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Monetary Authorities:  
Market Knowledge and Imperial Government in the Colonial Philippines,  
1892 – 1942

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**Abstract**

Monetary Authorities: Market Knowledge and Imperial Government  
in the Colonial Philippines, 1892 – 1942

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This dissertation argues that, from the twilight of the Spanish colonial era through the entire official American colonial insular period, the history of authority over money in the colonial Philippines reveals the emerging dominance of an authority based on knowledge of the market rather than an authority grounded strictly in sovereign power. The dominance of knowledge-based authority, especially through the first half of the twentieth century, was brought about by two specific historical changes: the positioning of the modern state as steward of the development of social life through capital and the increased intervention of the economic expert. Through close readings of multilingual archives relating to monetary, banking, and financial policies, my dissertation tracks how the legitimacy of imperial government became heavily dependent upon the colonial state's capacity to manage and stabilize the monetary and financial system for the economic and social benefit of its subjects. Thus, despite the United States' growing global economic hegemony, the American colonial state in the Philippines increasingly found itself beholden to the authority of the economic expert, an authority based on

its access to the seemingly natural laws of the market that both the state and the common public found illegible.

Moreover, the authority of experts and their comprehension of the natural laws of the market were inextricably bound to conceptions of naturalized racial orders and hierarchies. Experts, specifically, were constantly attempting to domesticate and stabilize, through policies and institutions, antagonistic conditions of disorder and resistance expressed by the racialized living labor of colonial subjects. Consequently, racial capacities to manage money informed the supposedly universal criteria through which American colonial officials measured the potential of Filipino political authority and self-government. This universal criteria, however, was eventually appropriated by Philippine economic experts in order to challenge the utility of imperial administration and augment demands for both an autonomous monetary system and a politically independent Philippine nation-state.

**For Boy and Ester**

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## **Introduction:**

### **On Money and Authority**

Capital is in crisis. So What? – Michael Hardt and Antonio Negri, *Commonwealth*<sup>1</sup>

On March 27, 2013, the Philippines received a sovereign grade rating from Fitch Ratings, one of the Nationally Recognized Statistical Rating Organizations (NRSRO) by the Securities and Exchange Commission (SEC), also known as the “big three.” NRSRO ratings, according to the SEC, determine whether a sovereign entity, in this case the Philippine nation-state, will receive an investment grade or non-investment grade by analyzing the creditworthiness or the financial obligations of an entity.<sup>2</sup> Frequently seen by financial analysts as the “sick man of Asia,” this marked the first time in history that the Philippines had received an investment grade rating, designating the Southeast Asian economy as a more secure and profitable destination for foreign financial investment. The consequence of such a rating, according to current Philippine President Benigno S. Aquino III, was not only the lowering of interest rates on the sovereign debt and the increase of purchases of Philippine securities. In addition, for Aquino, the Fitch rating meant recognition of the state’s “good governance” in “the face of uncertainties in the global arena.”<sup>3</sup>

The recent unprecedented Fitch sovereign grade rating of the Philippines illustrates how a national economy once thought of as a failure, due to its weak state presence, became an unlikely success. At first glance, however, this success was not a result of following the strict tenets of Cold War era modernization theory, which emphasized social progress through the specialization

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<sup>1</sup> Michael Hardt and Antonio Negri, *Commonwealth*, (Cambridge, MA: Harvard University Press, 2009), 142.

<sup>2</sup> SEC <http://www.sec.gov/answers/nrsro.htm>, accessed April 16, 2013.

<sup>3</sup> Bettina Wassener and Floyd Whaley, “The Philippines Gets Investment-Grade Credit Rating,” *The New York Times*, March 27, 2013.

of certain sectors of the economy and the technocratic bureaucratization of government.<sup>4</sup> Instead, Philippine economic success was a result of the nation-state radically opening itself up to the global capitalist system through the deindustrialization of local industry and the creation of a surplus of specialized and skilled English-speaking workers with flexible citizenship.<sup>5</sup> As a commodity highly sought after within an increasingly deterritorialized global economy, overseas foreign workers (OFWs), especially within the public eye, as Vicente Rafael has pointed out, were an “excess population” quickly incorporated into the circulation of the global capitalist market.<sup>6</sup>

OFWs, according to the Fitch statement, through the remittance of their wages to their dependents in the Philippines, steadily make up eight per cent of the country’s gross domestic

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<sup>4</sup> W. W. Rostow and followers of Rostow, during the early Cold War, propagated this view of modernization. Later modernization theory seeped into many types of analysis of political scientists and fellow travelers in the humanities later during the era of ‘globalization’ in the 1980s and 1990s. A strong current of these studies propose that ‘modernization’ failed in places that had ‘weak states.’ The weak state explanation envisions a political system that stifles economic development through unfair regulations and patrimonial favors or ‘rent’ given to a select few for advantages within a domestically regulated market. Joel Migdal can be viewed as the ‘father’ of the weak state explanation. Joel Migdal, *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World*, Princeton, NJ: Princeton University Press, 1998). For scholarship that continues this analysis for the Philippine context specifically, see: Harold Crouch, *Economic Change, Social Structure and the Political System in Southeast Asia: Philippine Development Compared with the Other ASEAN Countries*, (Singapore: Institute of Southeast Asian Studies, 1985); Gary Hawes *The Philippine State and the Marcos Regime: The Politics of Export*, (Ithaca: Cornell University Press, 1987); Paul Hutchcroft, *Booty Capitalism: The Politics of Banking in the Philippines*, (Ithaca, NY: Cornell University Press, 1998); Alfred W. McCoy “An Anarchy of Families: The Historiography of State and Family in the Philippines,” in *An Anarchy of Families: State and Family in the Philippines*, ed. Alfred W. McCoy (Quezon City, Ateneo de Manila University, 2007); and Timario C. Rivera, “Class, the State and Foreign capital: The Politics of Philippine Industrialization 1950 – 1986,” (Ph.D. Diss, University of Wisconsin, 1991).

<sup>5</sup> This radical opening up by the Philippines to the global capitalist market should be seen as a mark of neoliberalism. At first thought of as simply an intensification of the political economic theories of ‘classical liberalism,’ there have been new intellectual projects that have interrogated the vast and variant ways that neoliberalism can be seen as not only an amplified version of liberal ideology, but a transformation of ideology itself. For more on neoliberalism on the state level see: Pheng Cheah, “Crises of Money,” *Positions*, 16 1 (2008); Michael Hardt and Antonio Negri, *Empire*, (Cambridge, MA: Harvard, 2000); David Harvey, *A Brief History of Neoliberalism*, (Oxford and New York: Oxford University Press, 2005); and Stuart Hall et. al., “After neoliberalism: analysing the present,” *Soundings Online Manifesto*, accessed April 23, 2010, <http://www.lwbooks.co.uk/journals/soundings/manifesto.html>. For more on neoliberalism as a transformation of the grounds of ideology see: Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France, 1978 - 79*, trans. Graham Burchell (New York: Palgrave Macmillan, 2008); Wendy Larner, “Neo-liberalism: Policy, Ideology, Governmentality,” *Studies in Political Economy* 63 (2000); and Jason Read, “A Genealogy of Homo-Economicus,” *Foucault Studies*, 6 (2009).

<sup>6</sup> Vicente Rafael, ““Your Grief is Our Gossip”: Overseas Filipinos and Other Spectral Presences,” in *Public Culture*, 9 (1997): 268.

product. By powering household spending, remittance money has in turn buoyed a national economy that continues to fall short in developing countrywide infrastructure and local industry. The Philippine government's lack of investment in domestic infrastructure and industry was another reason for the Fitch investment grading. In the interests of keeping the government deficit down, the state had cut down on public spending in a gamble that OFWs would make up the difference. The gamble paid off. In other words, by abstaining from governing and cutting public spending, the government practiced "good governance." Some pro-Aquino analysts have argued that now that the Philippine government has received the much-coveted credit rating, it will intensify public investment and tackle the issues of domestic industry.<sup>7</sup> Other observers, however, contend that the government, in order to maintain its rating, will continue its current strategy of no governance as good governance by disavowing the poverty and underdevelopment of vast swaths of the population.<sup>8</sup>

However, another factor named by the Fitch analysis, the *Bangko Sentral ng Pilipinas*' (BSP; Central Bank of the Philippines) record of managing inflation and stabilizing asset bubbles during a global financial crisis, has gained scant attention in the common public.<sup>9</sup> From a different perspective, Fitch seems to be late in comparison to many financial analysts in recognizing the steady strength of the peso (the Philippine currency) over the last five years. As a fairly autonomous state apparatus, the BSP has effectively wielded its few, but powerful mechanisms—currency supply, demand deposits, interest rates, government debt, etc.—to ensure that the value of the peso remain stable. The peso's stability is crucial in ensuring that remitted

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<sup>7</sup> Cheryl M. Arcibal "Resilience, reform lift Phl to investment grade," March 27, 2013, *The Philippine Star*.

<sup>8</sup> On public reaction to the National Economic Development Authority (NEDA) poverty reports see "PH poverty incidence unchanged in past 6 yrs", April 24, 2013, *Philippine Daily Inquirer* and Bandar Seri Begawan, "Poverty data doubted, but..." April 26, 2013, *The Philippine Star*. For the contrast between NEDA and Fitch see Alito Malinao "News Analysis: Paradox in the Philippines: Continuing poverty amidst high economic growth," April 25, 2013, *Xinhua English News*.

<sup>9</sup> "Fitch's Statement on Phl's first investment grade rating," March 27, 2013, *The Philippine Star*.

foreign money and foreign short-term investments in high-yield potentially overvalued assets continue to power an economy that has no indication of developing new local production. Yet the latest recognition by Fitch and more recently by Moody's Analytics and Standard & Poor,<sup>10</sup> and the surge in attracting capital investment, has intensified the BSP's already precarious position. In order to attract capital to the economy, continue the power of remittances, and keep exported goods competitive in the global market, the BSP has attempted to slow the rapid appreciation of the peso.<sup>11</sup> On one hand, the "good governance" of non-intervention has led to the increase in capital investment and a resilient stock market in the Philippines. On the other hand, this strong economy threatens to cause the increased value of the peso, thus weakening the power of remittances and foreign investments so necessarily crucial for the strength of the economy. It is as if the gift of a strong peso is at the same time a curse.

The recent global public recognition of Philippine economic success and the simultaneous nervousness of monetary authorities over massive inflation and threats of overvaluation in the wake of such success sheds light on the complex ways the value of money deeply and widely affects both the legitimacy of the state and the authority of the BSP. The successful management of the peso, after all, acts as an index of the Philippine Republic's capacity to foster the growth of the national economy. Ensuring the strength of the economy, in turn, secures the welfare and development of the nation's social life. The growth of the economy and the development of social life are thus essential to determining the legitimacy of state

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<sup>10</sup> For more on Moody's Analytic's positive assessment of the potential of Philippine economic growth see Michelle Remo, "Moody's: PH a rising star," April 25, 2013, *Philippine Daily Inquirer*; and Malinao, "News Analysis: Paradox in the Philippines: Continuing poverty amidst high economic growth." Standard & Poor on May 2, 2013 bestowed upon the Philippines its second investment rating. See: Associated Press, "Standard & Poor's raises Philippines' credit rating to investment grade," May 2, 2013, *The Washington Post*; and Clarissa Batino, "Philippine Peso, Bonds Rally on S&P Investment-Grade Rating," May 2, 2013, *Bloomberg Businessweek*.

<sup>11</sup> Karl Lester M. Yap and Max Estayo, "Philippine Cuts Special Deposit Account Rate, Holds Benchmark," April 25, 2013, *Bloomberg Businessweek*; Jongwoo Cheon "Pricey peso set for deeper losses if rates cut," April 24, 2013, *Reuters*; Reuters, "BSP cuts SDA rate again to keep peso in check," April 24, 2013, *ABS-CBN News*.

sovereignty. However, as the episode above shows, the state cannot develop the national economy and social life under a global capitalist system simply through the will of the sovereign. As a quasi-state apparatus, the BSP is not wholly of the sovereign and instead derives its authority from knowledge of the global capitalist market. Through the sound deployment of financial instruments and economic policies, the BSP demonstrates not only its ability to mediate between the force of global capital and the national economy, but also reveals how utterly dependent the government is on the central bank. Authority over money in the Philippines, therefore, seems not to come from the sovereign power of the Philippine Republic, but rather from the economic expertise of the BSP. At the same time, as in the case of the threat of a strengthening peso not even the BSP seems fully in control of the effects of the global capitalist market. In the end, all the BSP can hope to do is domesticate such a force.

In the above, we see that the stability of the peso remains not only important for the growth of the Philippine national economy, but an important gauge in measuring the legitimacy of the nation-state's sovereignty. Yet, as the above also illustrates, posing the question of "who has authority over money" in the Philippines leads not to a simple answer, but a series of uncertain solutions that spiral out toward even more complicated questions. I believe that the impossibility of a clear and direct answer to the question of "who has authority over money" is a foundational condition of capitalist modernity. Under a global capitalist system, modern money seems not to belong to one particular entity, but instead only heeds the laws of a deterritorialized capitalist market. As such, harnessing the force of money can only come about through mediation. It is this history of desire to mediate, in particular the desire to possess the authority that comes about through mediation, which courses through "Monetary Authorities." This particular desire to gain authority over money through mediation in the Philippines is not a

contemporary phenomenon. Instead, this specific form of authority over money that we recognize in the present could only come about through both local and global historical changes occurring from the end of the nineteenth century into the first half of the twentieth century. The history of authority over money during these decades was wholly dependent on, and at the same time completely necessary for, the transformations of both the conception of, and the relationships between, the realms of the political, economic, and the social.

Entrenched in the global intersection between the accelerated financialization of a capitalist world system, the novel formation of an American transpacific empire, and the enduring excesses of revolution and nationalism, the history of Philippine money reveals the emerging dominance of an authority based on knowledge of the market rather than an authority grounded strictly in sovereign power. “Monetary Authorities” contends that the dominance of knowledge-based authority, especially through the first half of the twentieth century, was brought about by two specific historical changes: the positioning of the modern state as steward of the development of social life through capital and the increased intervention of the economic expert. From the twilight of the Spanish colonial era through the entire official American colonial insular period, my dissertation tracks how the legitimacy of imperial government became heavily dependent upon the colonial state’s capacity to manage and stabilize the monetary and financial system for the economic and social benefit of its subjects. Thus, despite the United States’ growing global economic hegemony, the American colonial state in the Philippines increasingly found itself beholden to the authority of the economic expert, an authority based on its access to the seemingly natural laws of the market that both the state and the common public found illegible.

The authority of experts, and their comprehension of the natural laws of the market, my dissertation stresses, was inextricably bound to conceptions of naturalized racial hierarchies and the ordering of colonial divisions of labor. Experts, specifically, were constantly attempting to domesticate and stabilize, through policies and institutions, antagonistic conditions of disorder and resistance expressed by the racialized living labor of colonial subjects. Consequently, racial capacities to manage money and efficiently labor informed the supposedly universal criteria through which American colonial officials measured the potential of Filipino political authority and self-government. This universal criteria produced by economic knowledge, however, was eventually appropriated by Philippine economic experts in order to challenge the utility of imperial administration and augment demands for both an autonomous monetary system and a politically independent Philippine nation-state.

### **Approaches and Questions**

“Monetary Authorities” contends that within the rule of modern states exist uncertain borders between the domains of the political and the economic. Money, as a form and representation of the capitalist market, crucially illustrates the heterogeneous, if not antagonistic, relationship between the political rule of the sovereign and the economic laws of capitalism. As Karl Marx reminds us, the capitalist market is the world in which commodities—the alienated and abstracted products of violent and exploitative, though social, modes of labor—are exchanged and circulated. Under capitalism, the market becomes the dominant realm of social interaction. This interaction is not direct, but indirect, through the exchange of abstract values. This process prompts Marx to declare that capital is first and foremost, a social relation that works by constantly abstracting and obscuring its violent and exploitative origins of social

production. Money, as the spontaneously abstracted form that represents and embodies the universal equivalent of all commodities circulating within the capitalist market, must also simultaneously be seen as an abstraction of social relations under capital. In other words, money is both an abstracted expression and representation of social life under a capitalist economy.<sup>12</sup>

As such, one can see why the flow and movement of money would be of great concern to a political entity such as the modern state. As Karen Strassler highlights in her study of Indonesian money, state instituted currency crucially served as a daily assurance of the state's authority to its population by first mapping out, through the territorial circulation of its currency, the reach of its sovereignty. Second, the face of money itself was essential in proving the authority and authenticity of the sovereign. State symbols on currency not only indicated that a bill or coin was authentic through the guarantee of state authority, but the symbols on currency, in turn, underwrote the authenticity of state sovereignty.<sup>13</sup> Marx, however, points out that attempts by the state to control the appearance, circulation, and speed of money, demonstrates how money ultimately belongs not to any bound geography, but instead to the ever expanding world of capital. Differentiating between the territoriality of the state and the deterritoriality of money-as-capital, Marx argues that the "national uniforms worn at home" are stripped off as soon as state currencies "appear on the world market[.]"<sup>14</sup> Thus, the question of who had ultimate authority over money remained constantly in contention, as the logic of capital asserted

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<sup>12</sup> See chapter one through four of *Capital* especially to see Marx's detailed analysis of the commodity-money-capital process. For more on the violent abstraction of the exploitative mode of valuating capital, see chapter seven of *Capital*. Karl Marx, *Capital: A Critique of Political Economy: Volume 1*, trans. Ben Fowkes (London and New York: Penguin Classics Books, 1990).

<sup>13</sup> Karen Strassler, "The Face of Money: Currency, Crisis, and Remediation in Post-Suharto Indonesia," in *Cultural Anthropology*, 24 1 (2009), 85 - 93. Strassler, of course pulls from a rich critical scholarship on the relation between money (as currency) and the state in the discipline of anthropology. For more on anthropology's disciplinary obsession with money that reaches over a century long see Bill Maurer, "The Anthropology of Money," in *Annual Review of Anthropology*, 35 2006. I write more on this later about the Malolos Republic's attempt and failure to create a purely state fiat money in Chapter 2 of "Monetary Authorities."

<sup>14</sup> Marx, *Capital*, 222.

that the authentic value of money relied not on the rule of the state but rather on the laws of the market. As with other types of capital, money, so this logic goes, could never fully belong to the state and its seeming autonomy continually posed problems to the state's claims to total sovereignty. Indeed, as David Harvey stresses, the state must be seen as a territorial entity consistently struggling to contain the fluid global movements of capital circulation.<sup>15</sup>

To better think through the state's obsession and struggle with harnessing the productive force of capital, I turn to what Michel Foucault calls biopower. According to Foucault, biopower must first be seen in contradistinction to sovereign power. Unlike sovereign power, which exercised the power to decide on whether to take life or let live, biopower's form of governing is primarily concerned with how to foster life or how to withhold life to the point of death.<sup>16</sup> Second, as an ensemble of technologies and mechanisms, biopower's main strategy entailed the measurement, modification, ordering, and fostering of both the individual body and the collective body.<sup>17</sup> Looking back to the long twentieth century, it is impossible to think of the modern state without thinking of biopower as the dominant means of its articulation. Indeed, rather than think of the modern state as an ahistorical entity merely appropriating biopower, I approach the modern state as simultaneously being produced from the effects of biopower. As a product of biopower, therefore, the modern state was not only concerned with the accumulation of capital or strictly the welfare and development of social life, but the growth of both capital and life.<sup>18</sup> In other words, the state desired to, on one hand, foster the capacities of the population to produce surplus capital, and on the other hand, wield capital in order to foster and develop life.

