

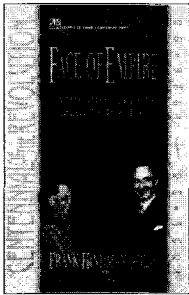
## Review Essay

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# Unmasking the Face of Empire

*Gonzalo M Jurado*

*Face of Empire: United States-Philippine Relations, 1898-1946.*



BY FRANK HINDMAN GOLAY. Quezon City: University of Wisconsin-Madison Center for Southeast Asian Studies and Ateneo de Manila

University Press, 1997. 568 pp. ISBN 971-550-254-7.

It is said that these days one can complete a graduate degree in economics without reading a single word of economic history. Indeed some economists consider it a mark of distinction that they are innocent of the discoveries of the 'long swing' or the insights of its analysis. Economic theory, it is said, is historically neutral; its prescriptions apply with equal force to all societies—past, present and future.

But what a loss it would be if a Philippine economist failed to read this thoroughly riveting account of the political-economic relations of the

United States with the Philippines in the 48-year period of 1898-1946. Such an economist would think he is dealing with new problems when he confronts issues relating to tariffs, the exchange rate, land reform, the tax system, the banking system and infrastructure. Unaware of their historical provenance, he could repeat old mistakes or fail to benefit from lessons derived earlier.

This book will benefit not only economists but also political scientists, historians and plain intelligent citizens who wish to increase their stock of knowledge of the complex interactions of politics and economics in a framework of colonialism. It is a solid piece of work in political economy, clearly the result of painstaking labor to unearth the facts and make sense of them. Only a scholar of the highest caliber could have produced it.

### **STYLIZED FACTS**

The book has no single over-arching theme but the reader could infer one from its conclusions, namely: (1) that the imperialistic sentiment in the

United States at the turn of the 19<sup>th</sup> century was strong but there was little doubt that those who stood for the independence of peoples would prevail; (2) that there were occasions in the 48-year period when those in the US government who would free the islands feared that the Filipinos would opt for remaining under American occupation; (3) that though the US colonized the islands it did not have exploitative designs on them and that this concern for the preservation of the islands may have resulted in a retardation of their development; (4) that the Filipinos themselves proved worthy of their highest aspiration but they were burdened by an autocratic and temperamental leadership that was more concerned with politics than with social and economic development; and (5) that, finally, war prevented the completion of preparations for independence and left the country devastated and the United States made what could have been a generous settlement if it did not require a shameless infringement of the new nation's sovereignty.

The book does not marshal the facts as in a lawyer's brief but brings them up at whatever point called for in the historical narrative. Pulled together, however, they constitute a quantity of evidence proving the theme or, more precisely, some aspects of it, beyond reasonable doubt.

*Big Power Politics.* On the first point, the United States in the 1890s found itself caught up in the fever of big

power politics, undermining Spanish rule in Cuba, then in the Philippines. The drive was clearly imperialistic but those who launched it masked it with motives of altruism. The annexationists, mainly Republicans, depicted colonization as America's 'manifest destiny' or 'the white man's burden'. But others disagreed. The idealists, mainly Democrats, saw annexation as repugnant to the principles of independence and equality that Americans held dear. The Republicans received the support of the industrialists who saw the islands as a source of raw materials for their manufacturing industries while the Democrats received the endorsement of the sugar beets and cigar tobacco lobbies who perceived agricultural imports as competitors to their own products.

The 'Philippine question' festered for years and it took the US Congress 18 years to clarify it. The matter was resolved in favor of independence. In 1916 the US Congress enacted the Jones Law which for the first time stated that it was the policy of the United States to grant independence to the people of the Philippines. As clear as it was, however, the policy was incomplete because it left the question of 'when' hanging in the air. This was settled in 1932 when the Tydings-McDuffie Law was passed. The Law mandated the establishment and administration of a preparatory government for a period of 10 years and, at the end of that period, the conduct of a plebiscite to determine whether the Filipino people wanted independence

and, if the vote was in the affirmative, the immediate granting of independence to the islands.

History unfolded according to what had been written. In compliance with the law the Commonwealth Government was established in 1935, and the plebiscite which was to be conducted in 1945 was held much earlier—in 1936—in the form of a ratification of the Constitution for the preparatory government. Independence was granted to the islands in 1946.

