the Filipino must stand on his own worth. He must make his way through earnest, intelligent and determined effort. He must be ready to meet the exigencies of fair competition, for only under equal circumstances can he have the right to expect the support of his countrymen.[42]

In summary, Quezon viewed the development of economic self-reliance as a *sine qua non* to the attainment and long-run sustenance of genuine Philippine political independence. Thus he devoted his attention to twin aspects of the problem of economic development, namely, the need to gradually end the country's free trade relations with the United States and to strengthen the domestic economy. Regarding the first, he was concerned with negotiating for mutually beneficial trade relations between the United States and the Philippines, the elimination of the discriminatory trade provisions of the Philippine Independence Act and other enactments of the U.S. Congress, and exploring new markets for Philippine products thereby lessening the country's dependence on the United States market. With respect to the development of the domestic economy, Quezon favored government leadership in economic activities through economic planning and the adoption of policies to safeguard and balance the needs of various economic sectors to serve the interest of the whole nation, and to provide incentives or even direct assistance to private enterprise in the establishment and promotion of new industries. Whenever necessary, government would establish, alone or in partnership with the private sector, industries which were considered vital for national security and public welfare. On the whole, Quezon's concept of economic development encompassed not only increasing the gross national product but more importantly the promotion of social justice to ensure that the benefits of economic growth will be shared by all sectors and improve the living conditions of the masses of the people.

Economic Policies and Programs During Quezon's Time

As Commonwealth President, Quezon used his political influence and leadership to ensure the legislature's adoption of economic policies and programs embodying his social and political philosophy.[43] One of the first Acts which he proposed to the National Assembly, and which was promptly approved, was the creation of the National Economic Council (NEC).[44] The NEC was to be composed of not more than fifteen members to be appointed by the President with the consent of the Commission on Appointments. Its main function was to advise the government on economic and financial questions, including the improvement of existing industries and the promotion of new ones, diversification of crops and production, tariffs, taxation, and such other matters as may from time to time be submitted to it by the

President. The NEC was also mandated to formulate an economic program based on national independence.[45]

As constituted by Quezon, the NEC was composed of the Secretary of Finance as Chairman, with the Secretary of Agriculture and Commerce, Chairman of the Board of Directors of the Philippine National Bank, President of the National Development Company, President of the Manila Railroad Company, two members of the National Assembly and four prominent businessmen, as members. Quezon gave the NEC authority to obtain any information and expert opinion from all available sources.[46]

Quezon invoked the provision of the 1935 Constitution that "The State may, in the interest of national welfare and defense establish and operate industries and means of transportation and communication . . .[47] to secure legislation reorganizing existing government-owned and -controlled corporations and establishing new ones. At the time that the Commonwealth government was set up, there were already 10 government corporations, most of which were established during the term of Governor Francis Burton Harrison.[48] From 1936 to 1940, twenty more were organized, six of which were set up during the first year of the Commonwealth.

A few existing government corporations were reorganized, notably the National Development Company (NDC)[49] which was converted from a government-controlled to a government-owned corporation. Its powers and functions were expanded to include the development of successful researches of government science agencies (such as the Bureaus of Science, Animal Industry and Plant Industry), for commercial production and the creation of subsidiary corporations that would develop and process raw materials from the primary sector. In this connection, the NDC established the National Food Products Corporation in 1937 to can fruits, vegetables, fish and other food products, and the National Footwear Corporation in 1940 to engage in the manufacture of shoes.[50]

Government corporations (See Appendix A for the complete list) performed varying functions during the Quezon administration: banking and finance (Philippine National Bank and the Agricultural and Industrial Bank); transportation (Manila Railroad Co.); exploitation and development of natural resources (National Power Corporation, National Coal Co., Cebu Portland Cement Co.); development and promotion of local industries (the NDC and its subsidiaries, the National Abaca and Other Fibers Corporation, etc.); promotion of agricultural production and marketing; and regulation of retail business (Philippine Sugar Administration, National Warehousing Corporation, National Produce Exchange and National Rice and Corn Corporation); and the promotion of agrarian reform, rural development and welfare (Na-

tional Land Settlement Administration, Rural Progress Administration, People's Homesite Corporation and Government Service Insurance System).

In addition to the creation of government corporations, advisory and/or regulatory boards and commissions were set up. In 1936, Quezon created the National Transportation Board (NTB)[51] and the National Electrical Communication Board (NECB).[52] The NTB was to advise the government on the improvement of land, marine and air transportation facilities while NECB to advise on matters concerning electrical communications. Other boards were created by Quezon to look into lighthouses and other aids to navigation, to revise merchant marine regulations, to advise on matters relating to airways, and the like.[53] The National Assembly likewise created the National Loan and Investment Board,[54] and the Securities and Exchange Commission[55] to foster and regulate the establishment of private enterprise or corporations.

Moreover, the government also created boards or committees to study the conditions of certain industries to make recommendations for strengthening these. For example, Quezon created the National Sugar Board in 1938[56] to make a comprehensive study of the sugar industry and its component sectors —millers, landowners, planters and laborers—in order that the government could devise ways and means whereby these sectors would as much as possible equitably share in the benefits of the preferred position of the industry, and to propose measures to strengthen and prepare it[57] for the eventual loss of its preferential market in the United States. In 1940, Quezon created a Sugar Advisory Committee with related functions.[58] Similarly, he created an Abaca Advisory Committee in 1937[59] to conduct a careful study of all the problems, domestic and foreign, affecting the abaca industry; to submit recommendations as to the best economical method of stripping and preparing abaca fiber for the market; and to serve as liaison between local abaca dealers and foreign buyers. Many other committees and task forces were likewise created during the Quezon administration to examine the conditions of other specific economic sectors.

Other measures were taken to encourage and provide assistance to private Filipino businessmen in the establishment of industries and manufacturing enterprises. The government, for example, created the Bureau of Mines.[60] It also gave more support to scientific research and development through the grant of more powers and functions and increased appropriations for the Bureaus of Science, Animal Industry and Plant Industry.[61] It mandated that the NDC undertake the development of research results from these institutions for commercial production. The NDC was likewise mandated to foster and promote local inventions and to extend assistance to Filipino inventors in patenting and marketing these locally and abroad for the mutual benefit of the inventors and the country.[62]

The promotion of local industries was also boosted by special appropriations to certain programs such as that for the livestock industry,[63] the control of animal diseases,[64] stabilization of supply and prices for certain commodities such as rice,[65] the regulation of weights and measures,[66] the establishment of warehousing and marketing facilities,[67] and provision of credit and banking facilities.[68] Moreover, in 1936, a law was enacted to promote the patronage of locally produced goods by giving these preference in government purchases of its supplies.[69] This legislation was undoubtedly influenced by the National Economic Protectionism Association (NEPA), a nonstock corporation organized in 1934. Its members were leading businessmen and its Honorary Executive Board included President Quezon, Vice President Sergio Osmeña, and Speaker of the National Assembly, Gil Montilla.[70]

Government promotion of domestic economic development to achieve self-sufficiency and social justice was also given impetus through the nationwide search for the granting of recognition and awards to the Filipino who has developed a new and important industry, the model industrial employer, model employer, model industrial laborer, model tenant and model homesteader. The first such recognition and awards were made during the First Commonwealth Anniversary program in 1936.[71] The NEPA's active support for this program can be seen in the roster of NEPA members who participated in the committees responsible for its planning and implementation or who donated funds for the purpose.[72] The NEPA's influence on Commonwealth economic policies is also evident in Quezon's proposal in 1939, during the fourth anniversary celebration of the Commonwealth government, to nationalize the retail business by stopping the issuance of licenses to foreigners who apply for new ventures in the sector. The rights of foreigners who were already engaged in the retail trade would continue to be protected.[73]

The Quezon administration also undertook the development and conservation of natural resources—adopted forestry laws, regulated the logging industry, promoted reforestations, undertook surveys of mines and mineral resources, exploration of petroleum resources—and embarked in the construction of economic infrastructure such as hydroelectric power plants, roads, bridges, railways, ports and communications network. In 1939, the National Assembly authorized the President of the Philippines to conduct negotiations for the acquisition, management and operation by the Philippine Government of the Manila Electric and Light Company, the Manila Gas Corporation, the Philippine Long Distance Telephone Company and any other public utilities whose management and operation by the government are, in his judgment, required by public interest.[74] Other laws enacted by the National Assembly concerned the promotion of the welfare of farmers, tenants, and workers such as the laws regulating landlord and tenant relations, minimum wage law, eight-hour labor law, workmen's compensation

law and others.[75] There were other bills enacted by the National Assembly to promote the general welfare but these were vetoed by Quezon for lack of funds to implement them. Moreover, US High Commissioner Francis B. Sayre who was against deficit budgeting through borrowing or supplemental printing of money, constantly reminded Quezon of the need for balancing the budget.[76]

It can be seen from the above discussion that Commonwealth economic policies and programs reflected Quezon's views regarding the country's economic problems and the necessary direction of Philippine economic development. On the whole, these policies and programs were intended to strengthen the domestic economy to make it more self-sufficient and more independent of the United States economy. Thus laws were enacted giving more participation to Filipinos in economic activities, encouraging and assisting in the establishment of private industries which process and utilize local raw materials, assuring them of a market, and modernizing and diversifying agriculture and industry. Government-owned and government-controlled corporations were established to pioneer in certain areas of production, distribution and exchange; and to build socio-economic infrastructure. Government economic planning through the NEC was considered a vital aspect of the strategy to promote economic growth and social justice.