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<sup>15</sup> David Harvey, *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change*, (Oxford and Cambridge: Blackwell, 1990), 106.

<sup>16</sup> Michel Foucault, *The History of Sexuality: Volume I: An Introduction*, trans. Robert Hurley (New York: Vintage Books, 1990), 136.

<sup>17</sup> Foucault, *The History of Sexuality*, 138.

<sup>18</sup> *Ibid*, 139 - 141.

The successful development of life through capital, in turn, meant the success and continuation of the modern state.

If the existence of the modern state is to be judged by its success in developing life through capital, what does this mean for sovereignty? In particular, what becomes the relationship between sovereignty, society, and the capitalist market? According to Foucault, beginning in the eighteenth century, the capitalist market began to be seen as a site of truth in contrast to the sovereignty of the state. This emergent regime of truth asserted that true authority over the monetary and financial realm derived not from the political sovereign, the modern state, but rather from the laws of the capitalist market. According to this rationality, therefore, good government depended not on the justice decided on and distributed by the sovereign. Rather, good government was determined through the verification or falsification of the truth of the market.<sup>19</sup> Foucault identified this rationality as stemming from the economic strand of liberalism. In contradistinction to political liberalism, which was founded in the tradition of the French Revolution, Foucault labeled economic liberalism radical, in that it could be traced to the British radical questioning of the fundamental utility of the state.<sup>20</sup> This particular radical tradition, distant cousin to the political economic critique by Marx, inferred that the market had no limit and pervaded all parts of social existence. From the purview of economic liberalism, the market represented not an ideal of the social, but true social reality.<sup>21</sup>

The liberal claim to truth, as Foucault points out, radically shifted the question of government away from a relation between the sovereign and the subject, and instead toward the market and the individual. In this light, the individual was no longer *homo juridicus* or *homo legalis*, a sovereign man of rights. Instead, the true nature of the individual was *homo*

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<sup>19</sup> Foucault, *The Birth of Biopolitics*, 30 – 32 and Read, “A Genealogy of Homo-Economicus,” 27 – 28.

<sup>20</sup> Foucault, *The Birth of Biopolitics*, 41.

<sup>21</sup> *Ibid*, 43.

*economicus*, or economic man. Seeing the social world as a market, *homo economicus* was not so much interested in rights, but in exchange.<sup>22</sup> This rendering of the individual to *homo economicus* was momentous, for it created the conditions to flatten out any hierarchical difference so essential in politicizing the contradictions within capital. Rather than the possibility of seeing oneself as a laborer in opposition to a capitalist, for instance, one had the potential to see oneself as an entrepreneur in competition with a simply more successful rival entrepreneur. Rather than looking at the economic as a place of production and exchange, *homo economicus* set the stage to see only capital.<sup>23</sup> Without the tensions within the division of labor potentially reaching a political antagonism, capital held the potential to go on indefinitely. At the same time, through this liberal claim to truth, the role of the state was reduced. The state now merely acted as a supplemental entity that mediated between the capitalist market and the social life of *homo economicus*. The radical question asked by economic liberalism was not whether or not the sovereign was legitimately impeding upon the natural rights of an individual. Rather, according to Foucault, the radical question asked by economic liberalism became: “What is the utility value of government and all actions of government in a society where exchange determines the true value of things?”<sup>24</sup>

According to Carl Schmitt, reducing the state to mere steward of capital and economic individuals was disastrous to the very concept of the political. The market, argues Schmitt, should not act as homology to the domain of the political, for the concept of the political rests

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<sup>22</sup> Ibid, 39.

<sup>23</sup> Foucault is thinking about the anthropological conception of *homo economicus* being transformed from a creature of exchange to a creature of competition. This is the *homo economicus* that sees no labor, but only capital. No class difference, only competition. *Homo economicus*, therefore allows for the transformation of neoliberalism to occur. Foucault, *The Birth of Biopolitics*, 225 – 227.

<sup>24</sup> Foucault *Biopolitics*, 46.

upon an existential antagonism that divides the world into friend or enemy.<sup>25</sup> If the central logic of capital is that everything is ultimately commensurable through exchange and that all differences can eventually be erased through the notion of exchange value, then what becomes of the difference between friend and enemy? To Schmitt, the survival of any political community depends on deciding between who is friend and who is enemy. If this distinction cannot be determined, the political community would not only be exposed to an external enemy but could also be potentially destroyed from within by a war of all against all.<sup>26</sup> It is because of this existential friend-enemy binary that it is necessary that an agent decide on this distinction.<sup>27</sup> The agent of this decision, according to Schmitt, must remain independent and autonomous of the domains of both the social and the economic in order to exercise sovereign power. Yet liberalism, reasons Schmitt, had scraped away at sovereignty by blurring the boundary between friend and enemy and envisioning everyone as potential commercial partners in a world of market exchange.<sup>28</sup> Moreover, this world of market exchange, which had no boundaries, could bleed over into any sovereign territory. Seen in this light, the market not only shrank the space of the sovereign, but at the same time remained autonomous of any sovereign territory in particular.

If sovereignty was threatened by the liberal claim that the capitalist market must not only be autonomous of the state, but moreover could act as a gauge of the sovereign's capacity to develop and govern life, what then constitutes authority over money? To answer this question my dissertation looks to Hannah Arendt's thoughts on authority. Arendt argues that the original conception of authority, at least a very specific type in the history of the West, has all but vanished under capitalist modernity. True authority, she reasons, must be considered strictly

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<sup>25</sup> Carl Schmitt, *The Concept of the Political*, trans. George Schwab, (Chicago and London: The University of Chicago Press, 1995), 26.

<sup>26</sup> Schmitt, *The Concept of the Political*, 23.

<sup>27</sup> *Ibid*, 38.

<sup>28</sup> *Ibid*, 72.

within the political realm; and the political, in turn, was necessarily dependent upon authority. Unlike the thinking of Schmitt, however, she does not see authority as violence or force, asserting that if coercion was relied upon then authority had already failed. Arendt also clearly differentiates authority from persuasion, which involves a process of argumentation between equals.<sup>29</sup> Authority, instead, must be seen as a demand for obedience, not through coercion or persuasion, but akin to advice from an elder that could not be safely ignored.<sup>30</sup>

Recalling the ancient Romans, who were politically tied to the singular founding moment of the city of Rome, Arendt saw the concept of authority rooted in the word *auctoritas* deriving from the verb *augere* or to augment. Authority, therefore, meant to augment this founding moment, a looking back to the foundation and drawing forth of tradition in order to animate the present. Furthermore, because authority drew from the past, it was necessarily in contrast to power (*potestas*), which meant a collective capacity enabling future actions.<sup>31</sup> Arendt points out that because authority lay with the Senate and power lay with the people, it was the Senate's authority that enabled them to guide the people like elders guide children. This guidance was not through command or coercion or even persuasion as equals, but rather through the expression of traditional knowledge that demands to be heard. Hierarchy and knowledge of tradition was thus foundationally necessary for the practice of authority.<sup>32</sup>

Still, what if authority was based, not on knowledge of a traditional founding moment, but instead based on knowledge of some supposed asocial force that had no clear founding moment? What if authority was merely based on knowledge of the capitalist market, a world that could only reproduce itself through the obscuration of the alienating and exploitative origins of

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<sup>29</sup> Hannah Arendt, "What is Authority?" in *Between Past and Future: Eight Exercises in Political Thought*, (New York: Penguin Classics, 2006), 92 – 93.

<sup>30</sup> Arendt, "What is Authority?" 122.

<sup>31</sup> *Ibid*, 120 – 122.

<sup>32</sup> *Ibid*, 123.

its existence? My dissertation argues that authority over money was not grounded in what Arendt would have considered true political authority, but instead grounded in the notion that only economic knowledge could access the truths of the capitalist market. Under the radical logic of economic liberalism it was knowledge of the capitalist market, not tradition, which grounded authority over money. Authority over money-as-capital, I argue, was not determined by one's ability to augment the tradition of a founding originary event, but by the amount of market knowledge one had accumulated. Knowing this, we see why central banks, the recognized monetary authorities of modern nation-states, are designed to be autonomous or semi-autonomous from the political power of the state. In addition, the construction of international regulating bodies such as the International Monetary Fund (IMF) and the World Bank (WB) demonstrates on a larger scale, the necessity of managing global flows of capital through an authority based on knowledge of macroeconomics and monetary theories. The source of authority of the IMF and WB must thus be seen in stark contrast with the United Nations, whose authority draws from the political traditions of international law.

In addition to questions of biopower, sovereignty, liberalism, and knowledge, monetary authority in the Philippines must also contend with the particular historical context of the imperial and the colonial. Although I agree with Foucault's view that the modern state could only reproduce itself through its success of fostering life through capital, Foucault does not concern himself with how biopower operates within an imperial context. Keeping in mind that the notion of empire was rooted in the ancient Roman concept of *imperium*, I contend that the imperial must therefore firstly be seen within the realm of the sovereign, and more broadly the political. How then, does biopower, as heterogeneous to sovereign power, unfold within the context of the imperial? In response to this question, one of the main aims of "Monetary

Authorities” is to explore how biopower simultaneously enabled and restricted American empire in the first half of the twentieth century, and additionally how the tense interaction between sovereign power and biopower radically shaped the formation of the Philippine colonial state. By viewing the Philippine colonial state as a product of both biopower and imperial sovereign power, we can come to a better understanding of the history of authority over money in the archipelago.

On one hand, in the first half of the twentieth century, the success or failure of managing and fostering life through capital (the central concerns of biopower) determined whether or not the Philippine colonial state could continue to exist. On the other hand, the continued existence of American imperial sovereignty, like all sovereignty, was ultimately determined by the legitimacy of its violent capacity to let live or take life. For, as Walter Benjamin reminds us, sovereign power was ultimately bound to the violent making and unmaking of law.<sup>33</sup> In this imperial context we see two co-existing though heterogeneous modes of power: one seeking success through the growth of life and the other seeking legitimacy through the capacity to take life. The emergence of biopower as the dominant form of modern government by the state, therefore, led to a radical change in determining the legitimacy of imperial sovereignty. Rather than recognizing the legitimacy of sovereignty strictly through the notion of rights (be it divine right or social contract), legitimate sovereignty must also be achieved through the development of life through capital.

At the same time, however, this did not mean the end of sovereign power. The success of the colonial state in fostering a population’s capacity to generate capital was in turn wholly reliant upon the ever-present threat of imperial sovereign violence. This sheds light on a crucial

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<sup>33</sup> Walter Benjamin, “Critique of Violence,” in *Reflections: Essays, Aphorisms, Autobiographical Writings*, trans. Edmund Jephcott (New York, N.Y.: Schocken Books Inc, 1978), 286.

dilemma in this heterogeneous relation between biopower and sovereign power. How could a state dedicated to the development of life through capital ever justifiably allow the expression of sovereign power? How could the state ever exercise the sovereign right to take life? In response to this disconnection between biopower and sovereign power, the state turned to race. Circling back to Foucault, race, and more specifically modern racism, was necessary for the modern state's biopower to function. Racism allowed biopower to organize and partition individuals and populations into hierarchical orders. Moreover, race divided and indexed groups of subjects, not for arbitrary reasons, but supposedly for the benefit and development of a purer, healthier, and more productive population. In turn, a purer, healthier, and more productive population of subjects meant not only the legitimization of the state, but its continued material existence.<sup>34</sup>

After establishing a hierarchical world of disparate races, modern racism allowed the state to blend sovereign power with biopower. Modern racial formation enabled the colonial state to take lives, but in a completely novel way. The colonial state did not legitimize death through the political, it did not argue for the eradication of the enemy. Instead, through race, biopower and sovereign power intertwined to make death a constant possibility to those that threatened the vitality and health of the state's population. Sovereign power was thus not merely used in a war against enemies that challenged the state, but the constant elimination of threats that inhibited the racial development of the population. Race allowed for an economy in which the elimination of the lives of "weaker" or "contaminant" racialized populations, meant the strengthening of the racial population chosen by the sovereign.<sup>35</sup> Seen in this light, race provided the necessary conditions of possibility for the formation of modern states both in the Philippine colony and the "domestic" United States.

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<sup>34</sup> Michel Foucault, *"Society Must Be Defended."* *Lectures at the Collège de France, 1975 – 1976*, trans. David Macy (New York: Picador, 2003), 254 - 255.

<sup>35</sup> Michel Foucault, *"Society Must Be Defended,"* 256 - 258.

In addition to political dimensions, I contend that race was necessary for the reproduction and expansion of global capital, in particular through the formal subsumption of colonial economies.<sup>36</sup> This is most apparent through the optic of economic liberalism. According to Foucault, a radical breaking away from the physiocratic belief of limited wealth occurred in eighteenth century Europe, leading to the liberal notion of the colonial world as a potentially infinite space of ever-expanding markets. This liberal conception of Europe as an economic unit and the colonial world as its market reframed the relation between European states. Rather than view each other as either a friend or an enemy, each state began to see each other as fellow competitors. European states thus saw themselves within a game of economic competition, and the limitless market of the non-European world as the prize.<sup>37</sup>

Despite Foucault not making this connection, however, the making of the non-European colonial world as a potentially limitless global market for Europeans to get rich from, had in turn, created the possibility of Europe to conceive of itself as European. I believe that this conceptualization of Europe as a coherent economic unit would not be possible without conceiving of the planet as a hierarchical world populated by myriad and classifiable races. Race therefore would not only serve to justify the brutal expropriation of resources and labor so integral in what Marx calls “primitive accumulation.”<sup>38</sup> Race was additionally essential in the construction of new global divisions of labor, the invention of new capitalist markets through imperial territories, and the colonial production of *homo economicus*.<sup>39</sup>

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<sup>36</sup> Marx defines formal subsumption as the process in which capital incorporates non-capitalist modes of production and economies into itself. By monopolizing previous methods, techniques, and strategies of production, capital subsumes living labor into its system of objective labor. Formal subsumption has a limit, however, and it is the reaching of that limit that forces capital to transform existing modes of production until it totally imbued by the mode and techniques of capital. This process is defined by Marx as real subsumption. Marx, *Capital*, 1020 - 1025.

<sup>37</sup> Foucault, *The Birth of Biopolitics*, 54 – 56.

<sup>38</sup> Marx, *Capital*, See part eight in particular.

<sup>39</sup> Although not his emphasis, Timothy Mitchell in “The Stage of Modernity” provides a historiography of the way capitalist modernity was not only shaped by colonialism and empire, but also a global racial order. Timothy Mitchell,

Seeing that it rests at the heart of imperial sovereignty, the colonial state's biopower, and the expansion and maintenance of global capital, my dissertation maintains that race is absolutely crucial in understanding the history of authority over money in the first half of the twentieth century Philippines. Proper authority over money, so critical in fostering and developing colonial life through capital, was consistently tied to the racial economic capacities of colonial subjects in the archipelago. The construction of labor hierarchies and the regulation of populations through monetary policies and financial institutions could only come about through the constant measuring and assessment of individual colonial subjects. In particular, American economic experts scrutinized the "native" Philippine subject's racial facility to labor efficiently, to handle money soundly, and to become potential investors in the world of finance. Evolving the racialized colonial subject into the modern economic subject was not only crucial to the success of the colonial state's development of life through capital or granting legitimacy to American imperial sovereignty. In addition, the racial development of the colonial subject into an economic subject was simultaneously vital for the authentication of an authority based on expert knowledge of the market. I argue that eventually a fundamental aspect of decolonization entailed the challenge of American imperial sovereignty on the grounds of economic knowledge and racial difference.

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"The Stage of Modernity," in *Questions of Modernity*, ed. Timothy Mitchell (Minneapolis, MN: University of Minnesota Press, 2000). Although they fail to make the read race beyond epiphenomenon, there is also a vast literature of macroeconomic history, in particular world systems theory, which identifies the exploitation of colonial economies with the violence against racialized labor. See especially: Andre Gunder Frank, *ReOrient: Global Economy in the Asian Age*, Berkeley (CA: University of California Press, 1998); Janet Abu-Lughod, *Before European Hegemony: The World System A.D. 1250-1350* (Oxford: Oxford University Press, 1989); and Immanuel Wallerstein, *The Capitalist World-economy* (New York & Cambridge: Maison des Sciences de l'Homme and Cambridge University Press, 1979). For more regional applications of world systems approach and its relation to race see: Lucie Cheng and Edna Bonacich, *Labor Immigration Under Capitalism: Asian Workers in the United States Before World War II*. (Berkeley and Los Angeles: University of California Press, 1984); John H. Elliot, *Empires of the Atlantic World: Britain and Spain in America 1492 – 1830*, (New Haven: Yale University Press, 2006); Sidney W. Mintz, *Sweetness and Power: The Place of Sugar in Modern History*, (New York and London: Penguin Books, 1986); and John Thornton, *Africa and Africans in the Making of the Atlantic World, 1400 – 1800*, (Cambridge and New York: Cambridge University Press, 1998).

In sum, the above is an attempt to impart the primary theoretical concerns and questions of my dissertation. Still, by looking at the different intertwining forms of power, techniques of government, and myriad forces pressing upon and undergirding the history of authority over money in the Philippines, I simultaneously hope to highlight the always existing possibility of rupture, disconnection, and resistance. Throughout “Monetary Authorities” I chart moments of uncertainty and disruption within these interlocking forms of exploitation, domination, and oppression. I do this not in the belief that crises within the state or capital will automatically lead to self-destruction. Rather, throughout my dissertation’s critique of liberalism, racialization, and authority, I track these moments of crises as reminders of the political need to collectively think, organize, and act across a plane of imminent possibilities. Indeed, my dissertation’s insistent differentiation between the dimensions of the political and the economic is not merely to intervene in extant historiographies. Instead, I hope to articulate the necessity of defending the condition of possibilities of the political, and more specifically the emancipatory potential of politics in a world ordered by the exploitative values of capital and the violent rule of sovereignty.