*Co-opting a Revolution.* On the second point, the Filipinos waged a revolution against Spain but just when they were about to succeed the Americans came to deny them the fruits of victory. The Filipinos then fought a guerrilla war against the US before succumbing to the superior force in 1900. Throughout this period the patriotic fervor of the Filipinos was at a high pitch. However, as time wore on, the Filipinos lost their unanimity on the issue of independence. As early as 1902, the fracture showed. Though some Filipino leaders (notably Mabini and Ricarte) refused to take an oath of allegiance to the US, most acquiesced, including Aguinaldo, who however refused to serve under the Americans. The Committee of Philippine Interests, the principal nationalist group, reiterated the Filipino people's desire for an independent national existence. The Nacionalista Party at that time petitioned for immediate independence. On the other hand, a group of provincial governors opposed immediate independence and

advocated further tutelage for periods ranging from 10 to 30 years. Protesges of the Federalista Party organized on the initiative of Taft—T.H. Pardo de Tavera, Benito Legarda, Jose Luzuriaga, and Chief Justice Cayetano Arellano—doubted the capacity of Filipinos for self-government and advocated indefinite continuation of American rule. Some of those vigorously supporting immediate independence expected the US to guarantee their freedom. The Nacionalista Party proposed that this be done by means of a 'declaration of perpetual neutrality'. The Committee of Philippine Interests preferred a 'protectorate of the United States'.

The same ambiguity characterized the position of the leaders of the successor Nacionalista Party that dominated Philippine politics in the second quarter of the 20<sup>th</sup> century. Osmeña never wavered in his advocacy of immediate independence but Quezon oscillated between immediate and complete independence and autonomy in an American protectorate.

*Policy Conflict.* On the third point: The civil government sought to develop the islands through American capital and enterprise but this policy ran into conflict with other policies such as the limitation of landholdings by corporations to 1,024 hectares, the restriction of mining claims to a surface area of 1,000 sq. ft., and the limitation of claim holders, individual or corporate, to only one claim on any vein or lode. In the census of 1939 it

was found that by 1930, American direct investment in the islands had reached \$122 million, of which \$42 million was in the export sector, including ownership of land planted to export crops and export processing facilities; \$38 million was in commercial ventures; and \$28 million in public utilities including transportation. In contrast, an estimated \$900 million had been invested in Cuba, which had a population one-third that of the Philippines and a land area two-fifths that of the Philippines. By 1939 total American investment in the Philippines had risen to \$175 million, representing some seven to eight percent of all investments in the islands.

The Philippine Commission in 1903 recommended the adoption of the American banking system in the Philippines in order to 'induce a large investment of American capital by introducing American financial institutions directly into the economic life of the islands'. The US Congress rejected the recommendation. In mid-1938, there were 12 commercial banks operating 78 branches and offices in the islands. Only one of these was American-owned. The loans, discounts and securities of this bank totaled \$7.9 million, or 6.7 percent of the earning assets of all commercial banks in the country.

*Foundations of Authoritarianism.* On the fourth point, it is best to quote the book:

It was the misfortune of Filipino nationalists of Quezon's generation

to be ruled for two critically important decades by a Spanish mestizo incapable of articulating Filipino nationalism and who enjoyed unrelieved success as he transformed the Nacionalista Party into a parody of an independence movement... The burden imposed by Quezon upon the American leadership was annoying but it was insignificant compared with the burden he inflicted upon Filipino society. Quezon capitalized on the inability of the peasantry to distinguish between statesmanship and demagoguery... (imposing) on these dispossessed Filipinos (a burden heavier than any) borne by any other element of Filipino society... As a result, major social problems were neglected under the Commonwealth, as income and wealth were further concentrated in the economic elite... Yet another burden imposed on Filipinos by Quezon is attributable to his casual commitment to democratic institutions and processes... He was quite willing to subvert the Constitution in order to continue as president and to abandon the unicameral legislature when he realized that the addition of an upper house elected at large would further concentrate power in his hands. Quezon's contempt for the essential requirements of representative government initiated a long process of erosion in the will of Filipinos generally to make their distinctive variety of government

work. No effective leadership emerged thereafter to halt this erosion, and ultimately the system of government provided by the Philippine Constitution succumbed to an authoritarian alternative. (p. 445)

*Independence.* Finally, the preparations for independence. The Commonwealth government after its inauguration was faced with the task of implementing programs to uplift the standards of living of the Filipino people in addition to political measures to prove capacity for self-government. But war intervened to prevent their implementation. Neither the colony nor the United States was prepared for the conflagration. The Philippines emerged from the worldwide conflict heavily devastated, hundreds of thousands of its people dead and vast quantities of its property destroyed. The US carried out what could have been a generous settlement if it was not made conditional on an infringement of the new nation's sovereignty.