Quezon's Business Friends and Supporters

In the formulation and implementation of Commonwealth economic policies and programs, Quezon relied on the help of many friends and supporters. Some of these became elected officials in their own right or became appointed as cabinet members, officers of government-owned or goverment-controlled corporations, or members of boards, committees or task forces.[77]

In this paper, Quezon's business friends and supporters were identified on the basis of several criteria—their being associated with him in official capacity and in social occasions including membership in the same social clubs,[78] personal and family interaction, exchanges of letters and gifts during special occasions such as birthdays, weddings, etc.; business partnerships; financial assistance or moral support in times of crisis or need, and the like. Using these criteria, names of key officials of the Commonwealth government were listed down and their relations with Quezon were traced. Other names which were mentioned in Quezon's biographies and anecdotes[79] were checked in his family correspondence and other documents filed in the special collection of *Quezon Papers* at the National Library. Information from these were verified from and supplemented by interviews with knowledgeable persons.[80]

The study found that Quezon had numerous friends and supporters in his political career. And using the above-mentioned criteria for friends and supporters, over thirty individuals may be considered as long-term close friends of Quezon. This may be seen in Appendix B of this paper. Their names appear frequently in the collection of Quezon's family correspondence and other papers. The origins of these friendships and close associations with Quezon appear to go back several decades before the Commonwealth era. A number of these—Miguel Unson, Vicente Madrigal and Francisco Ortigas—had been Quezon's friends since their Letran College days where they studied for the Bachelor of Arts degree during the Spanish regime. Some of them had been his classmate at the University of Santo Tomas where Quezon took up his Bachelor of Laws degree shortly before the Philippine Revolution, for example, Sergio Osmeña, Vicente Singson Encarnacion, Vicente Madrigal and Francisco Sumulong.[81] Tomas Morato, a provincemate and childhood playmate, was another very close friend.[82]

These friendships lasted for the rest of Quezon's lifetime. Ortigas helped Quezon to start his law practice by inviting him to join the Ortigas law office.[83] Much later (1920s), Ortigas invited Quezon to become a partner in a real estate business which turned out to be profitable.[84] Morato is said to have helped a lot in financing Quezon's initial election campaign in Tayabas.[85] In 1939, Quezon appointed Morato as the first mayor of Quezon City.[86]

Other friendships appear to have started in the Philippine Assembly (for example, Rafael Alunan, Teodoro Kalaw and Manuel A. Roxas) or in the Philippine Senate (Ramon J. Fernandez) or because they served as staff members in the Philippine Legislature (for example, Felipe Buencamino, Jr. was Secretary of the Philippine Assembly from 1916-1917; Maximo Kalaw was Quezon's Secretary when the latter served as Resident Commissioner in Washington, D.C.; Elpidio Quirino was his private Secretary when he was Senate President in 1917-1919).[87] Some friends served in various positions in the Executive branch during the colonial government and got acquainted with Quezon in official meetings (for example, Jorge B. Vargas and Jose Yulo).[88]

Still other friendships appear to have begun as a result of membership in the same social clubs, and later on, developed into business partnerships, i.e. stockholding in the same corporations (for example, Tomas Earnshaw, Benito Razon, Victor Buencamino, Andres Soriano, Maximo Rodriguez, Angel Elizalde, Joaquin Elizalde, Quintin Paredes, Albert Ehrman, and others.)[89] Other close friends from the business sector were Wenceslao Trinidad,[90] Jorge L. Araneta,[91] Alejandro Roces, Sr.,[92] Toribio Teodoro and Antonio de las Alas. Additional names who have been linked with

Quezon were Don Eduardo Cojuangco, Sr., wealthy landowner from Tarlac; American businessmen Horace Pond of Pacific Commercial Co., Al Tegen of Manila Electric Railway and Light Co., and Samuel Gaches of Heacock's Department Store; Chinese businessmen such as Carlos Palanca, Dee C. Chuan, a lumber magnate and the Sycip brothers who were bankers; Leopoldo Kahn, French-Jew head of the La Estrella del Norte; Adrian Got of Tabacalera and Doña Carmen Ayala of San Miguel Brewery. These and other friends from the business sector were staunch supporters and generous contributors to Quezon's political fund campaigns especially to finance the Independence missions in Washington, D.C. This financial support became especially critical since the American Insular Auditor suspended in 1924 all disbursements from funds appropriated by the Philippine Legislature for these yearly parliamentary missions. Arsenio Luz, another business friend, headed the National Collection Committee of this fund campaign.[94]

It is evident that Quezon's close friends belonged to the country's social and economic elite of the time. Many of them came from landed families, especially the sugar interests of Negros and Central Luzon—Alunan, Araneta, Trinidad, Vargas, Yulo, Soriano, Elizalde, Maximo Rodriguez, Ortigas, the Buencamino brothers, Cojuangco, Manuel Nieto, Benigno S. Aquino. Some were also industrialists/manufacturers, for example, Earnshaw, Elizalde, Soriano, Toribio Teodoro, Gonzalo Puyat, Sr., etc. Others were in the lumber trade—Morato, Teodoro and Maximo Kalaw; or in the transportation business—Madrigal and Fernandez; or in the publishing business, Roces, Sr. The rest were financiers in the insurance and banking business, such as Wenceslao Trinidad, Eulogio Rodriguez, Razon, Encarnacion, Miguel Unson, L.R. Aguinaldo and others.

Coming from a modest family, Quezon himself had acquired some properties early in his career from his lucrative law practice, through loans from friends, and in partnerships with some of them acquired shares of stocks in some business, such as real estate, and the lumber trade.[95] Whenever he needed money, he sold some of these properties or stocks. In 1932, he bought 625 hectares of rice land in Arayat, Pampanga which he developed as a demonstration farm for his concept of social justice. On the farm, he had built a chapel, a hospital, schoolhouse and playgrounds for the tenants. The farm was later subdivided and given to his 150 tenants.[96] He also gave away to homesteaders 2,000 hectares (and later the remaining 1,000 hectares) of land in Baler which belonged to his late father "through occupation, under Spanish laws and which he never was able to cultivate."[97]

Quezon counted on his close friends from the business sector not only to finance his political campaigns, especially his lobbying in the US Congress for Philippine independence, but also to help him run the Commonwealth

Government. Having been exposed only to the demands and intricacies of the lawmaking process, he obviously recognized the importance of having capable and trusted Cabinet members, presidential assistants and advisers.[98] For the first six months of his presidency, Quezon kept intact the Cabinet which he inherited from Governor-General Murphy as he "knew them all intimately and had for years been working with them on the Council of State."[99]

Quezon also retained the services of several friends whom he had appointed in 1935, shortly before the establishment of the Commonwealth, as members of a Senate committee to advise the government in matters affecting its finances and the country's economic development.[100] These friends were Vicente Singson Encarnacion, Miguel Unson, Wenceslao Trinidad, Jose Campos, Francisco Ortigas, Joaquin Miguel Elizalde, Ramon Fernandez, Vicente Madrigal, Leopoldo R. Aguinaldo, Rafael Alunan, Ramon Soriano, Arsenio Luz and Alejandro Roces, Sr. In 1936, he appointed several of them —Elizalde, Fernandez, Trinidad, Madrigal, Soriano and Francisco Varona to become members of the National Economic Council.[101] Much later he appointed other friends to become members of NEC, notably Rafael Alunan and Encarnacion.

As could be expected, Quezon appointed to his Cabinet in 1936, trusted friends and political allies. Some of the Cabinet members had other concurrent appointments. Jorge Vargas was made Secretary to the President and was also a member of the Board of Directors of PNB and Administrator of the Domestic Sugar Administration. Antonio de las Alas was Secretary of Finance[102] and concurrently Chairman of the NEC, Chairman of the Board of Directors of NDC and Chairman of the Board of Trustees of the Philippine Charity Sweeptakes. Jose Yulo was Secretary of Justice, Chairman of the PNB Board of Directors and of the Anti-Usury Board. Eulogio Rodriguez was appointed Secretary of Agriculture and Commerce, Chairman of the Board of Governors of the National Produce Exchange, Member of the Board of Directors of the NDC and the PNB and also President of the Board of Directors of Cebu Portland Cement. Vice-President Sergio Osmeña was appointed Secretary of Public Instruction; Elpidio Quirino was Secretary of Interior and Chairman of the Radio Board; and Ramon Torres became Secretary of Labor.