### **Historiography and Method**

In the strictest sense, “Monetary Authorities” contributes to a small but growing corpus of sustained Philippine monetary and financial histories under American imperial sovereignty. Seminal political and economic history texts such as Onofre D. Corpuz’s *An Economic History of the Philippines* and Peter Stanley’s *A Nation in the Making* are slowly being supplemented and expanded upon by area studies monographs such as Paul Hutchcroft’s *Booty Capitalism* and

Yoshiko Nagano's forthcoming *The Philippine National Bank*.<sup>40</sup> Although very well researched and clearly critical of American empire and the Philippine state, these works have heretofore forwarded two types of narratives. The first type of narrative sees American empire working through various economic policies to force already existing North Atlantic style monetary systems and financial institutions onto a relatively inert colonial population.<sup>41</sup> The second narrative type emphasizes the collaboration of elite Filipinos by arguing that American empire simply exacerbated already existing traditional hierarchies and older corrupt political practices.<sup>42</sup>

Although one can see the appeal of both approaches, my dissertation instead traces a colonial history of Philippine money rife with tensions and contradictions and ultimately shaped by contingent histories of heterogeneous forces. These contradictions and contingencies simultaneously led to unintended outcomes, such as the breakup of existing hierarchies and the destabilization of various authorities. With this in mind, "Monetary Authorities" is inspired by a postcolonial critique of money and more broadly capitalism in the Philippines. My dissertation is especially animated by the work of historians and fellow travelers in anthropology and literary studies. Works such as Vicente Rafael's meditations on the ways money and "the gift" may

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<sup>40</sup> Onofre D. Corpuz, *An Economic History of the Philippines*, (Quezon City: University of the Philippines Press, 1997); Yoshiko Nagano, *The Philippine National Bank: The American Colonial State and Finance, 1898 – 1941*, (Quezon City and Singapore: Ateneo de Manila University Press and National University Press, Forthcoming 2013); Paul Hutchcroft, *Booty Capitalism: The Politics of Banking in the Philippines*, (Ithaca, NY: Cornell University Press, 1998); Peter W. Stanley, *A Nation in the Making: the Philippines and the United States, 1899-1921*, (Cambridge, MA: UCLA University Press, 1974).

<sup>41</sup> In actuality most of these are fairly straightforward economic histories. With the exception of Carl Parrini, who concentrated on a foreign policy approach, most shy away from an analysis of the contingent political or social constrictions that shaped the language of policies and legislation. Corpuz, *An Economic History of the Philippines*; Daniel Doepfers, *Manila, 1900 – 1941: Social Change in a Late Colonial Metropolis*. New Haven, CT: Yale University Southeast Asia Studies, 1984; Yoshiko Nagano, "The Philippine Currency System During the American Colonial Period: Transformation from the Gold Exchange Standard to the Dollar Exchange Standard," *International Journal of Asian Studies* 7 1 (2010); Carl Parrini, "Charles A. Conant, Economic Crises and Foreign Policy, 1896 – 1903," In *Behind the Throne: Servants of Power to Imperial Presidents, 1898 – 1968*, eds. Thomas J. McCormick et. al. (Madison, WI: The University of Wisconsin Press, 1993); and Willem G. Wolters, "From Silver Currency to the Gold Standard in the Philippine Islands," *Philippine Studies* 51 3 (2003).

<sup>42</sup> Many of these studies see the history of money as being a site for oligarchic control or patronage politics. For example see: Paul Hutchcroft, *Booty Capitalism: The Politics of Banking in the Philippines*; Yoshiko Nagano, "The Agricultural Bank of the Philippine Government, 1908-1916," *Journal of Southeast Asian Studies*, 28 2 (1997); and Peter W. Stanley, *A Nation in the Making: the Philippines and the United States, 1899-1921*.

simultaneously rupture known orders and aid in hardening restrictive economies in *White Love* and *The Promise of the Foreign*, Caroline Hau's look at the racialized and classed figure of the Chinese in Philippine culture in "The Chinese Question," and Neferti Tadiar's thoughts on the Philippines as a theoretical place which anticipates many of the historical trends of global capital in *Things Fall Away*, have greatly shaped my theoretical approach.<sup>43</sup> Moreover, despite my belief that there is something peculiarly singular about Philippine monetary history, my work nevertheless is also in conversation with ethnographic studies of money in other historical places of Southeast Asia, especially Indonesia. For many of my more general approaches to the social effects of modern money in colonial conditions, I look in particular to Karen Strassler's demonstration of the dissonance between state authority and currency's authenticity in "The Face of Money," Suzanne Brenner's discussion of gendered self-discipline in the face of the capitalist market in *The Domestication of Desire*, and especially James Siegel's work on money, modernity, and the radical possibilities of the fetish snaking through *Solo in the New Order* and *Fetish, Recognition, Revolution*.<sup>44</sup>

At the same time, this dissertation attempts to illustrate how various modes of power and different authorities attempted to domesticate the effects of such unintended consequences. Colonial economic policies, for instance, were not conceived in the metropole and simply

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<sup>43</sup> Caroline Hau, "The Chinese Question: A Marxist Interpretation." In *Marxism in the Philippines: Continuing Engagements*, ed. Teresa Tadem, (Manila: Anvil Publishing and University of the Philippines Third World Studies Center, 2010); Vicente Rafael, *The Promise of the Foreign: Nationalism and the Technics of Translation in the Spanish Philippines*, (Durham: Duke University Press, 2005), and *White Love: And Other Events in Filipino History*, (Durham: Duke University Press, 2000); Neferti Tadiar, *Things Fall Away: Philippine Historical Experience and the Makings of Globalization*, (Durham: Duke University Press, 2009).

<sup>44</sup> Suzanne Brenner, *The Domestication of Desire: Women, Wealth, and Modernity in Java*, (Princeton, N.J.: Princeton University Press, 1998); James Siegel, *Solo in the New Order: Language and Hierarchy in an Indonesian City*, (Princeton, N.J.: Princeton University Press, 1986); and *Fetish, Recognition, Revolution*, (Princeton: Princeton University Press, 1997); and Karen Strassler, "The Face of Money: Currency, Crisis, and Remediation in Post-Suharto Indonesia."

exported to the Philippines unchanged and untroubled.<sup>45</sup> Instead, monetary and financial histories were formed out of the circulation of, and encounters between, ideologies, agents, institutions, practices, technologies, and techniques across a global field of empire and capital. Seen in this light, the history of money in the colonial Philippines was a necessarily crucial element in the formation of the transpacific American empire as well as the United States' emergence as the center of finance capitalism in the twentieth century.

In a broader sense, therefore, this dissertation contributes to the recent explosion of interest in American empire in the Philippines by scholars of American Studies. Monographs like Paul Kramer's *Blood of Government*, Alfred McCoy's *Policing America's Empire*, and Warwick Anderson's *Colonial Pathologies* illustrate how certain apparatuses and institutions were imperially shaped and reshaped by traveling back and forth between the colony and the metropole.<sup>46</sup> With the exception, however, of Emily Rosenberg's seminal *Financial Missionaries to the World*, none have taken a sustained look at the Philippines' role in the supposed broader

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<sup>45</sup> See for example Glenn Anthony May, *Social Engineering in the Philippines: the Aims, Execution, and Impact of American Colonial Policy, 1900 – 1913*, (Westport, CT: Greenwood Press, 1980); Carl Parrini, "Charles A. Conant, Economic Crises and Foreign Policy, 1896 – 1903," and William Appleman Williams, *The Tragedy of American Diplomacy*, (New York, NY: W.W. Norton & Company, Inc., 1972).

<sup>46</sup> Warwick Anderson, (*Colonial Pathologies: American Tropical Medicine, Race, and Hygiene in the Philippines*. Durham, NC: Duke University Press, 2006); Paul Kramer, *The Blood of Government: Race, Empire, the United States, and the Philippines*, (Chapel Hill: The University of North Carolina Press, 2006); and Alfred McCoy's *Policing America's Empire, Policing America's Empire: The United States, the Philippines, and the Rise of the Surveillance State*, (Madison, WI: University of Wisconsin Press, 2009). In addition, American Studies monographs appear to have exploded within the last decade, most likely because of the 'reminder' of empire in the Philippines by the contemporary imperial invasions in Iraq and Afghanistan. The following monographs, with various degrees of success, have attempted to incorporate empire into their study of U.S. history. David Brody, *Visualizing American Empire: Orientalism and Imperialism in the Philippines* (Chicago: University of Chicago Press, 2010); Julian Go, *American Empire and the Politics of Meaning: Elite Political Cultures in the Philippines and Puerto Rico during U.S. Colonialism*, (Durham: Duke University Press, 2008); Susan Harris, *God's Arbiters: Americans and the Philippines, 1898 – 1902*, (Oxford and New York: Oxford University Press, Inc., 2011); and Amy Kaplan, *The Anarchy of Empire in the Making of U.S. Culture*, (Cambridge, MA: Harvard University Press, 2002). In addition, there have been some anthologies that contain several useful essays on American colonial state formation and the creation of imperial institutions in the Philippines. Julian Go and Ann Foster eds., *The American Colonial State in the Philippines: Global Perspectives*, (Durham, NC: Duke University Press, 2003) and Alfred McCoy and Francisco Scarano eds., *Colonial Crucible: Empire in the Making of the Modern American State*, (Madison, WI: University of Wisconsin Press, 2009).

history of American capitalism.<sup>47</sup> Even Rosenberg, however, despite an admirable attempt to interweave gender, race, and culture into U.S. monetary history, sees the Philippines as more of an instance and example of American empire, rather than playing a crucial part in either the “broader” histories of U.S. empire or American capitalism.<sup>48</sup> Perhaps the most attentive scholarship to relate Philippine history to the history of both American empire and capitalism in actuality comes out of Filipino American Studies.

Commodified under the global capitalist system, Philippine labor traveled similar imperial routes as other export commodities from the colony to the metropole. By looking at the history of labor and labor migration, many of the most recent monographs such as Rick Baldoz’s *The Third Asiatic Invasion*, Catherine Choy’s *Empire of Care*, and Dorothy Fujita-Rony’s *American Workers, Colonial Power* have emphasized the myriad transpacific histories of empire and capital.<sup>49</sup> Filipino American studies, like other Asian American studies of diasporic labor, rightly underscore the importance of categories of difference, such as race, gender, class, and sexuality, in the constitution of both American empire and capitalism.<sup>50</sup> At the same time, however, there remains an absence of sustained Philippine American and Asian American

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<sup>47</sup> Although there have been others that look at capitalism through empire like Williams or Parrini, none have done a sustained study of American imperialism in the Philippines and its relation to United States capitalism.

<sup>48</sup> Seeing the Philippines as an example of the broader history of ‘dollar diplomacy’, Rosenberg quickly leaves the Philippine colony soon after the end of the ‘official’ Philippine American War and the establishment of the civil colonial government. Emily Rosenberg, *Financial Missionaries to the World: the politics and culture of dollar diplomacy, 1900-1930*, (Cambridge, MA: Harvard University Press, 1999).

<sup>49</sup> Rick Baldoz, *The Third Asiatic Invasion: Empire and Migration in Filipino America, 1898 – 1946*, (New York: New York University Press, 2011); Dorothy B. Fujita-Rony, *American workers, colonial power: Philippine Seattle and the Transpacific West, 1919-1941* (Berkeley, CA: University of California Press, 2003), Catherine Ceniza Choy, *Empire of Care: Nursing and Migration in Filipino American History* (Quezon City, Philippines: Ateneo de Manila University Press, 2003).

<sup>50</sup> Many recent Asian American histories have been particularly mindful about the “intersections” of categories of differences. The more successful histories in Asian American studies that pay attention to production of Asian America through race, empire, and capital specifically are: Moon-Ho Jung, *Coolies and Cane: Race, Labor, and Sugar in the Age of Emancipation*, (Baltimore: The Johns Hopkins University Press, 2006); Vijay Prashad, *The Karma of Brown Folk*, (Minneapolis and London: University of Minnesota Press, 2000); and John Tchen, *New York Before Chinatown: Orientalism and the Shaping of American Culture 1776-1882*, (Baltimore, MD: The Johns Hopkins University Press, 1999). And for fellow travelers in literature and cultural studies, see: Lisa Lowe, *Immigrant Acts* (Durham & London: Duke University Press, 1996) and Colleen Lye, *America’s Asia: Racial Form and American Literature, 1893-1945*, (Princeton and Oxford: Princeton University Press, 2005).

histories of money and finance, and particularly money's entanglements with race and empire. With this in mind, my dissertation places racial hierarchies and colonial labor regimes at the heart of my analysis of not only the history of money in the Philippines, but also American imperialism and the U.S. global dominance of finance capitalism more broadly. By building on these histories—Philippine and Southeast Asian Studies, American Studies, and Filipino American Studies—this dissertation not only demonstrates how racial formation and colonial labor shaped Philippine monetary history, but also how money in the Philippines was in turn essential in the twentieth century construction of a racialized American transpacific empire and the dominance of the United States in the global capitalist system.

By drawing on these diverse historiographies in order to track the history of Philippine and American political economy in the first half of the long twentieth century, I hope to address what Timothy Mitchell argues as a lacunae in studies of the colonial and the imperial. Specifically, Mitchell asserts that critical studies of the “economy,” despite being theoretically sound and innovative, have nevertheless allowed capital a type of narrative of coherence and a logic of unprecedented reach.<sup>51</sup> In light of this, throughout this dissertation I conduct close readings of monetary and financial policies and legislation as well as public and private debates over money and capital in order to not only illustrate the ways that the state and expertise attempted to domesticate certain economic and political disruptions. In addition, through close readings, I also highlight the expression of anxieties and fear over the disruptive political possibilities circulating at the time. In this way, my dissertation not only maps a type of attempt from above to control the effects of capital, but also the myriad traces of radical possible politics from below, shadowing and even generating moments of political and economic crises.

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<sup>51</sup> Timothy Mitchell, *Rule of Experts: Egypt, Techno-Politics, Modernity*, (Berkeley and Los Angeles: University of California Press, 2002).

This type of reading method demands deep country analysis heavily influenced by my training in area studies. Despite the dubiously colonial, orientalist, and imperial origins of area studies, there still remains an ineradicable element of curiosity about the “other” and a valuation of difference in its approach.<sup>52</sup> It is this necessary, though oftentimes occluded, impulse in area studies that my dissertation follows. By looking through the optic of money in the Philippines, I am not attempting to write simply another example, iteration, or supplement of larger and thus more relevant histories of American empire and global capitalism. Rather, I see the Philippines, to borrow the phrase of Neferti Tadiar, as both a “theoretical place” and a geo-political area from which to comment on and think through supposedly more universal or global historical formations.<sup>53</sup>

My intention to look through the optic of the Philippines is not simply because the archipelago was a place that acted as a test case and experimental site for imperial modes of governance or economic techniques and strategies. Nor is it merely that the first half of twentieth century Philippine political economy materially informed or anticipated the dominance of finance capital in the global economic system or the transformations of neoliberal modes of production. To look from the colonial Philippines is to attempt the writing of history as supplement. As Jacques Derrida suggests in the context of language, supplement is commonly seen as the inessential to the self-sufficient, primary, or complete foundation. In contradistinction to this view, Derrida argues that the supplement must be seen as that which could both supply the foundation’s existing lack and at the same time substitute for or artificially enhance the

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<sup>52</sup> To see how Southeast Asianists in particular tend to contradict, if not challenge many of the corporate-backed, state sponsored, and academic institutional wishes, look at: Vicente Rafael’s “The Cultures of Area Studies in the United States,” *Social Text*, 41 (1994). To look at ethnography in particular, and the way that it still poses the challenge to open oneself to the Other, see: James Siegel, *Objects and Objections of Ethnography*, (New York: Fordham University Press, 2011).

<sup>53</sup> Tadiar, *Things Fall Away*, 8.

foundation, illustrating that something was always already potentially absent in the foundation. Seen in this way, the supplement not only undermines hierarchy but also illustrates that without the supplement, the conditions of possibility for the foundation itself is impossible.<sup>54</sup> To write the history of the colonial Philippines as a history of the supplement, therefore, entails keeping in mind the conditions of possibility of not only the formation of the Philippine nation-state, American empire, or global capitalism, but also the conditions of possibility of history itself.

In this spirit, unlike the majority of histories of money in the Philippines, which tend to follow political temporal markers, the periodization of my dissertation is patterned on particular events of monetary and financial crisis. Paying special attention to the concrete consequences or anticipated moments of economic crisis reveals instances in which authority over money became uncontrollably dispersed, complicating traditional notions of sovereignty, and disturbing seemingly timeless social orders. At the same time tracking responses to crisis simultaneously demonstrates how economic experts and state authorities innovatively deployed violent strategies of stabilization and utilized creative techniques to strengthen preexisting hierarchical orders. In structuring my dissertation chapters in this matter, I follow Rafael's suggestion to study history as episodic. To view history as episodic is to reveal and pursue the contradictions, hesitations, and ironies of the past.<sup>55</sup> By allowing this play of contradictions and ironies, episodic histories potentially disrupt grand narratives of exceptionalism commonly espoused by supporters of Philippine official nationalism, American imperialism, white supremacy, and global capitalism.

Indeed, history as episodic recognizes that there will be paradoxes that cannot be reconciled and aporias that cannot be overcome. Episodic history thus compels us to recognize

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<sup>54</sup> This of course is a crudely impossible and inevitably insufficient summary of the myriad arguments made by Jacques Derrida for the intervention of deconstruction as a critical strategy. For Derrida's discussion of the notion of the supplement, see: Jacques Derrida, *Of Grammatology*, trans. Gayatri Spivak, (Baltimore: Johns Hopkins University Press, 1997).

<sup>55</sup> Rafael, *White Love*, 4.

the impossible. To recognize the impossible entails the continuous pursuit of the ever-changing conditions of possibility. Therefore, this dissertation attempts to continuously trace the possible limits of history and at the same time recognize the impossibility of realizing a universally definitive history of the past. Through this approach we leave the meanings of history open for future interventions, rather than foreclose its possible futures through desires for totality or completion. The political stakes are high in this approach. For, if we are to heed Foucault's challenge that all histories must ultimately become histories of the present, we must also acknowledge that to foreclose the possibilities of the past subsequently forecloses the possibilities of the present.<sup>56</sup>

### **Outline of Chapters**

Beginning with an episode of major monetary crisis during the late nineteenth century and ending in the midst of the worldwide Great Depression in the 1930s, "Monetary Authorities" unfolds chronologically through five chapters and a conclusion. Chapter one explores how, in the early to mid 1890s, monetary crisis in the Spanish Philippines unlocked deep suspicions of the capitalist market. Pro-imperialist economic observers writing in Spanish obsessed over Chinese merchants, silver Mexican currency, and British merchant houses, which they envisioned as figures of the disrupting power of the capitalist market. To these observers, Chinese merchants, Mexican currency, and British merchant houses were foreign forces corrupting the social life of the colony. Moreover, these figures, despite being marked as strangers to imperial Spain, seemed to not only circulate freely throughout the archipelago but also appeared autonomous to the colonial state. The growing contamination by these alien forces, at least in the eyes of pro-

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<sup>56</sup> Foucault expands Nietzsche's notion of genealogy in order to study the "numberless beginnings" of what we consider our present truths. Michel Foucault, "Nietzsche, Genealogy, History," in *The Foucault Reader*, ed. Paul Rabinow, (New York: Pantheon Books, 1984), 81.

imperialist economic observers, subsequently troubled both colonial and imperial sovereignty in the Islands.