#### **IN DEFENSE OF QUEZON**

Many will agree with this rendering of history except with that pertaining to the fourth point: the role of Quezon in the country's march to nationhood. The book makes a damning indictment of Quezon based on a misinterpretation of the facts. Quezon flip-flopped on the issue of independence because he was concerned not just with independence *per se* but with national security after independence. As it

turned out, his concerns were not without basis. His country was devastated by a war that was not of its own making. He did not foresee that a United States protectorate could not have saved it. But that is another story.

Quezon's desire to lead the Philippine government under various circumstances might appear to be egotistic but it should not be forgotten that he was dealing with a colonial power who thought that the Filipinos were not capable of self-government. Taking absolutely nothing from the other illustrious leaders of the Philippine independence movement, notably Osmeña as the book concedes, Quezon's persistence and stubbornness in the face of unfavorable odds proved that Filipinos did not give up even under the most adverse of circumstances. Moreover, in an American context dominated by racism, his being a *mestizo* helped the Philippine cause, rather than hindered it. That he was not concerned with social and economic issues is simply not true. Sloganeering or not, he launched a program of social justice for 'dispossessed' Filipinos. He had a program of extensive infrastructure that, carried out, would have made Keynes proud. And he did not die a rich man—proof that his efforts were not for personal aggrandizement, which cannot be said of many of his successors.

Having highlighted the thematic points, let us now take a look at what happened on ground level. How was the civil government organized? What

problems did it face? What solutions did it implement?

### **THE COLONIAL GOVERNMENT**

The US inherited a functioning civil government from the Spaniards and was for a while content to continue providing the same services that had been extended by the Spaniards to the inhabitants. Thereafter it stamped the colony with the imprint of its own vision and manner of work. The first stage in American governance was the Americanization of the colony, first by replacing the Catholic priesthood with American equivalents, then by transforming the Filipinos into imitation Americans—'little brown brothers'—through English language education, and third by supporting the formation of a political party that would call for the perpetuation of American rule. The second stage, following the Organic Act of 1902, was Filipinization, the employment of more Filipinos at all levels of the government service, including the creation of an elective Assembly that would discharge law-making tasks in support of the governor general. A companion piece to this was the granting and expansion of autonomy to the civil government first by the Jones Law of 1916 and then by the Tydings-McDuffie Law of 1932. Finally, there was the Commonwealth period when the Filipinos were given the opportunity to administer their own government within the limits set by the US Congress.

The reins of government were in the hands of a governor-general

appointed by the President of the United States and confirmed by Congress. The governors-general were: under President McKinley (Republican), Robert Taft (1902-05), Luke Wright (1905-09) and William Cameron Forbes (1909-13); under President Wilson (Democrat), Francis Burton Harrison (1913-19); under President Harding and President Coolidge (both Democrats), Leonard Wood (1919-27) and Henry Stimson (1927-28); under President Hoover (Republican), Dwight Davis (1929-31) and Theodore Roosevelt, Jr. (1932); and under President Roosevelt (Democrat) Frank Murphy (1933-35). On the establishment of the Commonwealth, the post was converted to high commissioner. The first high commissioner, a hold-over from governor-general, was Frank Murphy (1935-37). He was followed by Paul McNutt (1937-39) and Francis Sayre (1939-46).

The decisions and actions of the governors-general reflected to some degree the attitudes of the political parties to which they and the president who appointed them belonged. In general those from the Democratic party had better relations with the Filipinos than those from the Republican side. Ironically, however, it was a Democrat, Woods, who had the worst relations with the indigenous leadership.

### **THE ISSUES**

The civil government and its successor government, the Commonwealth government, confronted many issues of

varying seriousness during the 48 years of American occupation. Some can be described here for their relevance to current political-economic concerns.

*The Friar Lands.* The first issue relates to the friar lands, the objects of the first land reform. The Organic Act of 1902 mandated that friar lands be purchased and sold, on a priority basis, to their peasant cultivators. Owned by the Catholic Church, the lands located in various provinces totaled 420,000 hectares. To acquire them the insular government paid the Church \$7.4 million, the proceeds of bonds sold to US investors. The steep price obligated the insular government to make interest payments of \$280,000 annually on the bonds and contribute another \$233,000 per annum to a sinking fund for their retirement. The peasants took their share of the lands but there were not enough cultivators to absorb the holdings. Desperate to minimize its financial obligation, the insular government got rid of the unsold properties by selling them to some Americans employed in the civil service who were searching for investment opportunities. When the transactions became public knowledge, it became a scandal. The transactions were duly investigated. In the end, the purchasers were exonerated when it was ruled that government officials had the right to purchase lands within the limits allowed so long as they did not have any participation in the making of the decision approving the transaction.