Aside from those whom he named to become members of NEC, Quezon appointed other business friends to important positions, particularly membership in Boards of Directors or Governors of government corporations. He made Miguel Unson Chairman of the Government Survey Board with Wenceslao Trinidad and Jose Paez as members. The Government Survey Board was entrusted with the task of studying the organization of the

Executive Branch and recommending changes to make it more efficient and economical. Paez was also made Chairman of the Board of Directors of the Manila Hotel Co. with Rafael Alunan, Tomas Earnshaw, Arsenio Luz and Benito Razon as Board members, among others. Alunan was subsequently persuaded by Quezon in 1937 to give up his lucrative position as President of the powerful Philippine Sugar Association and accept the position of Sugar Administrator.[103] Subsequently, Alunan was made Secretary of Agriculture and Commerce and later Secretary of the Interior.

Other friends appointed by Quezon to serve in key positions were Victor Buencamino[104] who was made member of the PNB Board of Directors, member of the Board of Governors of the National Produce Exchange and member of the Board and Manager of the National Rice and Corn Corporation; Manila Mayor Juan Posadas was also made a member of the Board of Directors of PNB and NDC; and Leopoldo R. Aguinaldo was made a member of the Board of Trustees of the Philippine Charity Sweepstakes.

Quezon's business friends whom he appointed in the Commonwealth government provided him with their ideas and technical advice for his economic policies and programs. Joaquin Miguel Elizalde seems to have been his critic on the economic aspects of his Acceptance Speech when he was nominated as Coalition NP candidate for the Presidency of the Commonwealth.[105] It was Elizalde who, as President of the NDC, recommended to Governor General Frank Murphy in 1935 the establishment of a cotton plant in the country, and later, to President Quezon, the creation of a Rice Stabilization and Control Corporation as a subsidiary of NDC to respond to the recurring problem of rice and corn shortage in the country.[106] Elizalde strongly recommended that the rice corporation be operated strictly on a business basis. This recommendation appears to have been the basis for the creation of the National Rice and Corn Corporation in 1936. Elizalde's knowledge of economics and familiarity with Philippine conditions and problems made him Quezon's logical choice to succeed Quintin Paredes as Philippine Resident Commissioner in the United States during the latter part of the Quezon administration. He was also made a member of the Philippine panel appointed by Quezon in 1937 to the Joint Preparatory Committee which was to discuss the future of trade relations with the United States after Independence.[107]

Tomas Earnshaw was another business friend who served as Quezon's economic adviser. As manager of the NDC in 1935, he had urged the study and exploitation of petroleum deposits in the Philippines.[108] By 1938, the NDC had several ongoing studies, in collaboration with other government agencies, of industrial projects and surveys of natural resource such as the Malangas Coal Mines and Surigao Iron Ore Reservations. Among the indus-

trial projects studied were the possibility of manufacturing asbestos-clay shingles; possible use of city and agricultural waste in the manufacture of paper; the possibility of using low grade and abaca waste for rayon pulp and a proposal for a national fiber corporation. The NDC also authorized the Manila Railroad Co. to undertake studies on the development of Mindanao, particularly the possibility of establishing railroad lines in the island and harnessing the water power from Lake Lanao and its rivers to produce electric energy for the area.[109]

Of particular concern to the Quezon government was the future of Philippine trade relations with the United States. The Tydings-McDuffie Act had provided for a gradual imposition of tariffs on Philippine exports (in excess of a fixed duty-free quota) to the United States beginning with five percent during the sixth year of the transition period. This would increase by five percent each year and at the end of the tenth year, the tariffs would jump from 25 to 100 percent. Many businessmen felt that this abrupt change would have adverse effects if not totally wipe out any gains made in agricultural production and industrialization since the country had become heavily dependent on the United States as its market.[110] This dependence was a result of unlimited free trade since the enactment of the Underwood-Simmons Act of 1913. In 1932, for example, 99.9 percent of the country's total sugar exports, 45.3 percent of copra, 94.1 percent of the coconut oil and 64.8 percent of tobacco exports, went to the United States.[111] Sugar exports were especially critical since its total volume accounted for the country's overall positive balance of trade in 1932 despite a "precipitate decline" in prices for the four leading exports—sugar, coconut oil, abaca and copra.[112] In preparation for Independence, the Quezon government therefore, lobbied in the United States Congress for more mutually beneficial trade relations.

In April 1937, the Joint Preparatory Committee on Philippine Affairs composed of Filipinos and Americans was convened to study the US Tariff Committee Report and review the trade provisions of the Tydings-McDuffie Act. President Quezon appointed to the Committee some of his close friends and advisers from the sugar sector such as J.M. Elizalde, Benito Razon, Manuel Roxas, Jose Romero and Resident Commissioner Quintin Paredes. Jose Yulo, who was then Secretary of Justice and also identifed with the sugar interests, was made chairman of the Philippine panel. Conrado Benitez, a UP professor and another close friend of Quezon was the panel's technical adviser.[113] During the same year, an International Sugar Conference was held in London and Quezon named other friends from the sugar sector to the Philippine Panel of the U.S. delegation—Rafael Alunan, Felipe Buencamino (who was also Chairman of the Committee on Agriculture in the National Assembly) and J.M. Elizalde.[114]

There were other close friends whom Quezon relied upon for help in policy-making and implementation in the Commonwealth Government. For example, in the selection, planning and development of a new national capital in 1939, Alejandro Roces Sr. was instrumental in negotiating for the government acquisition of 1,572 hectares of the Tuason estate which became the nucleus of what is now Quezon City. Tuason also donated 493 hectares in Diliman to become the present site of the University of the Philippines.[115] Quezon later appointed Roces as a Quezon City councillor. The latter is said to have been personally involved in planning and supervising public works construction in the new city.[116]

Tomas Morato, Quezon's close friend from Tayabas was appointed as mayor of Quezon City; Public Works Director Vicente Fragante, another provincemate was vice-mayor; and Manuel Diaz, a retired employee of Sta. Clara Lumber Company (which was owned by Morato) became City Engineer. Pio Pedrosa, an assistant in the Office of the President was appointed City Treasurer. The rest of the appointed officers were all close friends of Quezon some of whom held concurrent appointments in the national government. One of the problems encountered during this time was the issue of just compensation for private lands expropriated by the city government for road building and urban development. President Quezon's strong influence in the National Assembly, through then Speaker Jose Yulo, facilitated the enactment of a law (which is still in force today) to solve this problem, i.e.: "in expropriation proceedings the assessed valuation of property shall be prima facie evidence of its commercial value."[117]

The above discussion shows only a few example of Quezon's friends and how he made them help him in running the affairs of the Commonwealth government. Undoubtedly, there must be more cases showing how Quezon tapped other friends and supporters and more research needs to be done to discover these. For the moment, one can generalize from available evidence that Quezon's leadership qualities attracted the support and loyalty of numerous individuals who shared his interests and vision for an independent Republic.

It appears that Quezon was adept at rewarding loyal political supporters and dedicated public servants as well as punishing recalcitrant or erring colleagues and subordinates. Several cases illustrate this point. For example, Quezon was instrumental in the rise to political prominence of Manuel A. Roxas, Quintin Paredes and Elpidio Quirino. However, when these individuals gave priority to their personal ambitions over Quezon's political plans for them, the latter used his influence to thwart these ambitions and make them behave accordingly.[118] In this way, Quezon was able to assert his leadership and influence among his followers. But once Quezon felt that he

had made his point, he was quick to restore his erring friends to their proper positions and thus continue to harness their expertise and talents for public service.

In the case of friends in public office who were accused of malfeasance, misfeasance, graft and corruption, Quezon seemed to have been consistently unforgiving. Whenever his own secret investigation of complaints against these friends showed a strong evidence of guilt, he usually asked them to resign and face prosecution. He seemed to have applied the requirement of integrity and honesty even to his close political supporters.[119] On the other hand, Quezon appeared to have been generous in rewarding officials who performed their duties conscientiously and in accordance with the law, even when they seemed to act against the wishes of the President, with public commendation or promotion.[120]

Quezon seemed to have similarly treated his close friends from the business sector. For example, it was well known at that time that the shoe magnate, Don Toribio Teodoro, got a contract to supply the entire Philippine Army with shoes because he generously financed one of Quezon's trip.[121] This research has not come across any concrete evidence from documents or historical accounts it has examined that Quezon favored or unduly used his authority to secure franchises or government contracts for his business friends during the Commonwealth era. There is some hint that he did use some of his influence to intercede on friends' behalf when he was still Senate President.[122] But one close observer of the Commonwealth era made the following assessment:

> To those willing to follow his leadership, Quezon was an indulgent dispenser of patronage. In the National Assembly, his henchmen occupied all committee chairmanships. Appointments to the executive and judicial branches were given as rewards. Now that the head of the government was a Filipino, the matter of appointment rested entirely in his hands and those of his ministers. Did some legislator or official want to go on a trip around the world? If he was a dutiful party member, all he had to do was ask and it was granted. Did some businessman need a franchise or a substantial loan? His Congressman could get it for him from the proper government office or from the Philippine National Bank. But come election time a "contribution" to party coffers was expected. The use of the "pork barrel" as a fount of largesse and a source of political power became entrenched during Quezon's leadership, and so adroitly did he use it that much of his hold on politicos and *caciques* of his era stemmed from this means.[123]