What troubled Spanish pro-imperialist economic observers, however, was not merely that these figures of the capitalist market were believed to be geo-politically foreign to Spain, but rather that the capitalist market itself appeared foreign to social life. Moreover, for Spanish economic observers, the colonial state seemed far too unmodern and ill equipped to adequately deal with the asocial force of money and capital. Through newsprint, therefore, economic observers publically challenged the Spanish empire to intervene through modern techniques and economic knowledge utilized by rival, more economically advanced, empires. Propagandists such as Marcelo del Pilar were quick to take note. Using economic observations of Spain's imperial shortcomings as a vehicle for critiquing Spanish sovereignty in general, del Pilar argued that what was needed was a new political entity that could wield modern techniques and economic knowledge in order to instrumentalize the productive capacities of capital for the benefit and growth of social life. Grounded in the belief of the productive capacity of both economic knowledge and the capitalist system, del Pilar questioned the legitimacy of Spanish sovereignty, and instead posited that the nation was the apposite political agent in instrumentalizing the force of capitalist modernity for the benefit of social life.

Chapter two examines, in two parts, the impulse of Philippine official nationalism to wield the productive power of money-as-capital. Despite the absence of money in the surviving writings of the *Katipunan* and the Malolos Republic from 1896 to 1901, the first part focuses on participant views of money during the time of Revolution. Although never explicitly focusing on money, discussions of wealth and economy revealed desires and values that were ambivalent to the value system of capital. In specific moments, money during Revolution appeared to be

separated from the logic of capital and instead appropriated within different systems of valuation, and subsequently used for alternate economies and social practices. This was not, however, a nostalgic return to some Eden-like pre-capitalist economy, but rather an appropriation of the social networks enabled by modern money for nationalist purposes.

The second part of the chapter traces the attempts of the Malolos Republic to instrumentalize the productive capacities of money-as-capital in order to form state structures and engage in a war for political recognition of sovereignty against the United States. The Malolos Republic's desire to wield the power of capital through the establishment of a national currency and a National Bank was opposed by those within the state and those without. Apolinario Mabini was especially anxious over whether the state would simply become another mechanism for local capitalists to extract more wealth from the nation's laboring populations. As the defender of republican virtues and primary intellectual of the Malolos Republic, Mabini was troubled by the growing influence of the wealthy elite in the government. If the wealthy were allowed more political power, Mabini warned, not only would republican ideals be contaminated by the profit logic of capital, but the Republic's sovereignty itself would be called into question by the nation.

Mabini's intuition that the broader Philippine public would view the Malolos Republic as simply another state-capitalist complex was correct. Efforts by the Malolos Republic to bring both agricultural and urban workers under control were entangled in its wish to be recognized as legitimate sovereign. This global politics of recognition was especially crucial in its war against American imperial claims to sovereignty in the archipelago. Moreover, in order to continue the war, the Republic relied on capital from merchant houses and internationally owned banks that claimed neutrality. Many in the Islands, who identified with the Philippine nation, however,

believed that revolution entailed not only political recognition of sovereignty, but also entailed the dissolution of unjust hierarchies and exploitative divisions of labor. As a result, during the Philippine American War, there was an explosion of spontaneously organized tax rebellions and labor strikes in a myriad of sectors and sites. This chapter, therefore, explores how the Republic attempted to domesticate these revolutionary energies through the creation of state-backed economic institutions and apparatuses, such as a state-fiat currency and a National Bank.

The third chapter argues that wartime imperial encounters in the colonial Philippines from 1898 to 1903 troubled the capacity of the American state to hold authority over the disorder caused by a seemingly autonomous capitalist market. Anxious reports from military officials described the disturbances caused by the violently fluctuating values of currencies circulating throughout the Islands and day-to-day on the ground commercial exchanges between American soldiers and “native” retailers. In numerous interviews, anxieties over an autonomous capitalist market increasingly surfaced through racialized figures. Disgruntled American soldiers, local Chinese retailers, scheming native laborers: these racialized figures appeared not only as illustrative of the disruptive power of an unregulated capitalist market but also, through their acts of autonomy, as a potential threat to American colonial authority.

As a response to this threatening commercial disorder, one of the first steps of the civil colonial state was to employ publically renowned financial expert, Charles Conant, to institute a new Philippine currency system. As an American economic imperialist, Anglo-American supremacist, and staunch gold-standard defender, the solution lay in pegging the new colonial currency to both the United States dollar and the inter-imperial standard of value, the gold standard. Racial capacities of colonial subjects to understand the truths of the capitalist market and obey colonial authority, however, radically shaped Conant’s design for a new currency

system. Suspicious about gold-based currency escaping colonial territory, Conant designed a gold exchange standard for the Islands. Through this currency, Conant intended to stabilize racial hierarchies and exploitative labor regimes.

Despite Conant's unabashed support of empire, the need to employ an outside expert reveals the limits of imperial sovereignty when faced by the force of a seemingly autonomous and indifferent capitalist market. Indeed, in a broader historical context, the turn of the twentieth century came in the wake of three long decades of antagonistic political debates over what capitalist modernity meant to American republican ideals. The result of these debates was the common sense notion that money and the capitalist market were not only autonomous but contained inherent truths completely heterogeneous to the rule of the sovereign. Conant's employment, therefore, illustrates a global historic trend in which authority over money increasingly became based not on sovereign power but on accessing, through knowledge, the truths of the capitalist market.

The fourth chapter looks at the various ways the Philippine colony was treated as a test case for American Progressive liberal reforms between 1903 and 1916. A transimperial constellation of ideologies, Progressivism obsessed over not only stamping out corruption from the colonial state but also envisioned the state as the primary technology through which to bring about such reforms. As a reaction to the devastating social consequences of industrial capitalism and the destabilizing possibilities of finance capitalism, American Progressives specifically, argued for social and political regulation. At the same time, however, Progressivism never challenged the notion that capitalism and modernization was necessary for human progress. By championing economic competition, centralized political authority, and technocratic bureaucracy, they believed they could simultaneously decontaminate the capitalist market and

make the state more efficient. Yet, this compulsion for reform was not limited to the state but simultaneously focused on reforming the individual. To better stabilize the disorder caused by the capitalist market, therefore, Progressives chose not to intervene directly into the capitalist market but the social and political conditions of the market.

As an avowed Progressive, economist Edwin Kemmerer believed that technocratic-led reforms brought about in the colony could prompt reforms in the “domestic” United States. Although hired by the nascent colonial state to oversee the introduction of the new Conant-designed currency system, Kemmerer was also directed to craft policies for an Agricultural Bank and the Postal Savings Bank. In the case of the Agricultural Bank, Kemmerer, with support from the Governor General, perceived the informal and affect-laden agricultural credit system as not only an economic institution rife with corruption and exploitation, but also a crucial cause of the backward and irrational political system referred to by colonial officials as “caciquism.” In the case of the Postal Savings Bank, American colonial authorities wished to transform Filipino colonial subjects not only into more efficient laboring subjects but also potential investors. The transformation of the Filipino colonial subject into an efficient laborer and potential financial investor was extremely important for American empire and its relation to the global capitalist system. By ensuring that Filipinos, supposedly precapitalist people, were reformed into proper economic individuals who labored and thought toward an infinitely expanding capitalist future, pro-imperialists could assert the United States’ fitness as the geo-political leader of such a capitalist future.

In order to realize this American-led global capitalist system, however, Kemmerer and other colonial authorities believed in proving American imperial capacity to artificially enable the racial evolution of the Filipino. The assessment of “native” racial capacities and racial habits

were, therefore, extremely crucial in the crafting of imperial policies in the Philippine colony. The most crucial racial trait to transform was the Filipino's inability to control the impulse to immediately satiate desires. As a result, Kemmerer emphasized the need to transform the Filipino from a creature of the present to a creature oriented toward the future, not only for economic reasons, but also because of the intensifying demands for immediate Philippine political independence.

Chapter five shows how, after the Great War, the economic realm appeared as the final terrain on which American imperial sovereignty could claim authority. The Great War created a speculative investment bubble for the production of Philippine wartime commodities, which quickly burst once the war ended. In the wake of this collapsed bubble was a fiscal and financial crisis, which elicited a bailout of the Philippine National Bank (PNB), the first centralized state-backed investment bank and caretaker of the currency reserves. Subsequently, multiple American expert investigations of the crisis traced the mismanagement of the currency reserves and the PNB to the encroachment of politics. These investigations were a radical critique of the colonial state, rooted not in juridical or political critiques, but grounded in questioning the utility of political decisions and state apparatuses. Expert language of utility and efficiency, moreover, were grounded in notions of racial difference, particularly lingering on the racial capacity of "natives" to control desires.

The post-crisis American Governor General, Leonard Wood, saw these findings as illustrative of the perils of "Filipinization" and ardently argued against not only the increase of Philippine political power but also Filipino management of economic and financial institutions in the colony. At the same time, however, critiques by economic experts, although clearly directed at the "Filipinized" colonial state, could also be read as a broader indictment of state intrusion

into the economic realm. Filipino conservative politicians subsequently picked up on the possibilities of this critique and deployed the American expert language of utility, market logic, and racial difference against the Wood administration. They did this by arguing that American authority was not efficiently developing capitalist formation in the colony, subsequently stunting Philippine economic, social, and racial progress.

The postwar crisis concretely affected a multitude of agricultural and urban laborers in the colony, particularly in Luzon. Wartime speculation and the flow of risky loans from the colonial state to agricultural capitalists spurred greater expropriation of land from small farmers and rapidly increased land accumulation for large landowners. As a result, the colony saw a rapid increase of violently dispossessed and displaced populations. Made up mostly of tenant farmers and landless workers, oppressive conditions for migrating populations were exacerbated in the wake of the postwar crisis. At the same time, forced displacement in turn generated novel social connections and economic bonds, resulting in political formations that organized collective challenges to exploitative capitalist practices and oppressive state policies.

The final chapter follows two seemingly unrelated histories during an era of decolonization and economic depression: one of technocratic economic experts and the other of militant tenant farmers and agricultural workers. The first history tracks the emergence of Filipino economic expert authority during the 1930s, which saw the political status of the Philippines shift from insular possession to Commonwealth. Cutting their teeth in the midst of the post-Great War crisis and scandal, these “native” economic experts publically and professionally came of age in the early 1930s. Subsequently they offered a unique challenge to American imperial sovereignty that was heterogeneous to political or moral arguments espoused by official nationalist politicians such as Sergio Osmeña and Manuel Quezon. Rather than

engage in a politics of recognition with the United States, economic experts critiqued the very utility of sovereignty and its illegitimate authority over money in the middle of the Great Depression. This critique, furthermore, was grounded in the lack of knowledge of the United States in recognizing the ineradicable racialized difference between Philippine and American economic conditions and the universal laws of the capitalist market shared commonly by all.

But this uncritical embrace of the common wealth produced by a global capitalist system and modern economic knowledge was a corrupted understanding of the common, shot through with disavowals of the exploitative and violent mode of its production and reproduction. The second part, therefore, traces how militant tenant farmers and agricultural workers recognized how capital was not only collectively produced and captured through violent means of alienation, abstraction, and privatization, but also how the production of this common wealth also generated new social bonds, alternate economies, ethical practices, and political organizations. The consequence of this collective awareness was an explosion of politics, which emerged through and against the contradictions of capitalist modernity; and whose ultimate aims were not merely recognition or authority, but rather the complete dissolution of private property and political hierarchy.

## Chapter 1:

### Stranger Coins: Monetary Crisis, Public Critique, and Political Consequences in the Spanish Philippines, 1893-1897.

Sad is that Spanish land. If one looks at the currency, Mexico appears. If one looks at the most prominent influence to the indigenous masses, China appears. If one looks at the most valuable commercial trade, England, Germany and North America appears. – Quioquiap, *La Política de España en Filipinas*.<sup>1</sup>

In the opening paragraph of the *Legislacion Sobre Moneda Filipina*, Spanish economic observer F. Aguilar y Biosca explained part of his inspiration for collecting and publishing the entire records of Spanish monetary legislation in the Philippine colony from the sixteenth century to 1893, the year of publication. Biosca intended to aid the Spanish public, both in the colony and the Metropole, perplexed by the “constantly changing market” and government “proclamations, orders, decrees, resolutions, and circulars of all kinds and provisions.” Indeed, for the typical Spaniard, the value of currency in the Philippine colony seemed to rely more on the arbitrary “mark of the die” rather than on the “weight and the law.”<sup>2</sup> Whether migrant or settler, entrepreneur or state employee, no one could escape the byzantine and costly process of remitting or transferring funds between the archipelago and the Peninsula. Because of the confusing array of currencies and the fluctuating value of silver based coins, one could possibly, as Biosca explained over the remainder of his preface, lose over twenty-two per cent of one’s funds through the remittance process alone.<sup>3</sup>

This loss of over a fifth of one’s funds was due to the typical Spanish bank fees in Manila. Even if one wanted to bypass the Spanish banking route and remit money through the London dominated “free market,” one would still be at the mercy of the international exchange

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<sup>1</sup> Quioquiap, “*El giro con Filipinas*,” *La Política de España en Filipinas* 4, no. 89 (July 3, 1894): 177.

<sup>2</sup> Francisco Aguilar y Biosca, *Legislacion Sobre Moneda* [1893] reprinted in Barrilla: *The Central Bank Money Museum quarterly* 6 no. 2, (1979): 60.

<sup>3</sup> Biosca, *Legislacion Sobre Moneda*, 62.

rate. By the 1890s, most of the North Atlantic states had shifted to gold, leaving the silver based currency of the Philippine colony, at a disadvantage in exchange markets.<sup>4</sup> The only alternate choice left for a Spaniard would be to bring his funds to a local moneychanger in the colony. The Spaniard, however, could be at an even greater risk with this route. For moneychangers, typically Chinese according to Biosca, were prone to charge predatory exchange rates and were also rumored to circulate counterfeit or smuggled currencies through Chinese-run Southeast Asian regional networks.<sup>5</sup>

All of these dilemmas over the remittance and transference of funds assumed of course that a Spaniard could manage to scrape together enough money after the risks of living in the archipelago. As Biosca highlighted, in order to save up money, one had to first endure the inflated prices of imported commodities, the costs of medical care in a dangerous tropical environment, and the high expense and risk of travel between the colony and the metropole. Moreover, one cannot forget the large additional cost involved in providing for a wife and family whether in the tropics or in the Peninsula.<sup>6</sup> Biosca, however, did not believe in pinning all the blame on individual moneychangers or bankers. After all, they too were pulled into the chaotic commercial culture of fluctuating exchange rates which, according to Biosca, encouraged disorder, demoralized all those involved, and left in its wake the exuberant growth of evil. What was the cause of this destructive culture? For Biosca, it was the uninformed legislation of the Spanish imperial government which indifferently bred the contaminating and poisonous “everyone-for-himself attitude,” leading to something analogous to “the struggle of races.”<sup>7</sup>

In the early 1890s, the groups vocalizing the most discontent over the currency problems

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<sup>4</sup> Francisco Godinez, *Regularizar la situación monetaria en las Islas Filipinas*, (Madrid: imprenta de Luis Aguado, 1894), 5.

<sup>5</sup> Biosca, *Legislación Sobre Moneda*, 69.

<sup>6</sup> Biosca, 63.

<sup>7</sup> *Ibid*, 62.

in the archipelago were Spanish communities and merchants in the import industry, whose money (in the form of remittances or debt payments) were subject to wild fluctuations in international exchange rates.<sup>8</sup> Thus for most scholars of economic history in the Philippines, the monetary crisis figured little in the daily social life of the *indio* or *mestizo* population. This leads many contemporary scholars to reason that there was little, if any, connection between monetary crisis and the political milieu from which emerged Philippine nationalism.<sup>9</sup> Yet, closer observation reveals that not only were *indio* and *mestizo* anti-colonialists and nationalists most likely aware of currency crisis, but money also quickly became a crucial object and site for the critique of Spanish authority.

The Spanish state's inability to successfully prevent or repair the violent consequences of monetary crises produced an unavoidable body of critical public texts made by Spaniards themselves. These public texts, made up mostly of Spanish language newspapers and diverse in ideological goals, all strangely imagined the capitalist market as autonomous from, if not altogether misunderstood by the Spanish imperial crown and the Philippine colonial state. Moreover, these texts reveal that the capitalist market determined a type of true value for money that the Spanish empire consistently rejected through state-fiat. Seen in this light, the Spanish empire's refusal to recognize the true values of the market not only led to commercial crisis, but also dangerously eroded its authority over existing political orders and social ways of life.

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<sup>8</sup> Numerous articles reprinted in *La Politica* and other reports by Godinez and Biosca can attest to this, although Willem Wolters' article "From Silver Currency to the Gold Standard in the Philippine Islands," cogently and succinctly makes this point. Willem Wolters, "From Silver Currency to the Gold Standard in the Philippine Islands," *Philippine Studies*, 51 3 (2003).

<sup>9</sup> A stark example of this argument is in Maria Diokno's "The Political Aspect of the Monetary Crisis in the 1880s" which demarcates between views of money by 'real' Filipinos versus views of Spanish observers during the early 1890s. Diokno asserts in her article that "most of those hurt by the crisis were not *real* Filipinos but Philippine Spaniards (and Peninsular producers engaged in the Philippine trade) who naturally identified with Spain." And "Since the currency issue was disconnected from the revolution waged by *real* Filipinos, there is then an apparent disjunction between the political and economic struggles." (Italics added by Diokno), 21. Maria Serena Diokno, "The Political Aspect of the Monetary Crisis in the 1880s," in *Kasarinlan* 14, no. 1, (1998).

This chapter explores the strange relationship between the capitalist market and Spanish government imagined by the authors of these texts. Focusing on the question of political authority over money, especially during times of crisis, reveals that money was often imaged as something suspicious, if not outright dangerous, to social life. In most texts dedicated to monetary crisis the steady development of social life in the colony, in particular Spanish social life, was threatened by the foreign quality of money and money's circulation within a capitalist world market. Moreover, the ability or inability to properly wield money produced, and was in turn produced by, racialized hierarchies among colonial subjects.

On one hand, the figure of the Chinese was inextricably associated with the corruptive alien force of money, thus casting the Chinese in the role of scapegoat during times of crisis. The *indio*, on the other hand, was seen as having a rudimentary understanding of how money worked, leading observers to claim that modern and imperial transformations in the Philippine monetary system would aid in the *indio*'s development.<sup>10</sup> In either case, racialized relations to money, in the eyes of Spanish observers, helped determine the political status of both the Chinese and the *indio* in the Spanish colonial Philippines as external to the political body. Thus, in both cases, racial hierarchy undergirded the colonial state's claim that Spanish sovereignty should continue to hold authority over both social life and the movement of capital within the colony.