*Government Spending.* Under the Organic Act, American duties collected on Philippine shipments accrued to the insular government. As these collections went into the tens of millions of dollars, the insular government regularly went into spending sprees.

*The Philippine National Bank.* Buoyed by the economic optimism generated by the war, the Philippine National Bank embarked on a program of lending to sugar centrals in 1918-19. When the price of sugar went down, many borrowers lost their ability to meet their obligations. PNB was placed in a crunch; its position became untenable when it was obliged to continue lending to avoid foreclosing on many large loans. When its Shanghai branch incurred heavy losses due to speculation on foreign exchange, PNB suffered a massive diminution of its liquid assets. It needed, and was given, a government bail-out in order to survive.

*Quality of Education.* The Philippine Constitution obligated the Commonwealth government to 'provide at least free public primary instruction' to all citizens. Since under the Jones Law enrolment in the primary grades never exceeded two-fifths of the children in that age group, this was a formidable obligation. But the failure of the Commonwealth government in 1937-38 to tap new sources of revenue to compensate for the scrapping of the *cedula* and the transmittal of increasing allocations to municipal governments

eroded the insular government's ability to comply with its constitutional obligation. The crushing weight of the educational burden led in 1940 to the passage of legislation reducing the period of elementary schooling from seven to six years and the adoption of a system of double sessions to permit a larger number of children to be accommodated in the same facilities.

Soon after some educators began deploring over-crowding in the classrooms, reductions in teaching hours, etc.

*The Exchange Rate.* Filipinos of today are not the first to worry about the deterioration of the peso. Soon after the establishment of American rule, the civil government addressed the chaotic money situation in the colony, where coins of various kinds and various shapes and sizes proliferated. Its major action in this respect, based on an Act of Congress, was the setting of the peso-dollar rate to two-to-one. The action was uneventful initially but as time passed it became a matter of momentous importance. The community of American investors in the Philippines grew and the exchange rate became critical to the preservation of the dollar value of their investments. Their subsequent actions, reinforced by the bias of the times, resulted in the fixing of the rate. The peso went under pressure a number of times after that, threatening a devaluation, but this never came to pass. The insular government worked assiduously and the business sector cooperated to ensure a

surplus in the current account in order to provide a steady supply of dollars to the market.

*The Perennial Tariff Issue.* Of the issues that affected relations between the US and its colony, none was more persistent than that of tariffs. Almost from the beginning the Filipinos were relentless in their clamor for trade preferences. To them it was the only means for survival of Philippine industries. The Americans gave increasing tariff preferences to Philippine products as the years went by though they, or more exactly those among them who favored independence for the Philippines, feared emboldening the core population of Americans in the Philippines to insist on the continuation of colonial rule. This concern later lost its consequence as the benefits of reciprocal preferences accrued to American industries and consumers.

The actions on the tariff issue that are of pertinence to the present generation of Filipinos pertain to the Bell Trade Act of 1946. This Act provided for reciprocal free trade for eight years beginning in 1946, and the increase of the tariff by five percent a year beginning in 1954 until it reached 100 percent in 1972; the allocation of quotas on exports of Philippine products on the basis of pre-war production; increased quota for cordage and a commitment by the US not to increase excise taxes on Philippine export commodities. Most significant of all, the Act included provisions that required the Philippines to amend its



Constitution to comply with them (e.g., allowing American citizens equal rights in the operation of public utilities and the exploitation of natural resources). This, as the book puts it, constituted a blatant infringement on the country's sovereignty.

It is now conventional wisdom to assert that the tariff preferences given during that period to Philippine products entering the United States made Philippine industries dependent on the American market and non-competitive internationally while the free access of American products to the Philippine market effectively blocked the growth of any manufacturing sector in the indigenous economy. This of course is the opposite of the current orthodoxy that trade liberalization (i.e., the dismantling of trade barriers) will lead to vigorous competitive enterprises that have the capability not only of

opening up niches for themselves in the external market but also of retaining their share in the local market. But could Philippine industries in the 1930s and 1940s have flourished if they had been shut out of the US market by high tariff walls? An affirmative answer would not be realistic.

#### **IN CONCLUSION**

To conclude, this is one of those rare books in the academic shelf that combine readability with scholarship. Detached and objective in its treatment of the facts but unambiguously anti-colonialist and anti-imperialist in its view of the historical process, it is useful reading for all who wish to understand the love-hate relationship between the United States and the Philippines, especially economists who have not read a single word of economic history.