Although Quezon allegedly accepted contributions from his wealthy business friends and closely relied on some of them for advice on economic matters, he was never servile in his relations with them. As he had publicly

made clear to his supporters when he was elected President: "This victory makes me a debtor to no particular group or individual. . . ."[124] and he seemed to have maintained his independent judgment in decision-making. For example, one closer observer of the Commonwealth government in exile had this to say about Quezon's relations with Resident Commissioner Joaquin Miguel Elizalde:

> The President . . . was clearly the head of the government, and no important decision or action could be taken without his personal participation. The Commissioner found it difficult to hide his irritation, but in his relations with President Quezon he remained meek and willing. No one could ever imply that Quezon was subservient to the Elizalde millions. If anything, the Elizalde millions were subservient to the President of the Philippines . . . .[125]

It seemed that Quezon's administration helped to make his business friends and supporters expand their economic interests. With loans from the PNB, they were able to gradually take over some of the American and other foreign-owned business, particularly in the sugar sector. Nonetheless, there seemed to be consensus among observers of the Commonwealth years that Quezon did not use his position to enrich himself. In July 1933, former Interior Secretary Honorio Ventura accused Quezon of having amassed ill-gotten wealth. The latter readily refuted the charge on the Senate floor by enumerating his assets and how he acquired them. Quezon also assured those interested in verifying his claims that they could get a handwritten letter from him authorizing his bank and other government offices to open the records of his accounts and properties.[126]

In summary, Quezon's friends and supporters came from the political and economic elite of the time. Their friendships had developed over many decades. They represented the dominant business interests—sugar, rice, lumber, transportation, real estate, manufacturing, banking and finance. Quezon's business supporters included foreigners as these occupied an influential role in the predominantly agricultural, export-import economy. They were the principal capitalists and as such enjoyed the benefits of government policies, service and programs which were designed to stimulate economic development. Hence, they were only too willing to support Quezon financially.

Quezon relied on his friends not only for financial support but also for advice on economic and technical matters and assistance in policy-making and implementation. Those who served him loyally in government were rewarded with appropriate public recognition, prestige and the honor of working closely with a respected leader. Those who remained in business undoubtedly reaped the consequences of an environment of economic stability and increasing opportunities for investments. Filipino businessmen were particularly aided by the promotion of policies to foster national economic pro-

tectionism, such as the nationalization of the retail trade, government assistance in scientific research for the development of local industries and diversification of agriculture.

Concluding Observations and Agenda for Further Research

Quezon's views on economic development were translated into policies and programs with the help of his loyal friends and supporters whom he had tapped for government service. The immediate impact of these policies and programs may be seen in the state of the economy during the period from 1936 to 1941. On the whole, the Quezon administration was able to achieve a measure of economic stability despite the economic depression that was then affecting the world economy. However, the economic gains made were rather uneven.

In the field of agriculture, there was a general increase in the volume of major exports. This resulted in a commercial boom from 1936 to 1937. However, this was followed by declining export earnings from 1938-1941 as a result of depressed world prices despite increasing volume of exports. The abaca industry was hardest hit with prices decreasing from ₱130.96 per ton in 1936 to ₱78.92 per ton in 1939.[127] Consequently, the area planted to abaca was drastically reduced and thousands of workers dependent on the industry became unemployed.

The economic depression did not affect the mining industry. Throughout the period of 1936 to 1941, there was a rise in productivity as well as in value of exports of gold, silver, copper, chromite and iron ore. There was also growth in the logging and lumber industry. From 1937 to 1939, the number of machine-dogging operation increased from 9 to 15. The number of sawmills likewise increased from 124 in 1936 to 148 in 1940. The Commonwealth government controlled both the mining and lumber trades with 100 percent government ownership over all mineral resources and 97.5 percent government ownership of all commercial forests.[128]

From 1936 to 1941, the major Philippine exports continued to be sugar, coconut products, abaca and cordage, tobacco products, lumber and timber, mineral products, embroideries, pearl buttons and others. During the same period, the country imported iron and steel, cotton goods, mineral oils, automobiles and accessories, tobacco products, paper products, wheat flour, dairy products, chemicals and drugs, electric instruments and appliances, and other items. While foreign trade with all countries exhibited surpluses from 1936 to 1937 amounting to $77,241,000, there were trade deficits from 1938 to 1940 amounting to $35,995,000.[129]

On the domestic front, increased government assistance to agriculture and industry, through the provision of credit and marketing facilities, scientific research and technical extension services, contributed to rising production and stabilizing prices for basic commodities. There was an increase in the number of manufacturing establishments which totaled 139,986 in 1938 with a capital investment of ₱338,000,000.[130] The growth of local manufacturing establishments was undoubtedly aided by the nation-wide campaign launched by the NEPA to promote its "buy Filipino" program. This campaign was supported by the Bureau of Commerce which sponsored an annual celebration of Made-in-the-Philippines Products Week.[131]

But despite the gains made in agricultural and industrial productivity and increased domestic trade and in spite of NEPA's campaign, foreign capital continued to dominate essential sectors of the economy. For example, in 1937, a survey of retail business made in 28 out of 49 provinces showed that Chinese investments comprised 43.4 percent; Filipinos, 29.4 percent; Americans, 8.9 percent; Japanese, 7.4 percent; Spaniards, 6.6 percent; and all others, 4.3 percent.[132] Of total capital invested in sugar centrals, 45 percent was owned by Filipinos, 30 percent by Americans and 25 percent by Spaniards.[133] In the coconut industry, Americans controlled about 47 percent of total investments in 1940.[134]

Progress during the Commonwealth was also evident in the growth of public utilities—land transportation, electric plants, ice plants, water systems and gas services. The Public Service Commission reported that investments in public utilities reached ₱249.7 million in 1938 compared to ₱86.6 million in 1928. Filipinos dominated in this area of investment accounting for 54.7 percent of the total, with Americans holding 43.6 percent, Spanish, 1.3 percent; and Chinese, Japanese and others, 0.4 percent.[135]

The Commonwealth government also accomplished a lot in public works and infrastructure projects. For example, there were 10,937.1 kilometers of national roads throughout the country in 1936. This had reached 13,102.9 km. by 1941. A total of 6,773 km. of all types of national and local roads were built during the period and 1,140.5 km. of railway lines from San Fernando, La Union to Legaspi, Albay. Other infrastructures built or improved upon were bridges, ports, irrigation systems, waterworks, postal, telegraph and radio stations, airports and schoolbuildings.[136] These contributed in facilitating trade and commerce and stimulating further business investments.

In other areas of economic and social policy, not much headway was made. For obvious reasons, such as the fact that many of his friends and supporters were from the landed class, Quezon could only proceed slowly with

agrarian reform. Expropriation of large landed estates by the government for distribution to landless tenants was also found to be expensive. Thus he opted for legislation to regulate tenancy relations and a program of resettlement and land colonization of less sparsely populated regions such as the Cagayan Valley and Mindanao.[137] The Commonwealth government's program to promote economic self-sufficiency, particularly in the manufacturing sector, was also adversely affected by the fact that under free trade relations, American manufactured goods could enter the country in unlimited quantities without tariff duties. Thus the Commonwealth government could not really protect infant industries in the country, and this resulted in their gradual decline.

It can be seen that Quezon's attempts at nation-building and economic development, through the promotion of national capital formation, Filipino entrepreneurship and self-sufficiency through industrialization had limited success. This was partly due to Quezon's inability to bring about far-reaching structural changes in the economy despite his forceful leadership. Quezon's prudence in pushing for agrarian reform legislation and social justice may be attributed to the fact that most of his friends and supporters would be adversely affected by such policies. The difficulties of building a domestic manufacturing sector, despite the support of his business friends and the use of government resources, through public enterprises, was due in large measure to the continuing free trade relations and ultimate American control over tariff and other economic policies. Whatever achievements had been made in Philippine economic development from 1936 to 1941 were wiped out by the Japanese occupation of the country from 1941 to 1945. Nonetheless, many of the economic ideas of Quezon's friends and the policies that they helped to formulate and implement have remained influential even after independence, for example, the concept of national economic planning, government enterprises such as NDC, NAPOCOR, MERALCO, MWSS, NCH, NARIC, etc. and their present counterparts; the nationalization of the retail trade and others.

As stated at the outset, the findings of this paper are at best tentative. More research has to be done to shed light on the development of Philippine national capitalism. Documentary data have to be looked at to find out precisely the extent of involvement of many of Quezon's friends in economic policy-making and implementation and how these affected their private business interests. Criticisms by some of Quezon's contemporaries that his economic policies unduly favored his friends and his own interests at the expense of the country must be looked into more closely.[138] More sources of information have to be examined to find out what special privileges or franchises were given to Quezon's supporters. Some documents have hinted at cases of interlocking directorates among Quezon's business friends.

These also need to be analyzed further and this will entail looking for more detailed biographical materials of Quezon's friends.