At the same time as colonized subjects were racialized by the colonial state and Spanish imperial discourses, however, a different question concerning the role of political authority emerged. In particular, the ineffectiveness of the Spanish state's political authority in the face of monetary crises troubled the legitimacy of Spanish imperial sovereignty in the archipelago, a fact

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<sup>10</sup> *Indio* (Spanish for 'native') in this case, identified a particular legal, political, and racial identity within a colonial order.

that economic observers were all too eager to highlight. The recurring critique of Spanish monetary policy in the Islands opened up space for critiques beyond the economic domain into the domains of the political and the social. Indeed, under attack was the notion that the Spanish colonial state or imperial sovereignty was the apposite political agent to protect and mediate social life from the consequences of a capitalist world system. These critiques of Spanish authority, mostly by Spanish writers, unintentionally opened up space to imagine an alternative political agent to ensure the continuation of social life in the archipelago in the face of an inhuman global capitalist system. One possible alternative political agent to emerge was the Philippine nation.

### **Past Monetary Systems and Future Imperial Development**

Biosca's preface emphasized what he saw as the myriad commercial obstacles faced by a Spaniard in the colony. The preface thus seemed to lead to the question: with all these obstacles in place, to where could the Spaniard turn for help? Biosca bemoaned that any complaint to the Spanish state over the monetary situation appeared to fall on deaf ears. This is most likely due to the fact that government officials suffered at the hands of the money market just like any other Spaniard. Yet, it was not merely the Spanish individual who struggled, but the colonial and imperial state did as well. Biosca pointed out that over nineteen percent of the annual remittance of the Philippine treasury to the Spanish government in the Peninsula ended up in the hands of banks such as the *Banco Español Filipino*.<sup>11</sup> The Banco may have been the official treasurer of the Spanish colonial government in the islands, but it was not wholly a government institution. In other words, although the Banco was utilized for some official government purposes such as a treasury, credit and loan agency, and small-scale currency note printing, at its core, it was still a

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<sup>11</sup> Biosca, *Legislacion Sobre Moneda*, 63.

private corporation. The Banco, thus, had no state authority or legislative powers and ultimately served private commercial interests.

The colonial state additionally suffered from mass smuggling and counterfeiting of the de facto currency in the islands, the Mexican dollar. These clandestine activities occurred outside of the Spanish colony, mostly in Hong Kong, Amoy, or Singapore. Although Biosca pointed out that clandestine activities were oftentimes organized and financed by Chinese business networks, the ease of money's illegal movement was due to China's and Southeast Asia's reliance on silver based currency. The trans-state circulation of silver currency made capital investment easier for regional entrepreneurs, but provided a seemingly unresolvable headache for the Philippine colonial state. For certain, the history of monetary crises that defined the last decades of Spanish rule in the archipelago, had to do not only with the government's lack of control over the trans-border movement of silver based currencies, but its eventual formal reliance on foreign silver based currencies. This raises the question: how did the official reliance on foreign silver currencies in the colony come about? To answer this, it is best to briefly recount past Spanish monetary policies and legislation specific to the Philippine colony.

The first coin minted specifically for the Philippine colony by the Spanish colonial state was made in 1766. The copper coin, eventually named *barilla*, was minted in order to satisfy the need for fractional currency in the islands. After a few years a request was made by the colonial state for more copper coins, a request denied by the Spanish crown for various political reasons. Instead, the Spanish imperial state in 1769 minted silver coins termed *cuartillas*, a fourth of a Spanish *real*. During the era of *cuartillas*, despite denial from the metropole, copper coins continued to be manufactured and circulated in the colony with the blessing of the

*Ayuntamiento*.<sup>12</sup> Beginning in 1771 and lasting into 1835, production of copper coins, *ochavos* and *cuarillas*, were contracted out to Chinese manufacturers. The majority of these copper coins proved to be crudely made and inconsistent. Moreover, with most makers unfamiliar with the Spanish language and culture, there were constant misspellings and problems with iconography. Common discrepancies between the quality of coins led to rampant counterfeiting, a practice which the Spanish were never fully successful in policing at the time.<sup>13</sup>

Political crisis in the Americas led to Mexico's and other Latin American countries' rebellion against the Spanish empire. As a result of a multitude of commercial and trading needs in the Philippine colony, however, Mexican silver coins, along with other silver coins from the Americas, continued to flood Manila. The political significance of rebelling Spanish imperial territories' coins circulating within the last of the Spanish empire was not lost on colonial officials. In 1830, the solution of the colonial state was to counter-stamp the Mexican and American coins, adorned with symbols of liberty and independence, with the Spanish coat of arms and the phrase "*Habilitado por el rey n.s.d. fern. VII.*"<sup>14</sup> Counter-stamping would come to an end in 1837 with the official Spanish recognition of the independence of Mexico and other Latin American nations.<sup>15</sup> The monetary situation became even more complicated during the reign of Isabella II (r. 1843 - 1868). After the break-up and independence of the Spanish American empire, the crown intensified its focus on its remaining colonies in the Pacific and the Caribbean. Anxious to join other modern world empires in capital accumulation, the trading ports throughout the Philippine colony were officially opened up to other imperial capitalist

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<sup>12</sup> *Ayuntamiento*, in the context of the Spanish colonial Philippines, refers to the administrative organization in charge of various municipalities.

<sup>13</sup> Angelita Ganson de Legarda, *Piloncitos to Pesos: A Brief History of Coinage in the Philippines*, (Manila: Bancom Development Corporation, 1976), 28-31.

<sup>14</sup> "Habilitado por el rey n.s.d. (nuestro señor don) fern. VII" or Authorized by the King our Lord Don Ferdinand VIII.

<sup>15</sup> Legarda, *Piloncitos to Pesos*, 34.

powers such as the British, American, German, and French. The opening up of the colony to world markets accelerated radical transformations in myriad local economies throughout the Islands. One stark example was the orientation away from subsistence farming to export cash crops such as tobacco, sugar, and coffee.<sup>16</sup>

From the 1820s to the 1870s Philippine commerce and agriculture were entangled further into the webs of global capital. During this period there were four different types of Spanish monetary systems existing in the islands, all with different fractional divisions and confusingly similar sounding names. For example, if one were to refer to *pesos*, one was uncertain whether the reference was to a *pesos minas*, *pesos fuertes*, *pesos ensayados*, or just *pesos*. For those of the poorer classes, the difference between a *real vellon* (5 *centimos*) and a *real fuerte* (12.5 *centimos*) was immense. Due to this confusing field of monetary systems, accounting and fiscal bookkeeping became a dangerous activity, as many officials were accused of aberrant recordkeeping. The Spanish attempted to corral the confusion by integrating the different systems into an easier to understand decimal relation in 1857. After many calls for a Philippine specific currency, the Spanish crown relented. In 1861, the *Casa de Moneda de Manila* was founded, and bequeathed the responsibility of reconfiguring Spanish American gold coins, commonly called *onzas*, into Philippine specific gold coins, simply called *pesos*.<sup>17</sup>

The peso's design marked the first time the word *Filipinas* appeared on an official Spanish coin. The gold coins, however, did not solve the problem of fractional coin scarcity. In 1862, the Casa de Moneda was allowed to mint silver fractional coins, known as *centimos de pesos*. After Isabella's deposition from the throne in 1868, the provisional Spanish government and the Amadeo regime attempted to mint its own coins. However, in 1874, after the installation

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<sup>16</sup> See Benito J. Legarda, *After the Galleons: Foreign trade, economic change & entrepreneurship in the nineteenth century Philippines*, (Quezon City: Ateneo de Manila University Press, 1999).

<sup>17</sup> Legarda, *Piloncitos to Pesos*, 35.

of Alfonso XII in Spain, the Casa de Moneda minted a new currency of gold and silver coins bearing the bust of the new king. The Alfonso coins were similar to Isabella's coins, but the bullion content was markedly less. In 1861 the Spanish colonial state introduced a monetary system made up of both silver and gold coins, otherwise known as a bimetallic system. The bimetallic system held relatively stable for over fifteen years.<sup>18</sup>

By 1876, however, as most imperial nations shifted to the gold standard, the majority of international debts and trade became valued in gold backed currency. This drastic international transformation forced Philippine imports to be valued in gold rather than silver. Later, the market value of gold rapidly rose, devaluing the "inherent" value of silver currency. The situation deteriorated as the Spanish state attempted to fix the ratio of value between the Philippine gold peso and the Mexican silver dollar, which was at the time, the de facto currency in most of Southeast Asia and China. The state's attempt to impose parity triggered large-scale legal and illegal importation of Mexican coins to purchase the more valuable Philippine gold peso. As a consequence, an alarming amount of Philippine gold coins were exported or smuggled to other parts of Asia and the Pacific and melted down for the gold bullion, most likely by British merchants and Chinese trade networks.<sup>19</sup>

By 1884, all Philippine gold coins had vanished from circulation in the islands, illustrating what many nineteenth and early twentieth century economic observers referred to as Gresham's Law.<sup>20</sup> The remaining silver coins coursing through the colony, due mostly to gold's hegemony in payments of international debt and international commodity markets, underwent

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<sup>18</sup> Legarda, 44.

<sup>19</sup> Diokno, "The Political Aspect of the Monetary Crisis in the 1880s," 23.

<sup>20</sup> Gresham's Law, is an early modern economic theory which argued that "bad money" (or money in which there was a large discrepancy between the face value of a coin and the commodity value of the metal) would drive out "good money" (or money in which there was little discrepancy between the face value of the coin and the commodity value of the metal) from circulation.

frequent and jarring fluctuations in value. This reliance on an unstable silver currency by the Philippine monetary system deterred capital investment from the Peninsula, throwing a wrench in the empire's primary economic strategy in a post-tobacco monopoly era.<sup>21</sup>

As referenced earlier, between the 1830s and 1850s, the Spanish state was highly successful in profiting from Philippine tobacco in both the Peninsula market and international markets. Beginning in 1782, following the Seven Years War, the Spanish colonial state began the slow process of transforming its Philippine colony from an entrepot in the galleon trade into a producer of specialized cash crops. Over the course of almost a century, Indio and mestizo farmers were increasingly forced to concentrate growing mono-crops for export, selling directly to the colonial state at a set price. One of the chief commodities for export monopolized by the state was tobacco. Following the 1860s and well into the 1870s, however, increased fiscal problems in the metropole strained the Philippine colonial state. This strain left the colonial state without funds to pay farmers, distributing in its stead paper vouchers. By the late 1870s, the tobacco monopoly was a source of public discontent and popular suspicion, and in 1882, the tobacco monopoly was officially abolished.<sup>22</sup>

After the abolition of the tobacco monopoly, the Spanish empire attempted to reorganize the basis of public finances in its Philippine colony. The move of public finances to customs and direct taxation of industry, however, revealed the hard truth that there was little Spanish presence

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<sup>21</sup> For more information on the intricacies of the global shift to the gold standard and the consequences on Philippine monetary legislation see these texts: Biosca *Legislación Sobre Moneda*; Godinez, *Regularizar la Situación Monetaria*; Edwin Kemmerer, *Modern Currency Reforms*, (New York, NY: The Macmillan Company, 1916); George Luthringer, *The Gold-exchange Standards in the Philippines*, (Princeton: Princeton University Press, 1934); U.S. Commission on International Exchange, *Gold Standard in International Trade: Report on the Introduction of the Gold-Exchange Standard*, Washington: Government Printing Office, 1904);

<sup>22</sup> For more on the tobacco monopoly era see Ed. C. de Jesus' *The Tobacco Monopoly in the Philippines: Bureaucratic Enterprise and Social Change, 1766-1880*, (Quezon City: Ateneo de Manila Press, 1998).

within the British, Chinese, and Mestizo dominated commercial realm.<sup>23</sup> As Josep Fradera points out, the reaction of the colonial state to the dearth of Spanish commercial presence jump-started a series of transformations in the political and commercial relations between the Peninsula and the Archipelago for the rest of the nineteenth century. A major maneuver involved the privatization of the fiscal revenues from the major cash crop industries, such as tobacco and sugar, by a multitude of Spanish owned companies.<sup>24</sup> As previously mentioned, another crucial change involved the intensified focus upon the colony as the economic future for the Spanish empire. Fiscal policies and tariff legislation were rehabilitated in order to ease and attract more Peninsular capital investment and increase commercial trade.<sup>25</sup> It is no wonder then, that this period of intensified Peninsular focus upon the Philippine colony would in turn attract further attention upon one of, if not the chief, obstacles of capital flow into the islands: a chronically unstable monetary system.

Despite the pessimistic tone, Biosca's preface seemed to confirm Fradera's findings: the economic future of the Spanish empire resided in the Philippine colony. Biosca warned that the stakes were far too high for the Spanish government to continually attempt temporary cures, which only left illness in its wake. Instead, he argued that the deep structural problems of the monetary system demanded careful and profound attention by experts on the matter.<sup>26</sup> Biosca named what he saw as the four primary long-term structural problems undermining the monetary system in the Philippine colony, and subsequently recounted what he believed to be the solution for each.

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<sup>23</sup> Josep Fradera, "The Historical Origins of the Philippine Economy: A Survey of Recent Research of the Spanish Colonial Era," *Australian Economic History Review* 44, no. 3, (2004): 313.

<sup>24</sup> Fradera, "The Historical Origins of the Philippine Economy," 314.

<sup>25</sup> Fradera, 314-315.

<sup>26</sup> Biosca, *Legislación Sobre Moneda*, 60.

The first problem was the lack of a reliable and practical official Spanish currency in circulation. In order to chase out foreign currencies from circulation and reestablish official state coins, Biosca argued that the currency in the Philippine colony should be identical to the one minted in the Peninsula. There should thus not be a separate Philippine mint specific to the colony. Moreover, to avoid the pitfalls of previous attempts at currency reform, the state should transport official silver coins rather than gold currency.<sup>27</sup> The second problem was the high rate of exchange in the Peninsula. Much like the previous problem, the high exchange rates could also be solved through the reestablishment of Spanish currency in the Islands. By bringing all the Spanish territories under the same monetary system, the state could bypass the exchange process entirely.<sup>28</sup>

Related to the problem of exchange, was the third problem of excessive hoarding by moneylenders interested in profiting from the scarcity of the money supply. Much like the previous two solutions, Biosca pointed out that part of the reestablishment of Spanish currency would involve ensuring a sufficient reserve of coins for circulation. To reduce the desire to hoard, the public should be routinely assured through the Finance Department of the up-to-date status of the currency supply. The final problem that Biosca identified concerned the administration of different monetary policies and legislation. Strangely, however, he quickly sidestepped the question of government officials and the previous administration. Instead, he focused on past state attempts to drive out foreign currencies, lingering on one in particular, the Mexican dollar.<sup>29</sup>

Biosca thus exposed an opinion shared by a critical mass of Spanish economic observers at the time. Namely that the Mexican coin remained the most pressing problem for the colony's

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<sup>27</sup> Biosca, 67.

<sup>28</sup> Ibid, 68.

<sup>29</sup> Ibid, 69.

monetary system. In fact, returning to all the primary concerns cited by Biosca, the Mexican coin appeared as the fundamental source of each and every problem. His concerns over exchange rates, remittances, hoarding, smuggling, exorbitant bank fees, the money supply, and a unified Spanish imperial monetary system, were all rooted in the dominance of Mexican currency in the Philippine monetary system. Yet, this raises the question: what type of political and cultural effects can be seen from the de facto domination of the Mexican currency in a territory belonging to the Spanish empire? To explore this question, we must examine how the Mexican coin's status as a coin equated with the phrase *extranjero*—which could be understood to mean stranger, alien, or foreign—conditioned its perception in the eyes of the public. Moreover, we examine whether this foreign coin, in turn, shaped the public perception of specific colonial subjects as alien, strange, or even as threats.

### **Public Anxiety and the Question of Imperial Monetary Unity**

Biosca's arguments for the monetary legislative strategies did not go unnoticed. In January of 1894 a review was published in *La Política de España en Filipinas*, a pro-monarchical journal printed in Madrid. In the review, the writer for *La Política* applauded the utility of Biosca's overall text but raised concerns over the criticisms of, and possible strategies for, the Spanish state presented in his preface. As a result, the writer expressed nervousness over the consequences and costs of shipping new coins to the colony. In particular, the writer pointed out the potential devaluation of the Spanish Peninsula currency, should the nationalization of Philippine currency be realized.<sup>30</sup> The unease displayed over the possibility of unifying the Philippine monetary system with that of the Peninsula illuminates *La Política*'s overall anxieties over the crumbling of once clear-cut and hierarchical boundaries between metropole and colony.

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<sup>30</sup> F., "Legislación Sobre Moneda Filipina," *La Política de España en Filipinas* 4, no. 77, (January 16, 1894): 18.

*La Politica* played the consistent foil to the educated bourgeois group of writers, scientists, and artists from the Philippine colony known as the *Ilustrados*. Beginning in the late 1880s, the *Ilustrados* led a propaganda movement through the publication of Spanish language organ *La Solidaridad*. Through most of its life, the primary demand of *La Solidaridad* was the recognition of the Philippines as a province, rather than a colony, of the Spanish empire and simultaneously, the political individual representation accorded such recognition. *La Politica*, in turn, was violently opposed to such a movement. For the founders of *La Politica*, brothers Jose and Pablo Feced, and Wenceslao Retana, the monetary system in the Philippine colony was an increasingly important site in which political arguments over sovereignty, recognition, and representation played out. Monetary crisis was no longer merely a symptom of the weakened imperial sovereign reach in the archipelago, but an actual source. One can thus read the writings concerning monetary legislation and policy in *La Politica* as indicative of the overall anxiety over the increasingly precarious position of the Spanish state's political authority in the Philippine colony. Indeed, both *La Politica* and *La Solidaridad* would oftentimes reprint the same articles concerning Philippine monetary crisis, both believing that it forwarded their specific political and ideological arguments.

On the surface, the major debates over monetary policy were largely concerned with what type of metal Philippine currency should be based on. There were three major camps: those who advocated for gold, those who advocated for silver, and those who wished for a bimetallic system. The reasons for disagreement centered on two particular issues. First, there was divergence on whether the state should pursue long or short-term solutions. Second, each side obsessed over whether policies would strengthen or weaken Spanish sovereignty.<sup>31</sup> The first camp, the gold-backers, later nicknamed *monometalismo oro*, argued against both the

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<sup>31</sup> Diokno, "The Political Aspect of the Monetary Crisis in the 1880s," 24.

continuation of the silver based Mexican coin as well as any type of silver based replacement. They argued that any type of silver currency maintained or introduced in the archipelago would simultaneously disturb the exchange rate between the colony and the Peninsula and generally devalue the Peninsula's currency.<sup>32</sup> Instead, gold-backers argued for a type of gold exchange standard, in which gold would sit in the treasury while a combination of token silver coins and paper currency circulated in the public.<sup>33</sup>

The second camp were the bimetallic supporters, who advocated for silver currency to be used on a local scale and gold currency to be used for foreign transactions. Strongly supported by *criollos* and some *mestizos* in the Manila business community, bimetallic supporters argued that the adoption of both gold and silver would bring the colony's markets closer to the Peninsula's own official bimetallic system.<sup>34</sup> This proposed unity of the monetary system was also interpreted as bringing the Philippine colony further within the economic and political fold of the Spanish empire. Whether intended or not, this proposal created the most controversy as it implied several political consequences, such as the official recognition of the Philippines as a province of Spain.<sup>35</sup> Biosca, obviously, led the way with such an assessment, but it would be Francisco Godinez, a lawyer and former president of the *Banco-Español*, who would not only be the most visible and articulate of Spanish economic observers in the 1890s, but also the most respected advocate of a bimetallic system. As a result, Godinez's work would be reprinted in

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<sup>32</sup> Jose Feced "El Cambio de Moneda en Filipinas" *La Política* 4, 96 (October 9, 1894): 272-273; and Diokno, 25.