Endnotes

[1]In 1933, the Hare-Hawes-Cutting Act, with practically identical provisions as the Tydings-McDuffie Law, had been obtained by a Philippine Mission headed by Sergio Osmeña, Sr. and Manuel Roxas but this was rejected by the Philippine Legislature under the leadership of Quezon. For accounts on the politics surrounding the passage of the independence acts, see Carlos Quirino, *Quezon; Paladin of Philippine Freedom* (Manila: Filipiniana Book Guild, 1971), chaps. XIII & XIV; Joseph Ralston Hayden, *The Philippines: A Study in National Development* (New York: The Mcmillan Co., 1950), chap. XIV; Manuel Luis Quezon, *The Good Fight* (New York: D. Appleton-Century Co., 1946), chap. VII.

[2]Manuel L. Quezon, "Inaugural Address," in Pedro de la Llana and F.B. Icasiano, eds., *Quezon in His Speeches* (Manila: State Publishing Co., 1937), pp. 84-85.

[3]*Ibid.*, p. 88.

[4]See, for example, John F. Doherty, S.J., "Who Controls the Philippine Economy: Some Need Not Try As Hard As Others," Belinda A. Aquino, ed., *Cronies and Enemies: The Current Philippine Scene,* Philippine Studies Occasional Paper No. 5 (Honolulu, Hawaii: Philippine Studies Program, Center for Asian and Pacific Studies, 1982), pp. 7-35.

[5]Quirino, *op. cit.*, pp. 296-301.

[6]Renato Constantino, *The Philippines: A Past Revisited* (Quezon City: Tala Publishing Services, 1975), pp. 296-297.

[7]The figures are from A.V.H. Hartendorp, *History of Industry and Trade of the Philippines* (Manila: American Chamber of Commerce of the Philippines, 1958), p. 28, cited in *ibid.*, p. 301.

[8]*Ibid.*

[9]The rest of the imports during the period 1937 to 1940 came from Asia (17.8 percent) with about half of this (8.5 percent) from Japan; from Western Europe (9.9 percent); Canada, Australia and the rest of the world (3.5 percent). As to exports, during the same period, 10.2 percent of the total went to Asia of which two thirds (6.7 percent) went to Japan; 9.5 percent went to Europe and 1.9 percent to the rest of the world. See Frank H. Golay, *The Philippines: Public Policy and National Economic Development* (Ithaca: Cornell University Press, 1961), Tables 11 and 12, pp. 48-49.

[10]R.S. Milne, ed., *Planning for Progress; the Administration of Economic Planning in the Philippines* (Manila: Institute of Public Administration and Institute of Economic Development and Research, University of the Philippines, 1960), Table XV, p. 229.

[11]*Ibid.*, Table XIV, p. 227.

[12]"Sugar Centrals in the Philippines," *American Chamber of Commerce Journal* (January 1922), pp. 30-31, cited in Constantino, *op. cit.*, p. 301.

[13] A.V.H. Hartendorp, *Short Story of Industry and Trade in the Philippines: From Pre-Spanish Times to the End of the Roxas Administration* (Manila: American Chamber of Commerce of the Philippines, Inc., 1953), p. 25.

[14] *Ibid.*, p. 26.

[15] *Ibid.*, p. 27.

[16] For some excerpts, see Constantino, *op. cit.*, pp. 303-305.

[17] *Ibid.*, p. 305.

[18] James A. Storer and Teresita L. de Guzman, "Philippine Economic Planning and Progress 1945-1960," in Milne, *op. cit.*, p. 6. The Census of 1939 indicated that 4,451,000 (73 percent) of the total labor force of 6,108,000 were engaged in agricultural occupations. See *ibid.*, p. 205.

[19] *Ibid.*, p. 6.

[20] *Ibid.*, p. 7.

[21] The Philippine average yield rates in 1934-38 for corn was 610 kg./hectare; for sweet potatoes, 240 kg./hectare; and tobacco, 520 kg./hectare. The corresponding average yields for Asia were 910 kg./hectare, 790 kg./hectare and 970 kg./hectare. See Golay, *op. cit.*, Table 3, p. 37.

[22] See Constantino, *op. cit.*, pp. 297-300.

[23] On the gap between the elite and the masses in 1938, see Hayden, *op. cit.*, pp. 22-26.

[24] For details on these uprisings, see Constantino, *op. cit.*, chap. XVII.

[25] Quezon, *The Good Fight, op. cit.*, p. 108.

[26] *Ibid.*, p. 142.

[27] Quezon, "Acceptance Speech," delivered on July 20, 1935, in de la Llana and Icasiano, eds., *op. cit.*, p. 56.

[28] *Ibid.*, pp. 58-59.

[29] *Ibid.*, p. 57.

[30] *Ibid.*, pp. 59-60.

[31] *Ibid.*, p. 52. A year later, on the occasion of his birthday (August 1936), Quezon delivered a speech in which he reiterated: "the best foundation of peace is not that which is built on fear; it is that which is the result of justice and contentment. No subversive doctrine can thrive here if our working class is treated justly and every laborer is given that which is his due. It is the guarantee for the preservation of our government and our nation." (See *Ibid.*, p. 129).

[32] *Ibid.*, p. 54.

[33] Quezon, "Inaugural Address," in *ibid.*, p. 87.

[34] Quezon, Address delivered at the Malacañang Grounds during the First Anniversary of the Commonwealth, November 15, 1936, in *White Book of the Commonwealth of the Philippines* (Manila: Bureau of Printing, 1937), p. 13.

[35] Quezon, "Message to the National Assembly," July 16, 1936, in *ibid.*, pp. 83-85; *The Good Fight, op cit.*, p. 171.

[36] Quezon, "The National Economic Council," Address delivered in the Assembly Hall, December 13, 1935 in de la Llana and Icasiano, *op. cit.*, p. 114.

[37] Quezon, "Acceptance Speech," in *ibid.*, p. 48.

[38] *Ibid.*, pp. 48-49.

[39] Quezon, "The National Economic Council," *op. cit.*, pp. 116-117.

[40] Manuel L. Quezon, address delivered at the inauguration of the building of the Chamber of Commerce of the Philippines, July 29, 1938, reprinted in Hartendorp, *op. cit.*, pp. 46-47.

[41] Quezon, quoted in *ibid.*, p. 48.

[42] *Ibid.*

[43] Hayden (in *op.cit.*, p. 68-69) observed:

> President Quezon has supervised and controlled the law-making process by the political power which is his as the leader of the omnipotent majority party in the National Assembly, and by the other extra-legal methods by which the doctrine of the separation of powers is made workable in every government in which it exists, as well as by the exercise of his constitutional prerogatives . . . Especially during the early days of the Commonwealth, the presidential direction of the legislative machine was perfectly open and undisguised. When he submitted his initial program of some twenty "must" bills to the first special session of the National Assembly, which was called ten days after the inauguration of the new government, President Quezon set up an office in the Legislative Palace and went there personally to see his bills through . . . . Typically, President Quezon chose the direct, informal, result-getting method. . . .

[44] Commonwealth Act No. 2 December 23, 1935. The creation of the NEC had earlier been proposed during the Constitutional Convention of 1934-35 by Miguel Cuaderno, the delegate from Bataan. The proposal, however, did not get enough support. Cuaderno justified the creation of NEC as a constitutional body by citing several countries—Poland, Yugoslavia, Germany and Spain, which had similar bodies entrusted with directing social and economic legislation. For a complete text of Cuaderno's proposal, see Series VII, Subject File 1926-1939, National Development Co., Cebu Portland Cement Co., National Economic Council, *Quezon Papers*, Rare Books and Manuscripts Division, Filipiniana Section, National Library.

[45] *Ibid.* See also, Quezon, "Creation of Our National Economic Council," speech delivered in the Assembly Hall, Legislative Bldg., December 18, 1935 in de la Llana and Icasiano, *op. cit.*, pp. 111-120.

[46] Executive Order No. 17, 1936, in *Executive Orders Issued by President Manuel L. Quezon,* Vol. I, 1935-1937.

[47] Constitution of the Philippines (1935), Art. XIII, Sec. 6.

[48] See Francis Burton Harrison, *The Corner-Stone of Philippine Independence: A Narrative of Seven Years* (New York: The Century Co., 1922), Chap. XVII.

[49] Commonwealth Act No. 182, November 13, 1936.

[50] See Rolando M. Gripaldo, "Manuel Luis Quezon: His Political and Social Thought" (Unpublished Ph.D. Dissertation, Philippine Studies Program, University of the Philippines, October 1984), p. 283.

[51] Executive Order No. 45 July 6, 1936.

[52] Executive Order No. 55, September 25, 1936.

[53] Gripaldo, *op.cit.*, p. 283.

[54] Commonwealth Act No. 7, December 31, 1936, as amended by CA No. 109, October 30, 1936; CA No. 391, September 5, 1938.

[55] Commonwealth Act No. 83, October 26, 1936.

[56] Executive Order No., 157, August 17, 1938.

[57] The Sugar industry had been as it is still now, vulnerable to fluctuations in demand and prices in the world market. During the first two decades of the American regime, free trade and rising prices for sugar led to increased production and with loans from the Philippine National Bank, the sugar industry was modernized with the establishment of new sugar centrals. Towards the end of the 1920s, sugar prices went down and planters had difficulty paying back their PNB loans and the people, especially in Negros, suffered from the financial crisis. See Letter of A.E. Ramos, Provincial Governor of Bacolod (?), April 1929 in Series VII, Subject File, 1929, Sugar Trade, *Quezon Papers, op. cit.* Documents in this whole subject file give a lot of insights into the economic trends of the sugar trade and its influence on Philippine politics.

[58] Executive Order No. 283, June 22, 1940.

[59] Executive Order No. 127, November 9, 1937.

[60] Commonwealth Act No. 136, November 7, 1936.

[61] See Gripaldo, *op. cit.*, pp. 275-279.

[62] See, for example, "Memorandum on Research and Patents by Victor Clark," (undated) in Series VII, Subject File, 1926-1937, National Development Co., Cebu Portland Cement Co., National Economic Council, 1936, *Quezon Papers, op. cit.*

[63]Commonwealth Act No. 118, November 3, 1936, created a special fund known as "Philippine Livestock Promotion Fund" for the development of Philippine livestock industry through the introduction, propagation and distribution of pure bred and improved breeding animals, etc., CA No. 340, June 21, 1938, created an Animal Utilization Service in the Bureau of Animal Industry and CA No. 450, in 1939, provided for the establishment and maintenance of breeding stations and stock farms for livestock.

[64]For example, Commonwealth Act 134, November 7, 1936, appropriated ₱50,000 for the control and eradication of foot and mouth disease and other contagious animal diseases threatening the livestock industry.

[65]The National Rice and Corn Corporation was organized in 1936 as a subsidiary of NDC for the stabilization of supply and prices of rice and corn. Similarly, Commonwealth Act No. 147 was enacted on November 7, 1936 to stabilize the prices of buntal fibers and appropriated ₱500,000 for the purchases of the fiber in excess of domestic demands.

[66]Commonwealth Act No. 289, June 9, 1938, provided a fixed unit of weight in the trading at wholesale and retail of unfermented leaf tobacco, CA 617, June 4, 1941, provided for uniform units of volume or weight in the trading of rice and palay.

[67]Commonwealth Act Nos. 50 (October 14, 1936) and 95 (October 27, 1936) directed the Secretary of Agriculture and Commerce, the Philippine National Bank and NDC to establish, operate and maintain warehouses for copra, tobacco, and other marketable products. In 1938, a National Warehousing Corporation was established as a subsidiary of NDC and Commonwealth Act No. 192 created a public corporation known as the National Produce Exchange.

[68]Commonwealth Act. No. 7, December 31, 1936, created a National Loan and Investment Board and Commonwealth Act No. 459, June 9, 1939, created an Agricultural and Industrial Bank.

[69]Commonwealth Act No. 138, November 7, 1936.

[70]The NEPA actually grew out of a standing committee of the Chamber of Commerce of the Philippine Islands. Its membership was open to Filipino citizens, associations, corporations or establishments "domiciled in the Philippines and manufacturing or producing articles out of raw materials or materials made in the Philippines and/or engaged in the distribution of such articles which are known to be in sympathy with the protectionist move may become sustaining members of the Association." (Article V of NEPA By-Laws). See Eliseo Quirino, ed. *National Economic Protectionism Association Handbook* (Manila: NEPA Publication, 1938), pp. 15-21.

[71]See *White Book of the Commonwealth of the Philippines*, pp. 27-33.

[72]*Ibid.*

[73]Quezon, "The Nationalization of the Retail Trade," in Eulogio Rodriguez, ed. *Quezon: His Biographical Sketch, Messages and Speeches* (Manila, n.d.), pp. 270-282.

[74]Commonwealth Act No. 449, June 13, 1939.

[75]See, for example, Commonwealth Act Nos. 53 (October 17, 1936); 461 (June 9, 1939); 37 (October 17, 1930); 103 (October 29, 1936); 211 (November 21, 1936); 355 (August 22, 1938); 84 (October 26, 1936); 210 (November 20, 1936).

[76]Gripaldo, *op. cit.*, pp. 360-361.

[77]As Quezon declared "no man can govern alone. . . And in my particular case, I never wanted to govern alone, I always sought the advice and cooperation of others." Quezon, "Has Leadership No Concrete Plan? " speech delivered at the Philippine Columbian Association in 1935, in de la Llana and Icasiano, *op. cit.*, p. 76.

[78]Quezon was a member of several leading social clubs to which many of his business friends also belonged—the Manila Polo Club, Wack-Wack Golf Club, Club Carombola, Club Filipino, *Dalagang Bukid* Country Club and Los Tamaraws Polo Club. See documents in Boxes Nos. 7 (1925); 10 (1926-27); 21 (1930); 24 (1930); Financial Records (Personal). *Quezon Papers, op. cit.*

[79]See, for example, Quezon, *The Good Fight,* pp. 26-27, 83-88; Quirino, *Quezon: Paladin of Philippine Freedom,* pp. 173, 245-255 and *passim.*; Sol H. Gwekoh, *Manuel L. Quezon: His Life and Career* (Manila: University Publishing Co., Inc., 1948), pp. 131-142; Juan Rivera, *Quezon Thoughts and Anecdotes About Him and His Fights* (Quezon City: Kayumanggi Press, 1979), pp. 82-83; 296-302 and *passim.*

[80]Interviews with Atty. Tomas Barnes, Manila (August 31, 1985); Mr. Manuel Morato Quezon City (August 31, 1985); Mr. Hilarion Henares, Jr., Pasay City (September 2, 1985); Mr. Miguel Unson, Jr., Metro Manila (September 9, 1985); Dr. Arturo B. Rotor, Makati (September 16, 1985); Prof. Armando J. Malay, Quezon City (September 18, 1985).

[81]Quezon, *The Good Fight, op. cit.* Sumulong, of course, was not exactly a friend nor supporter as he was a prominent member of the Partido Federalista and later the Partido Democrata.

[82]Gwekoh, *op. cit.*, p. 133. According to Sergio H. Mistica, former Health-Aide to Quezon (in Rivera, *op. cit.*, p. 110): "President Quezon had many friends but few enjoyed special privileges like those accorded to Mr. Tomas Morato, Col. Manuel Nieto, Don Felipe Buencamino, Jr. and the late Jorge Araneta. They could see the President anytime they wanted to, go to his room or office without the necessity of their presence being announced or waiting for their turn. . ."

[83]Quezon, *The Good Fight, op. cit.* p. 85.

[84]Quezon, in "An Autobiography," (reprinted as an Appendix in Isabelo P. Caballero and M. de Gracia Concepcion, *Quezon: The Story of A Nation and Its Foremeost Statesman* (Manila: The International Publishers, 1935), pp. 396-497), related that the other partner in the transaction, involving the Magdalena Estate, Inc. headed by K.H. Hemady, was Phil C. Whitaker, Tomas Earnshaw, another close friend, guaranteed Quezon loan for ₱100,000 from the Philippine National Bank which enabled the latter to take advantage of Ortigas' business offer. Quezon said: "The business was a success, I paid my debt to the bank and from what I made of this transaction, I have been acquiring other properties. . . . When I need money, I borrow it or sell some property of mine. . ."

See also Box No. 9 (September 1-20, 1926), Financial Records (Personal) *Quezon Papers, op. cit.*

[85]Interviews with Mr. Manuel Morato, Quezon City, August 31, 1985, and Atty. Tomas Barnes, Manila August 31, 1985.

[86]See Pio Pedrosa, "The Beginnings of Quezon City," in Rivera, *op cit.*, pp. 292-304.

[87]Quirino, *Quezon: Paladin of Philippine Freedom,* pp. 99, 299; see also brief biographies of these persons in M.R. Cornejo, ed. *Commonwealth Directory of the Philippines,* 1939.

[88]Gwekoh, *op cit.*, pp. 131-133; Cornejo, *op. cit.*

[89]This can be seen in Quezon's personal letters and records, for example, S1B6-F40, S1B9F68 and S1B13F98 of Family Correspondence (1925 and 1929); Box Nos. 7 (1925) 10 (1926), 13-17 (1927 to 1929), 19 (1929), 24-26 (1930-1931), Financial Records (Personal), *Quezon Papers, op. cit.*

[90]See series VII, Subject File 1930-1933, Sugar Trade, *Quezon Papers, op. cit.*

[91]On Quezon's close friendship with Araneta see footnote No. 82 of this paper. Gwekoh (*op. cit.*, p. 135) says: "Another friend whose passing he greatly lamented was Jorge L. Araneta, Manila and Negros financier. Upon learning of his demise, Quezon came down from Baguio to call at the Araneta home in Manila, then wrote the widow a letter of condolence in which he described him as 'my dearest friend and one of my most loyal and disinterested supporters.'"