<sup>33</sup> Wolters, 388; Godinez, *Regularizar la Situación Monetaria* and "El duro peninsular en Filipinas" *La Política de España en Filipinas* 4, no. 85, (May 8 1894): 126-128.

<sup>34</sup> A. A. O., "La Cuestión Monetaria," *La Política de España en Filipinas* 7, no. 170, (September 30, 1897): 443. *Criollos*, in the Spanish Philippines, usually referred to the legal, political, and racial category of a Spaniard born in the Philippine colony. In relation, *mestizo*, referred to those categorized of "mixed-race" origins. Although originally meaning a "mix" between Chinese and native subjects, by the end of the nineteenth century the lines of categorization had blurred to include those of supposedly "Spaniard" descent.

<sup>35</sup> Indeed, one must notice the language of Godinez, who frequently referred to the Philippines as a province of Spain, rather than merely a colony. Also the seemingly mixed grouping of the committee in the *Regularizar la Situación Monetaria*, alludes to the type of economic and political future relationship imagined between the Filipinas and the Peninsula

both *La Politica* and *La Solidaridad*, and eventually he would be the main author of an independent committee report of monetary policies and legislation to the Spanish imperial government.<sup>36</sup>

In opposition to both gold-backers and bimetalists were the silver-backers, a group later called the *monometalimo plata* camp. Silver-backers argued for a new silver based currency specific to the Philippine colony. They asserted that imperial sovereignty had to be reasserted by eliminating from circulation the Mexican silver coins, melting down the coins for its bullion content, and reminting the silver metal into a coin similar to, or based on the design of, the Spanish *duro*.<sup>37</sup> Unsurprisingly, *La Politica* was one of the main proponents of the silver currency strategy. In particular, they were vehemently against any type of monetary unification between the colony and the Peninsula, especially if it led to the possibility of raising the political status of the *Filipinas* to more than a colony. In other words, *La Politica* feared that unification would lead to a parity of valuation between the currency of the archipelago and the Peninsula. The potential economic parity of monetary unification could thus potentially lead to political equality and subsequently the end of the Spanish empire.<sup>38</sup>

Despite the complex and contradictory makeup of these differing camps, there remained a consensus on the primary source of monetary crisis in the Philippine colony. Like Biosca's preface above, the overall sentiment of observers agreed that the Mexican coin lay at the crux of the crisis. Indeed, as one reads the myriad examples of texts, one immediately notices that the most common word association with the Mexican coin was *extranjero*, which meant foreigner or stranger. Clearly, Mexican currency was foreign to the colony because the stamp on the coin

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<sup>36</sup> M. H. del Pilar Gatmaitan (Marcelo del Pilar), "Soluciones Monetarias" (31 January 1895), in *La Solidaridad* 7, trans. Guadalupe Forés-Ganzon and Luis Mañeru, (Manila: Fundacion Santiago, 1996), 39.

<sup>37</sup> Q., "El Cambio," *La Politica de Espana en Filipinas* 4, no. 99: (November 20, 1894): 315; A. A. O., "La Cuestion Monetaria," 458.

<sup>38</sup> Q., "La Cuestion Monetaria," *La Politica de Espana en Filipinas* 4, no. 101 (December 18, 1894): 330.

belonged to a nation-state independent from, and thus foreign to, the Spanish empire. Many Spanish writers obsessed over iconography and frequently referred to the eagle adorning the face of the Mexican coin. In one article, the archipelago came to be represented by a sleeping and “angelic child,” preyed upon by the violent and “carnivorous eagle.” The Mexican coin’s eagle, on the other hand, came to signify all the illegal and immoral activities tethered to foreign money. Subsequently, the eagle was juxtaposed against the Spanish coin’s iconography of a lion and a royal castle. In these scenarios, the Spanish coin’s duty was to protect against the predatory and violent activities connected to the Mexican coin, particularly counterfeiting, smuggling, and usury. Moreover, the iconography of the lion and castle was called upon in articles to remind the reader of the political stability and strength of Spanish sovereignty.<sup>39</sup>

For the majority of Spanish economic observers the Mexican coin’s foreignness bred political and economic instability in the colony. Strangely, however, another agent came to be intimately attached to the Mexican coin: the Chinese. The figure of the Chinese quickly became criminalized and racialized as the foreign agent responsible for all the aforementioned predatory, illicit, and illegal activities involving Mexican currency.<sup>40</sup> For certain, the casting of the Chinese as both a figure of the foreign and the market was not necessarily limited to the late nineteenth century Spanish Philippines. However, in the late nineteenth century, especially, there seemed to be a very clear public obsession in yoking the figure of the Chinese to the monetary crisis.

### **The Foreign Appears I: The Chinese Figure**

Chinese traders had traveled throughout the Philippine archipelago long before European imperial exploration in Southeast Asia. However, by the Spanish colonial era, various racist

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<sup>39</sup> Quiquiap, “El Peso Mejicano,” *La Politica de Espana en Filipinas* 4, no. 87 (June 5, 1894): 162.

<sup>40</sup> Quiquiap, “El giro con Filipinas,” *La Politica de Espana en Filipinas* 4, no. 89 (July 3, 1893): 177-178 and “El Peso Mejicano,” *La Politica de Espana en Filipinas* 4, no. 87 (June 5, 1894): 293-294.

legislations and violent state policies limited the growth of the Chinese population in the colony. Beginning in the 1850s, the majority of those still considered Chinese, as a consequence of state policies (and extra-state activities) of exclusion and domestication, were in actuality Chinese-indio mestizos. Because of anti-indio and anti-mestizo labor and commercial policies and the general move toward capitalist development in the mid nineteenth century, however, the Spanish state softened its anti-Chinese immigration policies. The less vicious anti-Chinese immigration stance of the Spanish state had much to do with the proliferation of liberal ideologies throughout Spanish imperial government. Spanish liberalism presented Chinese migrants as figures of commerce and labor in juxtaposition to, what Spaniards saw as, the strange and lazy economic racial traits of the indio. Liberal Spaniards, therefore, presented the figure of the Chinese migrant as an ideal model of a calculating commercial subject and fully domesticated labor. At the same time, however, the Chinese figure was posed as inherently alien and different from that of the indio.<sup>41</sup>

Despite Spanish desires, however, Chinese migrants rapidly and unexpectedly filled the role of middleman and creditor within the colonial capitalist system. This unexpected role occurred because of two pressing needs of capital formation in the Spanish Philippines. On one hand, due to limitations in money supply as well as the travel limitations imposed by the monsoon cycle, access to hard currency was extremely limited outside of Manila. On the other hand, British and American merchant houses held much of the capital for agricultural products, but did not have the manpower to get the capital to outlying provinces. Through the establishment of credit networks, the Chinese dominated what was called the *cabecilla* system. Although a different system before the 1850s, by the second half of the nineteenth century, the

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<sup>41</sup> Edgar Wickberg, *The Chinese in Philippine Life 1850-1898*, (Quezon City: Ateneo De Manila University Press, 2000), see chapters 2 and 3 especially.

cabecilla system involved moving capital and commodities back and forth between foreign merchant houses and agricultural producers throughout the surrounding provinces.<sup>42</sup> Moreover, this system allowed local agents to open up general merchandise stores and offer small credit to the poorer classes in the Spanish Philippines. The Chinese, therefore, became the day-to-day face of both retail and credit on a local level.<sup>43</sup> The success of the Chinese as mediators of capital helped grow the population from about 8,000 in the 1880s to about 40,000 by 1900, with over half living in Manila.<sup>44</sup> Chinese migrants, due to this combination of various commercial and political restrictions and the increase of local and regional commercial needs, inevitably became visual representatives for the figures of money, merchant, and middleman in the colony.

The public imagining of the Chinese as merchant and middleman, had severe racial and political consequences. The merchant was the most visible representation of the capitalist system, since for most of colonial society the merchant was the daily reminder of the market's circulation of money and commodities. As Caroline Hau points out: “[t]he merchant represents the point at which money appears and disappears in the presence of ordinary people.”<sup>45</sup> Indeed, in terms of everyday retail interactions, the Chinese merchant became the face of any kind of price fluctuations of commodities. During times of monetary or price crises, the merchant was often suspected of hoarding or slowing down the distribution of commodities in order to make a profit from increased demand.

In addition to standard retail exchanges, access to credit and loans for most of the population in the late nineteenth century was conducted through neighborhood Chinese retailers.

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<sup>42</sup> Donna J. Amoroso and Patricio N. Abinales, *State and Society in the Philippines*, (New York and Oxford: Roman and Littlefield, 2005), 76-78.

<sup>43</sup> Wickberg, *The Chinese in Philippine Life*, 73.

<sup>44</sup> John Murray, “Chinese-Filipino Wage Differentials in Early-Twentieth-Century Manila,” *The Journal of Economic History* 62, No. 3 (2002): 775.

<sup>45</sup> Caroline Hau, “‘The Chinese Question:’ A Marxist Interpretation,” in *Marxism in the Philippines: Continuing Engagements*, ed. Teresa Tadem (Manila: Anvil Publishing and University of the Philippines Third World Studies Center, 2010), 163.

They would thus figure in the public imagination as providing usurious or predatory credit upon most of the population, which had limited access to hard currency or banking services.<sup>46</sup> Thus, the circulation, or the lack of circulation of money, was always racially figured as the responsibility, and for the benefit of, the Chinese. Moreover, this visibility rendered the Chinese merchant as a parasite to the division of labor necessary in the capitalist mode of production. In other words, it appeared that Chinese merchants made money daily without necessarily producing any commodity of their own. Chinese merchants, stresses Hau, were the daily reminder of the complete alienation of labor from the product of labor.<sup>47</sup>

As illustrated in the analyses of Spanish economic intellectuals, the public often imaged the Chinese as figures of immoral and illicit activities such as bribery, usury, and smuggling.<sup>48</sup> Oftentimes, they were equated with being the primary agents and beneficiaries of the monetary crisis. Indeed, the notoriety of the figure of the Chinese was not limited to Spanish observers in the Peninsula. One need not go further than the chapter entitled “The Tribulations of a Chinaman” in Jose Rizal’s seminal 1891 novel, *El Filibusterismo*. Rizal, one of the most famous ilustrados, highlighted the manner in which Quiroga, the wealthy Chinese merchant and aspiring Consul, accrued money as well as political power through his access and control of the Manila ports. The Manila ports, in this case, clearly represented the threshold between colony and foreign markets.

Rizal emphasized Quiroga’s position as mediating gatekeeper by mentioning Quiroga’s involvement in the “Mexican peso affair”<sup>49</sup> and his notorious talent in smuggling through

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<sup>46</sup> Willem Wolters, “How Were Labourers paid in the Philippine Islands During the 19<sup>th</sup> Century?” in *Wages and Currency: Global comparisons from antiquity to the twentieth century*, ed. Jan Lucassen (Germany: Peter Lang AG/Bern, 2007), 153.

<sup>47</sup> Hau, 165.

<sup>48</sup> Q, “*El Peso Mejicano*,” 162; Francisco Godinez, “El Peso Filipino,” 121; and Jose Feced “El Cambio de Moneda en Filipinas,” 272

<sup>49</sup> Jose Rizal, *El Filibusterismo*, trans. Ma. Soledad Lacson-Loecin, (Makati: The Bookmark Inc., 2004), 169.

customs anything he wished, including illegal Mexican coins.<sup>50</sup> In this scenario, Quiroga's ability to transgress geo-political borders through the power of bribery was the same power that could secure his appointment to a powerful official government position. Rizal thus cast money as a corruptive and foreign force counter to the legitimacy of the colonial state's political authority. Simultaneously, he tethered the figure of the Chinese middleman to this corruptive power, amplifying further the foreignness of the Chinese.

Illicit activities blamed on the Chinese were not limited to mere smuggling. The Chinese were also thought to be behind the counterfeiting of Mexican currency outside of the Philippine colony. The lower silver content of the counterfeit coins allowed traders to purchase goods, including Spanish gold and silver coin, for much less than the bullion value of the counterfeit.<sup>51</sup> In addition, Chinese in Philippine colonial society were ultimately held responsible for the desires and movements of Chinese markets. For certain, the extraction of Spanish gold and silver coins to various Chinese markets was most likely commissioned by British and other North Atlantic merchants and not Chinese merchants. In the public, however, the figure of the Chinese merchant could stand in for the Chinese markets themselves.<sup>52</sup> As Biosca notes, weird connections were frequently made in colonial society between the Chinese and the mysteriously unsolvable crisis of the monetary system. Stressing the irrational desire of the public for a culprit in the monetary crisis, he stated that the Chinese play the part of "witches" and "nocturnal phantoms."<sup>53</sup> These strange connections made by the colonial public and encouraged by the colonial state, collapsed ethnicity and class into the racialized figure of the Chinese merchant.

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<sup>50</sup> Rizal, *El Filibusterismo*, 175.

<sup>51</sup> J. F., "La Cuestion de Plata: El Contrabando, los cambios," *La Politica de Espana en Filipinas* 3, no. 64 (July 18, 1893): 176.

<sup>52</sup> (Anonymous author), "Los Cambios con Filipinas" (reprinted from *El Correo*) in *La Solidaridad* 6, (April 15, 1894) trans. Guadalupe Fores-Guazon (Quezon City: UP Press, 1967 [1894]), 163.

<sup>53</sup> Biosca, *Legislación Sobre Moneda*, 62.

Public mistrust and suspicion of the Chinese merchant was amplified during times of monetary crisis. In addition to the previously mentioned illicit activities, Chinese involved in retail were suspected of arbitrarily setting the prices of commodities, subsequently profiting from the confusion over currencies. Indeed, Philippine monetary problems were not merely a result of the fluctuating value of coins in the world market.<sup>54</sup> As mentioned earlier, the crisis was also due to the myriad kinds of currencies flowing throughout the islands and the attempts of the colonial state to determine the incremental value of each kind. Because the original Spanish monetary system followed a different method from the Mexican system of fractioning coins, confusion spread over trade and retail prices of commodities.

Biosca's 1893 preface provides a clear example by imagining a retail transaction between a consumer and a Chinese merchant. Biosca uses the racialized term *sangle*, the Spanish word used for the Chinese merchant since the seventeenth century.<sup>55</sup>

Trading or retail – (and even wholesale) buying, unmindful of the decimal and eighth system which remains indicated, is done by pesos, reales Fuertes, and cuartos, such that when a trader, generally *sangle*, says that merchandise costs, for example, three and four, this can mean three pesos and four reales Fuertes, or three reales Fuertes and four curators. The interpretation of the phrase depends on the understanding of the buyer.<sup>56</sup>

At first sight the above may seem to lament the situation of the consumer who remained prey to the predatory activities of the Chinese merchant. Seen from a different angle, however, Biosca's analysis is ultimately about the impotence of the colonial state in controlling the effects of money, and more broadly the capitalist market.

What is indeed alarming in the previous imagined encounter was the manner in which a transaction was created with little, if any, regard to state authority. Instead, in exchange, a

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<sup>54</sup> Biosca, 69.

<sup>55</sup> The word *sangle* most likely came from a Chinese word *shang-lü*, meaning merchant traveler. See Wickberg, *The Chinese in Philippine Life*, 9.

<sup>56</sup> Biosca, *Legislación Sobre Moneda*, 61.

different type of communication and convention emerged spontaneously and seemingly autonomous from imperial authority.

Can anything be more tangled? Is it possible to tolerate any further the continuance of such anarchy? Such disagreement between law and customs, such mishmash of the old and the modern, of the official and the officious, this lack of agreement between theory and practice? Above all, can the representative monetary unit, granted for peace's sake, the peso to be the monetary unit—a foreign coin—be tolerated? Should Spain make a public admission of impotence in resolving the monetary question in her Far Eastern territories?<sup>57</sup>

Of interest in the above passage is the manner in which the focus shifted from a human agent, the Chinese merchant, to a nonhuman agent, the foreign coin. The “anarchy,” or disorder, of the monetary crisis thus arrived in and through the agent of “a foreign coin” or the Mexican currency. Clearly it was not the national origin of the foreign coin that was of major concern. Rather, the problem was its very foreignness.

### **The Foreign Appears II: The Strangeness of the Capitalist Market**

The Mexican coin was foreign in another register. Despite the Spanish government's efforts, the coin's value was determined not strictly by Spanish rule, but rather through the laws of the capitalist market. The concerns of Spanish officials and intellectuals over the foreignness of Mexican currency gestures to a more universal tension intrinsic to money in general. As Marx points out, we can see the inherent tension between the state and the capitalist market on the very face of state issued currency.

The business of coining, the establishing of a standard measure of prices, is an attribute proper to the state. The different national uniforms worn at home by gold and silver as coins, but taken off again when they appear on the world market, demonstrate the separation between the internal or national spheres of commodity circulation and its universal sphere, the world market.<sup>58</sup>

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<sup>57</sup> Biosca, 62.

<sup>58</sup> Marx, Karl, *Capital: A Critique of Political Economy, Vol. I*, (London and New York: Penguin Books, 1990), 222.

In other words, the desire of the state to stamp a coin was the same desire to lay claim to currency as property of the state. Through stamping, the state attempted to domesticate what was naturally foreign to any locality. After all, money ultimately belonged to the universal sphere, the world capitalist market. As that which belonged everywhere it simultaneously belonged nowhere.

Moreover, Marx reminds us that the state, as the modern political agent in charge of maintaining territorial sovereignty, wished to put money in its proper place within a local or domestic economy that it could monitor and keep control over. Economy, one must remember, was derived from the Greek words *oikos*, meaning home and property, and *nomos*, meaning law and distribution. The state thus stamped currency in an attempt to give money, and the universal value it represented, a proper place within the order of its home. To put a different way, by laying claim to money as its property, the state attempted to domesticate the capitalist market and its effects upon the state's subjects.

One primary reason both the colonial state and the Spanish empire had so much concern over currency had to do with the money-form itself. According to Marx, money was merely the spontaneously generated general form of the commodity. Yet, as he also reminds us, the commodity itself, upon closer analysis, was a "very strange thing, abounding in metaphysical subtleties and theological niceties."<sup>59</sup> Indeed, it was not the abstract concept of money as variation of the commodity-form that troubled colonial authority. Instead, it was the particular historical position of money as a form of capital within a capitalist system, which appeared so threatening. What, however, made money under capitalism so radically different from money as mere token of exchange, for instance in contradistinction to money in pre-modern cultures and

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<sup>59</sup> Marx, 163

polities? The answer lies in not seeing money as merely another form of the commodity, but seeing both money and commodities as forms of value crystallized through the capitalist mode of production.<sup>60</sup>

As Marx so exhaustively described in the first volume of *Capital*, capital was grounded in the exploitative production and reproduction of surplus value. The capitalist production of surplus value was exploitative because it forced workers to sell their labor power to the capitalist for a wage-value much lower than the eventual value produced. The worker sold her or his labor at a wage-value sufficient only to maintain both the subsistence of the individual worker and the reproduction of recurrent generations of workers. The new value, contained in the form of a commodity and produced by the worker (and the combination of productive technologies and “natural” resources), was in excess of both the wage-value and fixed costs of production, thus producing a surplus value. The capitalist monetized the surplus value in the form of profit, which was gained only in and through selling the produced commodity in the market. The circulation of commodities in the market was thus integral in the production of surplus value, for the price-value of circulating commodities revealed no evidence of the labor value integral in its production.<sup>61</sup> Yet, it was paradoxically also the disruption of constant commodity circulation that ensured the continuation of the capitalist system. For in order for the capitalist to fully realize surplus value, it came in the form of money, not more commodities. The money-form was thus essential in deferring the direct exchange of commodities, allowing the capitalist to accumulate surplus value in order to reinvest into the exploitative production of more surplus value. Money

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<sup>60</sup> Marx, 185

<sup>61</sup> See Marx, *Capital Vol.1* especially Chapter 12: “The Concept of Relative Surplus Value”

capital was thus simply one form, along with productive capital and commodity capital, of the systemized cycle of capital.<sup>62</sup>

Still, necessary for the capitalist system to constantly reproduce more surplus value was the systematic obscuration of any trace of social labor. For Marx, this obscuration was already at work in the commodity form itself. As he argues:

In the form of society under consideration, the behavior of men in the social process of production is purely atomic. Hence their relations to each other in production assume a material character independent of their control and conscious individual action.<sup>63</sup>

Commodities, and especially the general form, money, circulate within a capitalist system without any trace of the social labor involved in their production, speaking only in the language of values. The “magic of money,” (as money capital) according to Marx, was therefore founded in its mystical ability to produce value without any recognition or acknowledgement of its social origins.<sup>64</sup> In other words, by simply gazing at money in its realm of the capitalist market, money appeared to bypass any form of concrete labor and obscure any social origin in order to produce more money. This prompts Marx to remark that money-as-capital was akin to an autonomous ghost that “haunts the sphere of circulation,” subsequently marking the boundary between the social and the asocial.<sup>65</sup>

Money, under the capitalist system, appeared especially alien to social life in a colonial context. As Vicente Rafael points out, money’s ability to obscure its social origins allowed it to be seen in the nineteenth century Spanish Philippines as a telecommunicative medium. As a telecommunicative medium, money had the peculiar ability to bring geographic and social distances up close, thus allowing those who possessed money “to travel up and down the colonial

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<sup>62</sup> See Rudolf Hilferding’s *Finance Capital: A Study of the Latest Phase of Capitalist Development*, especially Chapter 4 in <http://www.marxists.org/archive/hilferding/1910/finkap/index.htm>, accessed on February 5, 2012.

<sup>63</sup> Marx, *Capital*, 187.

<sup>64</sup> *Ibid*, 187.

<sup>65</sup> *Ibid*, 212.

hierarchy” yet at the same time threatened to “surpass that hierarchy’s limits.”<sup>66</sup> Furthermore, since money possessed an ability to move through all spaces unchanged and simultaneously communicated a multitude of messages the possibilities of misrecognition seemed disastrously endless. This potential prompts Rafael to declare that in the late nineteenth century Spanish Philippines, “money came across as an uncanny force.”<sup>67</sup>

For example, in the hands of Simoun, the protagonist of *El Filibusterismo*, money was not utilized as capital investment into the reproduction of colonial society. Rather, Simoun attempted to instrumentalize money in his desire for vengeance. By using money to incite greed and corruption, Simoun intended to destroy the colonial order.<sup>68</sup> It is very likely that Rizal tapped into this fear of money as a destructive asocial force in order to present it as a possible instrument of vengeance against the injustices of colonial society. Yet, as Rafael illustrates, Rizal himself saw the inadequacy of instrumentalizing money for the realization of justice. In a scene of solitude near the end of the novel, a voice inside Simoun disrupts his reveries of vengeance. The voice of Rizal the author, as Rafael argues, delegitimized Simoun’s quest for violent revenge. Rizal’s message seemed clear: the attempt to enact revenge simply enters one into a never-ending economy of vengeance, not justice.<sup>69</sup> In turn, Rizal’s reproach of vengeance implied that the attempt to domesticate the asocial force of money in order to destroy colonial society could potentially lead to the destruction of social life in general.

A similar fear of the asocial qualities of money under capitalism can be perceived in the writings of Spanish economic observers. For many observers of Spanish monetary policy and legislation, the end of the nineteenth century was a consistent reminder of the British empire’s

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<sup>66</sup> Vicente Rafael, *The Promise of the Foreign: Nationalism and the technics of translation in the Spanish Philippines*, (Durham and London: Duke University Press, 2005), 55.

<sup>67</sup> Rafael, 11.

<sup>68</sup> *Ibid*, 57.

<sup>69</sup> *Ibid*, 59-60.

global hegemony in the world capitalist market. As Giovanni Arrighi argues (by way of Fernand Braudel), modern imperial state formation always and already required the backing of finance capital. In previous historical moments, the sources of finance capital and imperial sovereign power remained separate, for example Iberian imperial dominance was backed by a different and autonomous Genoese financial system.<sup>70</sup> British imperial formation, beginning in the mid-nineteenth century, however, was the first to successfully consolidate both finance capitalism and sovereign power under one hegemonic geopolitical source: London.<sup>71</sup> The foundation of London's hegemony of the global capitalist market was planted firmly in the grounds of the overaccumulation of capital. Overaccumulation of capital, in turn, could only be possible through London's dual exploitation of industrial labor throughout England and the exploitation of labor and extraction of natural resources throughout its colonies, in particular India.<sup>72</sup>

London's hegemony over finance capitalism, in particular its domination of the global monetary exchange rates, infused most writings of Spanish economic observers. Indeed, the monetary crisis in the Philippine colony in the early 1890s, as previously mentioned, was the consequence of a global depreciation of silver. The global depreciation of silver was primarily a result of the demonization of silver currency and the adoption of a British pound based gold exchange standard by colonial India in 1893.<sup>73</sup> It is no wonder then that the critical mass of published Spanish nervousness over the monetary crisis would come in the immediate years following the global depreciation of silver. London would thus only appear to Spanish economic observers in terms of quantitative rates of exchange values or as foreign financial and large-scale

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<sup>70</sup> Giovanni Arrighi, "Hegemony Unraveling 2," *New Left Review* 33, (2005), 85.

<sup>71</sup> Arrighi, 97.

<sup>72</sup> *Ibid.*, 100.

<sup>73</sup> Mark Metzler, *Lever of Empire: The International Gold Standard and the Crisis of Liberalism in Prewar Japan*, (Berkeley and London: University of California Press, 2006), 30.

credit institutions.<sup>74</sup> In other words, London appeared as an indifferent, if not altogether inhuman, figure of the global capitalist market. Moreover, despite political or ideological allegiances, Spanish economic observers knew that the value of both Philippine and Spanish money was, for the moment at least, determined by the ebbs and flows of the British dominated financial market.

The reliance upon capital, generated by far more financially advanced empires, in order to develop its few remaining colonies was a painful reminder of how far behind the Spanish saw themselves in the modern imperial pursuit of global capital accumulation.<sup>75</sup> This dependence of local Philippine colonial markets upon global financial decisions compelled some Spanish observers to question the authority of an imperial sovereign that could not adequately deal with the violent and asocial consequences of finance capitalism. As Biosca put it: “[m]oney is in itself fearsome and untrustworthy, more so in a country...where the financial art is still in its infancy.”<sup>76</sup> As Spanish anxieties and fears over the Philippine monetary crisis, and particularly its potential violent and asocial consequences, stretched into 1894, an increasing number of propagandists began to take notice

### **The Indio and Paper Currency**

Money’s capacity to bring about the fear of unknown consequences was explicit in numerous Spanish economic intellectual writings. As mentioned earlier, *La Solidaridad*, the propagandist organ of indio and mestizo reformers, who now called themselves Filipinos in the Philippine colony, reprinted several Spanish newspaper articles which exhibited these fears. One

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<sup>74</sup> See especially Godínez’s *Regularizar la Situación Monetaria*, Biosca’s *Legislación Sobre Moneda*, and Quiroquiap “*El giro con Filipinas.*”

<sup>75</sup> See Wolters “From Silver to Gold Currency,” Legarda *After the Spanish Galleons, Gold Standard in International Trade*, Godínez’s *Regularizar la Situación Monetaria*, and Biosca’s *Legislación Sobre Moneda*.

<sup>76</sup> Biosca, 69.

of the recurring published critics of Spanish monetary policy and legislation was the aforementioned Godinez. Godinez was more respected than other Spanish observers because of his time spent in the archipelago. His first-hand experience eventually placed him in charge of a non-state, but state blessed, ad-hoc committee (made up by Spanish and *mestizo* business leaders, as well as representatives from the friar orders) dedicated to studying the problematic circulation of Mexican money in the colony.<sup>77</sup>

In an article entitled “Papel Moneda en Filipinas,” Godinez made the surprising suggestion of establishing a paper currency as a supplement to silver token coins in the Philippine colony. Recall that, in the interest of tightening the ties between commercial cultures in the metropole with that of the colony, Godinez was one of the most vocal advocates for a bimetallic system tethered to the Peninsula’s currency. Before proceeding in his suggestions for a possible paper currency, however, Godinez highlighted the historic fear of paper currency in Western societies. He traced the public fear of paper currency to the myriad abuses of modern governments during times of political crises.

The history of the assigned Frenchmen, the banking bills forcibly circulated in England at the beginning of the century, the greenbacks in the United States, the royal drafts in Spain, the rubles in Russia, the entire history, in effect, of paper money depreciating with no exceptions, confirms the causes of its discredit [...] There is no economist who will not point out this abuse as the primordial reason for the discredit of paper money. The reason is obvious: the more paper is issued with no guarantees, the less probabilities are offered of being paid in full and the greater and more justified is public distrust.<sup>78</sup>

During these events, crisis was exacerbated through state attempts to print excessive amounts of currency without having the treasury or institutional capacity to redeem paper notes upon demand.

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<sup>77</sup> Quiquiap, “La Cuestion Monetaria,” 272.

<sup>78</sup> Francisco Godinez, “*Papel Moneda en Filipinas*” reprinted from *El Nuevo Mundo*, (15 July 1894) in *La Solidaridad* 6, trans. Guadalupe Forés-Ganzon and Luis Mañeru (Manila: Fundacion Santiago, 1996 [1894]), 307.

The combination of both a lack of state-guaranteed redemption and the excessive printing of currency notes, not only rendered paper currency to appear worthless, but also cultivated suspicion in the mind of the public. As Godinez pointed out, the public historically suspected that the turn to paper currency indicated the simultaneous weakening and abuse of the sovereign power of the state.<sup>79</sup> Although paper currency seemed to historically incite public fear and suspicion, Godinez still believed that paper notes could potentially repair the damage done by Mexican currency in the Philippine archipelago. Additionally, if successful, Godinez asserted that the Philippine experiment in paper currency could provide key insights in curtailing the negative impact of Mexican currency throughout the Spanish empire.<sup>80</sup>

Still, one of the most significant aspects of Godinez's suggestion for paper money in the Philippines was the manner in which the indio was racialized through currency. Indeed, other than the concerns over cost and administrative limitations—such as the inadequate resources for transporting thirty million Spanish coins and the difficult large scale task of accurate coin exchanges—Godinez's article supporting paper money was intensely focused on the specific racial traits of natives and the conditions they inhabited. Admitting that the “backwardness of the natives” might create unforeseen consequences for monetary systems outside of the Islands, Godinez nevertheless batted away such suspicions.<sup>81</sup> He asserted that fears would be allayed once one understood the indio as akin to provincial children.

The native has the qualities and defects of youth or childhood that characterizes not only the age of the individual but the town. These are qualities and defects which—by and large—are sympathetic and amiable.<sup>82</sup>

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<sup>79</sup> Godinez, “*Papel Moneda en Filipinas*,” 307.

<sup>80</sup> Godinez, 307.

<sup>81</sup> One of which is the suspicion that *indios* would both knowingly or unknowingly smuggle paper currency into other territories, therefore negatively affecting other currency systems. Godinez, “*Papel Moneda en Filipinas*,” 309.

<sup>82</sup> Godinez, 309.

Godinez then provided a list of the immature and irresponsible traits of the indio, namely the indio's spontaneous, slothful, and desiring nature.

At first glance, Godinez's infantilization of the native population could be read as simply another example of the recurring discourse of natives-as-children deployed by multiple empires concerned with asserting a clear hierarchical binary between colonizer and colonized.

Simultaneously, Godinez lauded the more positive child-like traits of the indio such as the indio's trusting, naïve, and adaptive qualities. Indeed, he even praised the intellectual capacity of the native, going so far as to claim that their level of comprehension and education was very close to that of Europe. With this in mind, he then asked rhetorically: "With these qualities, how can you doubt even for a moment their facility in accepting paper money?"<sup>83</sup> Godinez answers his own question, by first responding to the concerns of most Spanish that the indio was far too immature to handle the intricacies of paper currency. After all, paper money involved treating the notes as though they were the 'real' metal coins. Moreover, paper money entailed understanding and interpreting the printed symbols and figures on the face of the note, and recognizing paper money as a representative of authentic exchange-value in the capitalist market. Godinez then goes on to ensure the reader that it was not the poorer ignorant natives who would have access to this paper money, but rather the more educated wealthier native. Since paper notes were meant to replace higher value coins that had been smuggled out of circulation, the poorer indio, whose primary use of money was relegated to smaller divisionary coins, would rarely have access to paper currency.

He was confident that the bourgeois indio was not only capable but also ideally suited for paper currency. In particular, the indio's general racial quality, according to Godinez, was that

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<sup>83</sup> Ibid, 309.

the indio was “respectful of all authority.”<sup>84</sup> Curiously, he cited the cedula tax as proof of this racial capacity.<sup>85</sup> According to Godinez, the colonial state’s routine of documenting the proof of payment of personal taxes for the cedula, prepared the indio to properly recognize the fiduciary symbols of a paper currency. The key to paper currency’s future success, therefore, resided in the relationship between the indio and the colonial state. Godinez highlighted this particular relationship by citing the indio’s seemingly unquestioned recognition of the authenticity of the documentation received as proof of personal service rendered or days worked for the cedula.<sup>86</sup> In other words, much like a state document was a representation of the services or labor value of the paid cedula, the state’s paper currency would be a representation of actual exchange-value within a capitalist market.

Strangely, Godinez failed to mention in his article the other types of paper currency floating around the colony in this time. One example was the bank notes released by his former employer, the Banco Español-Filipino. During its establishment in 1852, the Banco had been authorized by the Spanish state to issue a supply of bank notes, capped at the value of 4,500,000 pesos. Although by the 1890s the circulation never reached beyond 1,500,000 pesos or the borders of Manila, the relatively long history of bank notes seems to back up Godinez’s claims of the indio’s potential familiarity with paper currency.<sup>87</sup> Another example was the circulation of credit money. Credit money, according to Willem Wolters, arose out of the inadequate supply of coins in circulation in the surrounding provinces and the severe dearth of banks outside of Manila. Because of the monsoon climate, however, seasonal trade and labor systems created a

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<sup>84</sup> Ibid, 309.

<sup>85</sup> Beginning in 1884, replacing the Spanish tribute system, the cedula was a form of identification that allowed for the taxation of all residents of the Spanish Philippine colony.

<sup>86</sup> Godinez, “*Papel Moneda en Filipinas*,” 309.

<sup>87</sup> Wolters, “How Were Labourers paid in the Philippine Islands During the 19<sup>th</sup> Century?” 153.

need for the circulation of money between the provinces and Manila.<sup>88</sup> As a result, according to Wolters, a large amount of credit transactions occurred through the bookkeeping money of Chinese trading networks. Moreover, many of the domestic transactions between merchants, government officials, and merchant houses used *papel vario*, or bills of exchange.<sup>89</sup>

Indeed, Wolters' findings seem to support Godinez's claims of the indio's familiarity with government documents. Oftentimes domestic bills of exchange, bought by tax collectors and sent through merchant houses, would substitute for the direct transportation of currency to Manila from the provinces. Impressively, many of these bills of exchange would circulate between multiple hands, before being redeemed at its maturity.<sup>90</sup> Finally, these bills of exchange as substitute for the transmission of tax money can be likened to certificates of debt, called *papeletas*, handed out to farmers by the Spanish state during the tobacco monopoly era. As many scholars have noted, the state could take up to several years to repay the debt owed to farmers, resulting in many selling *papeletas* to speculators at vast discounts.<sup>91</sup>

Although discontinued by 1883, this extraordinary mixture of both speculation and trust in the value of the *papeletas* illustrate the complex and multifaceted culture of currency and credit encircling indio economies. The previous examples, therefore, illustrate that paper currency may indeed not be so alien to indio and mestizo communities. The native's previous recognition of the authentic value of paper documents, however, does not necessarily mean that they wouldn't look upon state-fiat currency with some suspicion. As the example of the *papeletas* proves, the government did not succeed in honoring many of its promises to farmers, leading to predatory speculation and a general distrust of state administration of economic

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<sup>88</sup> Wolters, 153.

<sup>89</sup> *Ibid*, 154

<sup>90</sup> *Ibid*, 155.

<sup>91</sup> See especially Ed. C. de Jesus' *The Tobacco Monopoly in the Philippines: Bureaucratic Enterprise and Social Change, 1766-1880*, (Quezon City: Ateneo de Manila Press, 1998).

matters. Despite all these past mixed experiences with paper currency, it is curious as to why Godinez so adamantly believed that the indio would naturally accept state paper money.

For Godinez, the answer lay in the political authority of the state. He connected the indio's capacity to recognize authenticity with the indio's capacity to recognize and obey state authority: "In respect to authority, there is no one more respectful."<sup>92</sup> In his eyes, therefore, state authority was clearly pivotal in the possible success of not only the establishment of paper currency, but also the stabilization of the whole currency system of the colony. This type of authority arrived not from the indio's understanding of the valuation of the market, but rather from the sovereignty of the state. It was the recognition of, and obedience to, the sovereignty of the Spanish colonial state by the indio that constituted this authority. Unlike modern societies from the North Atlantic who had historically been suspicious of authority if state issued currency did not hold inherent value, the indio was naturally prone to submit to the sovereign's assignment of value to materially worthless pieces of paper.