[92]Roces, publisher of the *Tribune, La Vanguardia and Taliba* seemed to be Quezon's favorite fishing companion as shown by the following account ("Glimpses of Fiery Yet Tender-Hearted Quezon," *Quezon Souvenir* (Manila: S.H. Gwekoh, 1965), V. 1, p. 7):

> On week-ends Quezon went for a brief cruise on the *Casiana* and friends noticed that he was always taking along Don Alejandro Roces, Sr. of TVT.
>
> Quezon's explanation: "As long as the old man is clever at fishing and catches first the fish I am fond of, I always look forward to relishing his catch."

[93]Quirino, *Quezon: Paladin of Philippine Freddom,* pp. 298-299. These names appear in various files of the *Quezon Papers,* e.g. Family Correspondence (a list of those who sent flowers and gifts to Mrs. Quezon and who were sent "Thank you" letters), financial records (personal), etc.

[94]Quirino, *Quezon: Paladin of Philippine Freedom, op cit.* pp. 172-173. The Insular Auditor's suspension of disbursements from the appropriations for the Independence Mission took place during the term of Gov. Gen. Leonard Wood and the reason given was the alleged abuses by legislative officials, i.e., the trips became round-the-world junkets where they even brought their wives and families with them at government expense, with per diems of $50 to $100. Quirino claims that Quezon never approached nor asked his business friends directly for contributions. Another friend, Benito Razon, served as his confidential assistant and contact with businessmen to solicit their contributions. *Ibid.*, pp. 297-298.

[95]These were enumerated by Quezon in his "Autobiography" in Caballero and Concepcion, *op cit.*, pp. 497-498 and Quirino, *Quezon: Paladin of Philippine Freedom,*

pp. 217-218. Records of Quezon's properties, stocks and business transactions can be seen in Box Nos. 6 (October 7-22, 1925); 9 (September 1-20, 1926); 10 (October 1-20. 1926); 13 (August 12-30, 1927); 14 (December 1927); 19 to 21 (April 1930); 24 to 25 (August to October 1930); Financial Records (Personal), *Quezon Papers, op. cit.*

[96]Serapio Canceran, "Kaleidan Farm: Quezon's Testing Ground for His Social Justice Program" in Rivera, *op. cit.*, pp. 283-286; Quezon, *The Good Fight*, pp. 185. Gripaldo, *op. cit.*, pp. 308-309, discusses the terms laid down by Quezon in his relations with his tenants.

[97]Quezon, "Autobiography," in Caballero and Concepcion, *op. cit.*, p. 497; Luis Serrano, "Quezon as Few Knew Him," Rivera, *op. cit.*, pp. 247-248.

[98]As Quezon admitted: "I was somewhat oppressed at first by the new duties as an executive, For the past thirty years I had been mostly in legislative life, and I hated to be tied down to executive office hours and other restrictions. I had made a great many speeches in the Senate and now I was going in for action—not talk. From the point of view of the Executive chair, I began to see more clearly the difficulties of putting into effect some of the measure I had championed so ardently in the Senate. Nevertheless, I was determined that in three years' time I should have a model government in the Philippines." (in *The Good Fight, op. cit.*, p. 165).

[99]*Ibid.*, p. 164.

[100]"See Series VII, Subject File, 1933-35, Philippine Legislature, Senate, October-November 1935, *Quezon Papers, op. cit.*

[101]Executive Order No. 17, 1936.

[102]Quezon originally announced that Manuel A. Roxas would be Finance Secretary but when the latter vacillated in accepting the offer, de las Alas became Secretary of Finance. Roxas returned to his private law practice but after a couple of years, Quezon recalled him and was made Secretary of Finance. See Quirino, *Quezon: Paladin of Philippine Freedom, op. cit.*, 289-291.

[103]He was reputedly receiving a salary of ₱50,000 a year as President of the Philippine Sugar Association. See Gwekoh, *Manuel L. Quezon. . . .*, pp. 135-136.

[104]Buencamino, a veterinarian by profession and a career bureaucrat, was Quezon's partner in a cattle ranch business in 1922. See S1B640. Family Correspondence, January 1-16, 1922. *Quezon Papers, op. cit.*

[105]See letter of J.M. Elizalde (1935) in Series VII, Subject File, 1926-1939, National Development Co., Cebu Portland Cement Co. and National Economic Council, *Quezon Papers,* National Library.

[106]See undated letter of J.M. Elizalde, the Pres. of the National Development Co. to Frank Murphy, Governor General (1935) and Memorandum for the President of the Philippines from J.M. Elizalde, the Pres. of the NDC (1936) in *ibid.*

[107]Quirino, *Quezon: Paladin of Philippine Freedom, op. cit.*, pp. 288, 351-353.

[108]See letter of Tomas Earnshaw, Manager of the National Development Co. to Mr. Anastacio Quevedo of the Bureau of Mines (1935) and letter of Mr. Quevedo to Mr. Earnshaw (1935) in Series VII, Subject File, 1926-1939, National Development Co., Cebu Portland Cement Co., and National Economic Council, *Quezon Papers, op. cit.*

[109]*Quezon Papers, ibid.*

[110]Hartendorp, *op. cit.*, pp. 39-40.

[111]Pedro E. Abelarde, *American Tariff Policy Towards the Philippines; 1898-1946* (Morningside Heights, New York: King's Crown Press, 1947).

[112]*Ibid.*, p. 133.

[113]Jose E. Romero, *Not So Long Ago; A Chronicle of My Life, Times and Contemporaries* (Manila: Alemar-Phoenix Publishing House, Inc., 1979), p. 97.

[114]See cablegrams and memoranda on the subject in Series VII, Subject File, 1935-1939, Sugar Trade, *Quezon Papers, op. cit.*

[115]Celso Al. Carunungan, "Quezon and the City of His Dream," in Rivera, *op. cit.*, p. 287.

[116]Pedrosa, *op. cit.*, pp. 292-304.

[117]*Ibid.*, p. 299. The law was Commonwealth Act No. 520, 1939.

[118]For details about these cases, see footnote No. 104 of this paper and Quirino, *Quezon: Paladin of Philippine Freedom, op. cit.*, pp. 289-297.

[119]Quirino, in *ibid.*, p. 303, narrates one such case:

> Quezon wanted to set the example of an upright chief executive to the extent of ordering one of his former private secretaries and a good party man to go to the United States to face prosecution for swindling in the sale of railway bonds, even though it meant a jail term and the end of the man's public career. "Don't help or intercede for him in any way," warned Quezon in a cablegram to Resident Commissioner Paredes. The Asemblyman was found guilty and entered Leavenworth penitentiary for a couple of years.

For other examples of officials with similar fate, see Rodrigo C. Lim, "How Quezon Handled Government Crooks," and "Quezon and the Judiciary," in Rivera, *op. cit.*, pp. 385-396.

[120]See, for example, Roman Ozaeta, "Manuel Luis Quezon: A Personal Appraisal," in Rivera, *op. cit.*, pp. 74-80.

[121]Quirino, *Quezon: Paladin of Philippine Freedom, op. cit.* pp. 299-300.

[122]See letter of Quezon to Undersecretary of Natural Resources Jorge Vargas, November 25, 1929, asking Vargas for a favorable decision in a case involving Tomas

Morato's lumber company. There was no document or evidence to show the final outcome of the case. Series VII, Subject File, 1917-1942, Lumber Trade, *Quezon Papers, op. cit.*

[123]Quirino, *Quezon: Paladin of Philippine Fredom, op. cit.* p. 297.

[124]Quezon, quoted in *ibid.*, p. 281.

[125]David Bernstein, *The Philippine Story* (New York, 1947), quoted in *ibid.*, p. 353.

[126]Quirino, *Quezon: Paladin of Philippine Freedom, op. cit.* pp. 245-247; Quezon, "An Autobiography," *op. cit.* Some copies of Quezon's income tax returns, declaration of properties, financial records, etc. are on file at the National Library collection of *Quezon Papers.*

[127]Gripaldo, *op. cit.*, pp. 269-270.

[128]The statistics are from *ibid.*, pp. 274-275. Under Commonwealth Act No. 137 as amended by CA 309, June 9, 1938, the government owned all minerals including those in private lands.

[129]Gripaldo, *op. cit.*, pp. 292-293.

[130]*Ibid.*, p. 181. See also Quirino, *National Economic Protectionism Association Handbook* for summary report on various industries in 1938.

[131]Gwekoh, *Manuel L. Quezon: His Life and Career,* p. 191.

[132]Quirino, *National Economic Protectionism Association Handbook,* pp. 57-69.

[133]*Ibid.*, pp. 64-65.

[134]Gripaldo, *op. cit.*, p. 281.

[135]*Ibid.*, p. 283.

[136]The statistics are from *ibid.*, pp. 285-288.

[137]Quezon, *The Good Fight, op cit.*, pp. 166-170.

[138]See, for example, Severo Dava, *The Great Accomplishments of Manuel L. Quezon* (Manila, n.d.), pp. 5-8; Manuel V. Gallego, *Dictatorship under the Guise of Democracy* (Manila, 1938), pp. 36-38, 147.

Appendix A

Government Corporations in the Philippines During the Commonwealth Era, 1936-1941

Year Created	*Name of Corporation*	*Changes Undergone*
1916	Philippine National Bank (PNB)	absorbed the agricultural Bank of the Philippine Islands
1916	Manila Railroad Company (MRRCo.)	organized as a private corporation in 1892 and acquired by the government in 1916
1916	Metropolitan Water District	reorganized in 1938
1917	National Coal Company	became a unit of the National Development Company in 1940
1919	National Development Company (NDC)	originally a semi-government corporation; converted into a government corporation in 1936
1919	National Iron Company	converted into a private entity in 1937
1920	National Exchange Company Inc.	established as a subsidiary of PNB in 1920; reorganized in 1940 as Philippine Exchange Co., Inc.
1923	Manila Hotel Company	organized as a private corporation in 1908 and acquired by the government (MRRCo.) in 1923
1924	Cebu Portland Cement Company	organized in 1922 and acquired by the government in 1924
1932	National Charity Sweepstakes Office	changed to Philippine Charity Sweepstakes Office in 1934
1936	Domestic Sugar Administration	changed to Philippine Sugar Administration in 1937
1936	National Power Corporation	
1936	Government Service Insurance System	

1936	National Produce Exchange	operated by the Bureau of Commerce in 1937
1937	National Rice and Corn Corporation	established as subsidiary of NDC
1937	Philippine Sugar Administration	
1937	NDC Textile Mills	
1937	National Food Products Corporation	established as subsidiary of NDC
1938	National Abaca and Other Fibers Corporation	
1938	National Warehousing Corporation	established as subsidiary of NDC
1938	Insular Sugar Refining Corporation	organized in 1929 and acquired by the government (NDC) in 1938
1938	People's Homesite Corporation	established as NDC subsidiary
1939	Agricultural and Industrial Bank	
1939	National Land Settlement Administration	
1939	Rural Progress Administration	
1940	Philippine Exchange Company	established as subsidiary of PNB
1940	National Coconut Corporation	
1940	National Trading Corporation (NTC)	
1940	National Footwear Corporation	established as NDC subsidiary
1940	National Cooperatives Administration	organized under NTC

Source: A.V.H. Hartendorp, *A Short History of Industry and Trade in the Philippines: From Pre-Spanish Times to the End of the Roxas Administration* (Manila: American Chamber of Commerce of the Philippines, Inc., 1953), pp. 45-51.

Appendix B

Friends and Supporters of President Manuel L. Quezon

Name	*Professional/ occupational and Provincial Background*	*Key Government Positions Held*
1. Rafael R. Alunan	lawyer/businessman; Negros Occidental	member of Philippine Assembly; member of House of Representatives; Cabinet member
2. Antonio de las Alas	lawyer; Batangas	member, House of Representatives; Cabinet member
3. Benigno S. Aquino	lawyer; Tarlac	member, House of Representatives; Cabinet member
4. Jorge L. Araneta	businessman; Negros Occidental	financial adviser to Quezon
5. Felipe Buencamino, Jr.	lawyer; Nueva Ecija	Secretary to Resident Commissioner; Secretary of Philippine Assembly; member, National Assembly
6. Victor Buencamino	veterinary medicine; Nueva Ecija	career bureaucrat; Assistant Director and Director of Bureau of Animal Industry; member of Board of Directors of several government corporations
7. Miguel Cuaderno	lawyer/businessman; Bataan	Director, Bureau of Supply; member, PNB Board of Directors; Delegate to 1934 Constitutional Convention
8. Mariano Jesus Cuenco	lawyer; Cebu	member, House of Representatives; Delegate to 1934 Constitutional Convention; Governor of Cebu; Cabinet member
9. Tomas Earnshaw	marine engineer/ businessman; Cavite and Manila	appointed Mayor of Manila; Manager, National Development Co; Pres., Metropolitan Water District; Vice-Pres. of Manila Railroad Co.; member, Manila Hotel Co. Board of Directors.
10. Joaquin Miguel Elizalde	businessman/ entrepreneur; Manila	President, National Development Co., member, National

		Economic Council; Philippine Resident Commissioner in the U.S.A.
11. Vicente Singson Encarnacion	lawyer/business executive; Ilocos Sur	member, Philippine Assembly; member, Philippine Commission; Senator; Delegate to 1934 Constitutional Convention
12. Ramon J. Hernandez	electrical engineer/ businessman; Manila	appointed Mayor of Manila; member of Senate; member of National Economic Council
13. Jaime Hernandez	accountant; Camarines Sur	career bureaucrat; Deputy Insular Auditor and Auditor General
14. Maximo M. Kalaw	lawyer/educator; Batangas	member of National Assembly
15. Teodoro M. Kalaw	lawyer/journalist; Batangas	Secretary to Resident Commissioner Quezon; member, Philippine Assembly; Cabinet member; Secretary and Adviser, Philippine Commission on Independence
16. Salvador Lagdameo	schoolteacher; Tayabas	career bureaucrat; Insular Treasurer; Chairman and Manager, National Loan and Investment Board
17. Arsenio Luz	journalist/business executive; Batangas	economic adviser at Malacañang; member, Manila Hotel Board of Directors
18. Serafin Marabut	schoolteacher/accountant; Samar	career bureaucrat; provincial treasurer; member, National Assembly; Budget Commissioner
19. Vicente Madrigal	businessman/entrepreneur; Camarines Sur	member, National Economic Council; member, PNB Board of Directors
20. Tomas Morato	businessman; Tayabas	appointed Mayor of Quezon City
21. Manuel Nieto	AB graduate at Letran College; Isabela	member, House of Representatives; Private Secretary to President Manuel L. Quezon
22. Francisco Ortigas	lawyer; Manila	lower court judge

23. Sergio Osmeña	lawyer/journalist; Cebu	member and speaker, Philippine Assembly; Senator; Vice President of the Philippine Commonwealth Government
24. Jose N. Paez	civil engineer; Malabon, Rizal	government engineer; Director, Bureau of Public Works; Gen. Manager, Manila Railroad Co.; member, government Survey Board; member, Manila Hotel Board of Directors
25. Rafael Palma	lawyer/journalist Manila and Cavite	member, Philippine Assembly; member, Philippine Commission; Senator; Cabinet member; U.P. President; Delegate to 1934 Constitutional Convention
26. Juan Posadas	Manila	appointed Mayor of Manila
27. Gonzalo Puyat	businessman; Pampanga	member, city Beautiful Committee
28. Elpidio Qurino	lawyer; Ilocos Sur	secretary to Sen. Pres. Quezon; member, House of Representatives; Senator; Delegate to 1934 Constitutional Convention; Cabinet member
29. Benito Razon	businessman; Nueva Ecija	secretary to Senate Pres. Quezon; Manager, Manila Railroad Co.; Secretary and Technical Adviser of Philippine Delegation to Joint Preparatory Committee on Philippine Affairs
30. Alejandro Roces, Sr.	publisher; Manila	appointed Quezon City councillor
31. Eulogio Rodriguez	businessman; Rizal	municipal president; Governor of Rizal; member, House of Representatives; Cabinet member; member, Board of Directors of PNB, NDC and Cebu Portland Cement Co.
32. Maximo Rodriguez	agriculturist; Tayabas	municipal treasurer of Sariaya; Governor of Tayabas
33. Carlos P. Romulo	journalist/educator; Tarlac	UP professor; member UP Board of Regents
34. Manuel A. Roxas	lawyer; Capiz	Governor of Capiz; member of

		House of Representatives and Speaker; Delegate to 1934 Constitutional Convention; Cabinet member; Chairman of National Economic Council
35. Jose G. Sanvictores	agriculturist/writer; Rizal	assistant director, Bureau of Agriculture; Secretary to the Senate President; Delegate to the 1934 Constitutional Convention
36. Andres Soriano	industrialist/business executive; Manila	
37. Ramon Torres	lawyer/journalist; Negros Occidental	member, House of Representatives; Cabinet member
38. Toribio Teodoro	businessman/entrepreneur; Rizal	
39. Wenceslao Trinidad	businessman; Negros Occidental	
40. Miguel Unson	business executive; Iloilo	Provincial Treasurer; Assistant Insular Treasurer; Undersecretary of Finance; Chairman of Government Survey Board
41. Jorge B. Vargas	lawyer/educator; Negros Occidental	secretary to the Speaker, House of Representatives; Secretary to the Senate President; Asst. Director, Bureau of Commerce and Industry; Undersecretary of Agriculture and Commerce; Secretary to the President of the Philippines
42. Jose Yulo	lawyer/agriculturist Negros Occidental	member, House of Representatives; member, National Economic Council; Secretary of Justice; member and Speaker, National Assembly; Chairman, PNB Board of Directors; Chairman, Philippine Delegation to the Joint Preparatory Committee of Experts on Philippine Affairs

Sources: Miguel R. Cornejo, *Cornejo's Commonwealth Directory, 1939* (Manila, 1939); and sources footnoted in this paper.