Godinez's racialization of the indio as naturally obedient to state authority is striking. On one hand, by emphasizing the indio's racial nature of uncritical obedience to authority he highlighted the political immaturity of the indio. Unlike the historic cases he mentioned from the North Atlantic, in the Philippine colony there was no need for any type of persuasion or convincing of the public on the part of the state. On the other hand, by pointing out this lack of persuasion, he ironically also pointed to the necessity of state persuasion of *peninsulares*, those racially and legally categorized as from the Peninsula. According to Hannah Arendt, persuasion entailed a process of argumentation among equals.<sup>93</sup> Thus if persuasion was necessary in

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<sup>92</sup> Godinez, "*Papel Moneda en Filipinas*," 309.

<sup>93</sup> Hannah Arendt, "What is Authority?" in *Between Past and Future: Eight Exercises in Political Thought*, (New York: Penguin Classics, 2006), 92.

convincing peninsulares to obey the political authority of the state, what did this mean for Spanish sovereignty over not only money, but also its imperial subjects?

Godinez seemed to inadvertently argue that those who were more racially evolved, the peninsulares, had to be persuaded by the state. If the necessity to be persuaded was a marker of being racially advanced, what did that mean for authority itself? Authority, at least over money, appeared to be based not strictly on sovereign power, but on the ability to convince or persuade through argumentation. Relying on persuasion, however, entailed the assumption of equality. At the same time, equality contradicted hierarchy; and hierarchy was essential for the continuation of the indio's natural obedience to state authority. The nature of Spanish authority, under the logic of Godinez, seemed shaky. Wealthy educated indio and mestizo colonial subjects took note of this increasingly unstable notion of authority. After all, educated indio and mestizo colonial subjects were not only being written about in Godinez's articles, they were also republishing and rearticulating Godinez's articles in their own propagandist newspapers. The reason, therefore, for the republication of Godinez' article was not simply because it was a critique of Spanish monetary policy. The republication of Godinez's articles reflected the confused status of political authority in the Spanish Philippines.

We can thus see the Spanish public's concerns over the monetary system in the Philippines as a possible anxiety over the uncertain political and social effects of a system of valuation seemingly beyond the government of the state. For certain, as Biosca put it, money remained a source of anxiety for the Spanish public because of its potential to "become harbingers of non-attractive happenings." Although assured that monetary crisis should not elicit "great alarm," he nevertheless cautioned the Spanish crown that it was important to "avoid

certain dangers and erase all possibility of their occurrence.”<sup>94</sup> Put differently, ultimately important to eliminate was not necessarily the immediate consequences of monetary crisis, but rather the future possibilities opened up by such crisis. These possibilities of monetary crisis remained unknown and had the potential to be harbingers of unforeseen and uncertain events. What these Spanish intellectuals remind us is that it was not merely monetary crisis that should be the focus of concern. Rather, their analyses point to the inability of the Spanish state to properly domesticate the effects of capitalism within the colonial order. This leads, however, to another question: does the criticism of Spanish state authority potentially open up space in which to imagine an alternative agent of political authority?

### **Imagining an Alternative Authority over Money and Capital**

Although peppered throughout most of the run of *La Solidaridad*, the commercial crisis was given special focus throughout the years 1894 and 1895. This was most likely due to the intensified published critique of the Spanish empire’s financial and monetary policies by Spanish business communities in the Islands and economic intellectuals from the Peninsula. Evidence of propagandist interest can be found in the increased reprinting of Francisco Godinez’s newspaper articles on Spanish monetary policy in the archipelago. Of more importance than Godinez’s articles, however, was the way that *La Solidaridad* editor and propagandist Marcelo del Pilar utilized a review of Godinez’s book as a vehicle to critique Spanish monetary policy, and more broadly the seeming backwardness of colonial government and society.

After praising Godinez’s work as “elegantly written,” “simple,” and “clear,” del Pilar summarized the contents of the book.<sup>95</sup> Agreeing with Godinez of the complexity of the situation

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<sup>94</sup> Biosca, *Legislacion Sobre Moneda*, 60.

<sup>95</sup> Biosca, 39.

in the archipelago and the heterogeneous market forces at play, del Pilar nonetheless found a way to remind the reader of the powerful economic impact of monastic convents in the remittance market. Del Pilar shed particular light on the extraction of “material wealth” by convents in the colony and subsequent transmittal to the Peninsula. These remittances, moreover, occurred with little, if any, state regulation or “financial reciprocity of any kind.” However, what del Pilar emphasized was not the particular actions of certain political agents such as the church or the government, but rather the incapacity of such agents to fathom the “abnormal situation in the Philippines.” In contradistinction to these traditional authorities, del Pilar argued that it took certain modern finance experts. Experts, such as Godinez, could study the “natural laws of economics” in order to correct the “erroneous policies of the government.”

Categorizing Godinez’s work as “truly scientific,” del Pilar underscored the naturalness of the movement of money, therefore positioning “the financial life of the Philippines” as ultimately beholden to a kind of natural law which remained autonomous to both the colonial state and more broadly sovereign power. The following analogy, used by del Pilar, further highlights his use of the natural or organic in describing the circulation of money in the Spanish Philippines.<sup>96</sup> Likening Spanish sovereignty to an unprepared doctor and colonial society as an ailing body, monetary policy was seen as akin to medical surgery.

[I]n talking of government intervention, we tremble as the sick would tremble at the hands of an inexperienced surgeon. The mistakes in this matter cannot be corrected with flowery words that are usually the remedy given by our government officials.<sup>97</sup>

Money, in the view of del Pilar, was something that was both a part of the social body of the Philippines and at the same time as something that made it sick, subsequently demanding some type of medical intervention. Yet, not only did del Pilar imply that the colonial state was far too

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<sup>96</sup> del Pilar, “*Soluciones Monetarias*,” 41.

<sup>97</sup> del Pilar, 41.

haste and dangerously invasive, but the state was also inexperienced and untrained. Unlike more modern governments which valued scientific findings of economic experts, the Spanish crown remained content to either disavow or obscure the ailment of a monetary crisis through flowery words.

Further in his critique, del Pilar highlighted the Spanish empire's inability to "extricate" not only the Philippines, but also the Spanish Peninsula itself, from the "commercial dictatorship of Great Britain."<sup>98</sup> Tellingly, del Pilar located the contaminating threat to the Philippine social body not in the Spanish crown, but ultimately through the foreign figure of Britain, the financial center of the global capitalist market. In this scenario, del Pilar remained immensely skeptical of the colonial state's capacity to protect the social life of the Philippine colony from the wild and uncaring consequences of the international capitalist market, particularly its financial dimension. Thus, del Pilar seemed to be calling for an alternative agent that could wield the force of capitalism for the benefit of social life in the archipelago. In other words, with del Pilar's metaphor of surgery and emphasis of manipulating the market through scientific methods, there appeared to be a wish to domesticate capitalism by instrumentalizing it, an endeavor both the colonial state and the Spanish empire seemed incapable to undertake. This alternative agent of authority could perhaps have been the nation. Still, the nation's authority, as pictured by del Pilar, necessitated not merely obedience to sovereignty, but obedience buttressed by expert knowledge of the capitalist market. Expert knowledge was essential for modern strategies of persuasion. In del Pilar's view, therefore, authority over money could not be purely political, but had to additionally be informed by knowledge of the market.

Perhaps a fear of an indio and mestizo colonial community drifting further away from the authority of the Peninsula shaped Godinez's advisory report on currency exchange in 1894.

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<sup>98</sup> Ibid, 45.

Although proposing three different options in which to drive out Mexican currency, Godinez was ultimately a main proponent of bringing the Philippine colonial currency into the Peninsular bimetallic system. Unlike the other two options—the introduction of a new gold exchange based currency or a new colony specific silver based currency—Godinez proposed to strengthen the ties between the colony and the metropole through the minting of silver currency identical to the Peninsula’s.<sup>99</sup> In hindsight, monetary unification seemed to be one of the final strategies left available for the imperial government in order to decrease “the antagonisms between Spain and its loyal Ocean province.”<sup>100</sup> In 1895, however, the Spanish imperial sovereign, following the advice of the Ministry of Colonies and Manila Chamber of Commerce decided to instead attempt to drive out the Mexican silver coin by introducing a gold exchange currency. In 1897, the silver tokens, based on a gold exchange standard, were introduced. Stamped with the bust of King Alfonso XIII, the coins were subsequently nicknamed *Alfonsinos*. Currency reform, however, was never fully completed due to the combined strain on imperial administration by the political instability and the economic cost of the 1896 Philippine Revolution and the ongoing Cuban Revolution.<sup>101</sup>

### **Conclusion: Facing the Asociality of the Foreign**

In an essay concerning the relationship between time, sacrifice, and nationalism, Benedict Anderson recounts a curious 1895 lecture by the notoriously sober Max Weber. In his lecture, Weber spoke of his present political and social conditions, coming to the conclusion that

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<sup>99</sup> Godinez, *Regularizar la Situación Monetaria*, 11.

<sup>100</sup> Godinez, 23.

<sup>101</sup> Wolters, 388.

everyone in the German nation, except for him, had got it “All Wrong.”<sup>102</sup> Yet, in the very same pessimistic account of the contemporary state of the nation, Weber revealed a wish for recognition from those of the future.

If—to use a somewhat fantastical image—we could rise from the grave thousands of years from now, we would seek the distant traces of our own being in the physiognomy of the peace of the future. Even our highest, our ultimate, terrestrial ideals are mutable and transitory. We can wish that the future recognizes in our nature the nature of its own ancestors. We wish by our labour and our being, to become the forefathers of the race of the future.<sup>103</sup>

Anderson notes how Weber, in his imagining of the future unborn, was simultaneously imagining himself as already dead. Weber thus put the challenge to the audience to rise to the expectations of the future before one could exhaust one’s finitude. Yet, Anderson also points to the curious way Weber imagines those yet to be born. Weber saw no qualitative trait in these future Germans. Indeed there was no political, ideological, or economical difference in these yet-to-be born. Essentially it was this abstraction, anonymity, and eradication of difference that posed the unborn as ultimately Good. These future unborn were thus, as Anderson relates, imaged as the Future Perfect.<sup>104</sup> Moreover, it is the fact that the future remains completely unknown to the present that enables the perfection of those yet to be born. In other words, the future always remains foreign to the living present. Anderson argues that it is this unknown, yet utopic quality of the future nation and their “unbornness” that in turn imposed obligations and sacrifices on those of the living present.<sup>105</sup>

Seen from a different angle, however, Weber’s lecture also positioned the unborn as outside of the conversation between speaker and audience. In this exchange between the speaker

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<sup>102</sup> Benedict R.O’G Anderson, *The Spectre of Comparisons: Nationalism, Southeast Asia, and the World*, (London and New York: Verso, 2000), 360.

<sup>103</sup> Anderson, *The Spectre of Comparisons*, 361.

<sup>104</sup> Anderson, 362.

<sup>105</sup> Ibid, 362.

and the audience, the unborn were neither the first person (the “I”) nor the second person (the “you”). Instead the unborn could be figured as the third person who held the potential to overhear such a conversation.<sup>106</sup> The unborn were thus, for a moment at least, figured as a completely foreign other to both speaker and audience. Yet, this foreignness was soon domesticated as indicated by Weber and the audience’s wish for recognition. Indeed, when Weber and the audience gazed into the future, they did not see the complete unknown. Rather, in gazing into the future, Weber and the audience found descendants of the German nation. This potential recognition of future descendants was thus necessarily dependent upon a returned recognition; a wish that the future nation recognized in them, ancestors. The audience, in other words, desired to see in the future, traces of their current society reflected back. In this example, a national wish for genealogical lineage was what ensured the primacy of the continuation of a form of social life called a nation. From this instance of the future unborn, we see how what was at one moment foreign could be, through a reflected recognition, domesticated by the nation.

As mentioned earlier, it was the foreignness of money that provoked anxieties from the Spanish and non-Spanish alike. Still it was not merely the capacity of money to produce unknown and unforeseen effects that elicited desires for domestication. Instead it was the fear that when one gazed into money, one gazed upon a system grounded in the obscuration of any social origins, particularly the exploitative origins of production. Unlike in the instance of domesticating the future unborn, one could never recognize any kin, genealogy, or possibility of inheritance in the ghostly world of capital. For propagandists, Spanish debates over the monetary crisis put into focus the blatant limitations and incapacity of Spanish political authority in domesticating the effects of the capitalist market. At the same time, however, debates over

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<sup>106</sup> I take this idea of overhearing from James Siegel’s thinking on nationalism presented in Chicago conference on “Imagined Communities”, Oct. 11, 2008 and *Fetish, Recognition, Revolution*, (Princeton, NJ: Princeton University Press, 1997), 92-93.

monetary crisis signified to propagandists that there was now political space for an alternative type of sovereignty to emerge. Nevertheless, in contradistinction to imperial sovereignty, this new alternative sovereign had to properly wield its political authority over the force of the capitalist market. For many propagandists, the nation could be this alternate sovereign.

Although very little known nationalist writings dealt explicitly with money and monetary policy, the writings of del Pilar suggest the tension, if not outright antagonism, inherent between the centrality of sociality in nationalism and the asociality of money-as-capital, especially when the fate of money in the Philippine colony appeared to be in the hands of foreign capitalists and imperial financial markets. This tension becomes starkly apparent during moments of monetary crisis in which political authority was confounded or challenged, exposing the possibilities of social uncertainty. In the first half of the 1890s, public debates concerned with monetary crisis obsessed over the inability of the Spanish state to domesticate foreign forces at work. In the eyes of economic observers, the Spanish “immigrant” or “settler” was the main victim of the monetary crisis. In searching for a culprit, Spanish observers intensified the public’s suspicion of the racialized figure of the Chinese merchant.

This racialization of money collapsed ethnicity and class into a foreign figure that demanded domestication. Although the Spanish public was the most obsessed with the Chinese merchant, this obsession most certainly bled into nationalist thinking as well. Specifically, the attachment of the Chinese to the foreign consistently placed those racially and economically marked as Chinese outside of the national political body. As the above illustrated, the perceived public attachment of the Chinese to the illicit and corrupting consequences of Mexican currency and monetary crisis most likely informed future iterations of political marginalization and

enmity. Indeed, as the previous chapter demonstrates, it was the foreignness of the Chinese and the Mexican coin, which most troubled the Spanish public.

Foreignness, at least in the writings of Spanish economic observers, appeared as strange reminders of the unknowability and uncertainty of an imperial future. Because of the effects of the monetary crisis on Spanish political authority, however, the unknown and uncertain conjured fears of a Spanish sovereignty under the reign of the international capitalist market. It was the threat of an indifferent, if not inhuman, capitalist system that troubled Spanish intellectuals and certain propagandists such as Rizal and del Pilar. Ultimately, propagandists such as del Pilar utilized the critiques of Spanish economic observers in order to create a nationalist critique of colonial authority and society in general. As an alternative to the unmodern Spanish empire, del Pilar seemed to suggest the modern nation as that which could put money in its proper place. In other words, money would not only be domesticated, but also instrumentalized to benefit the social life of the Philippines.

The next chapter will subsequently explore the various attempts by the first Philippine national state, the Malolos Republic, to domesticate money. In particular, it will shed light upon the role played by money during a time of Revolution, and the complicated attempts by the Republic to appropriate both the power of the sovereign and the regulating force of monetary and financial institutions in order to exert political authority. The next chapter also interrogates whether these attempts by the Republic led to an inheritance of sorts. Paying special attention to the responses of the Republic to the effects of money and the capitalist market reveals the ineradicable kinship between national and imperial sovereignty.

## Chapter 2:

### The Wealth of the Nation: Divergent Values during War, Revolution, and the Republic, 1896-1901

The new always happens against the overwhelming odds of statistical laws and their probability, which for all practical, everyday purposes amounts to certainty; the new therefore always appears in the guise of a miracle. – Hannah Arendt, *The Human Condition*<sup>1</sup>

Less than a week after the outbreak of the 1899 Philippine American war, Baldomero Aguinaldo, Philippine Republic Minister of War, and former leader of the *Magdalos* branch of the *Katipunan*, sent an anxious correspondence to the Secretary of the Interior. Observing the market in Manila, Aguinaldo was shocked to find runaway prices, rampant speculation, and widespread hoarding. In addition, he seemed panicked by the increasing number of antagonistic retail transactions between merchants and consumers over the true value of currency. The fluctuating value of coins made no discrimination as it victimized members of militias and civilians alike. There were accounts circulating that some areas refused to accept metal coins, preferring to barter and some commercial areas chose to create their own types of currency out of wooden tokens. Exploding market prices put necessary commodities out of reach and the uncertain value of money made collecting taxes for the young republic a frequently violent encounter.<sup>2</sup>

By presenting this ghastly scene of the Manila market Aguinaldo hoped to appeal to the patriotism of merchants to tame “the spirit of profit” which was inflicting such harm upon the nation.<sup>3</sup> Yet, Aguinaldo’s nervousness also indicated the larger concerns of the nascent nation-state over the effects of the capitalist market. Indeed, merely a few months earlier, Baldomero’s

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<sup>1</sup> Hannah Arendt, *The Human Condition*, (Chicago: University of Chicago, 1998), 178.

<sup>2</sup> Milagros Geurrero, *Luzon at War: Contradictions in Philippine Society, 1898-1902*, (Ph.D. Diss., University of Michigan, 1977), 113.

<sup>3</sup> Secretary of War to Secretary of Interior, February 10, 1899, Philippine Insurgent Records (P.I.R.) 1896-1901, SD 360.2, Roll 25.

cousin, Emilio Aguinaldo, the president of the Republic, proclaimed plans to create a new national monetary system. A number of measures, concerning the nation-state's finances, including currency, were passed by the Malolos Congress. By the outbreak of the Philippine American War, the Republic had already laid down plans for two national loans, a national bank, and a board of treasury to govern the state's financial matters. Although the shift to guerrilla warfare halted the materialization of most of these plans, of interest is what these plans nevertheless revealed about the Republic's simultaneous desire and suspicion of money.

One can get a sense of this double bind by exploring the types of promises made by the Malolos Congress in its two failed attempts to secure a national loan. Because taxes were usually paid in kind by the majority of the population, the Republic early on found itself scrambling to obtain hard currency. The first plan for a twenty million peso national loan involved the collection of "spontaneous and voluntary" monetary contributions from local propertied individuals. In exchange for these contributions, the government would exchange bonds redeemable in forty years. Guaranteeing this loan was "all the property belonging to the republic" which included "all estates which the people have recovered or may recover in the future from the religious corporations."<sup>4</sup> It is important to highlight how the nation's property of the future belonged to "the republic," even though "the people" were responsible for recovering all past and future estates. In this chain of abstract representations, in which "the republic" represented the nation, which in turn represented "the people"; the national loan's guarantee appeared to assert that whatever past or future wealth the "the people" accrued, it would, for the good of the nation, eventually be sacrificed to the state: the Philippine Republic.

A similar mood permeated the Republic's attempt at securing a second loan of twenty million pesos. Unlike the first loan, however, contributions would come from foreign investors

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<sup>4</sup> EA to JPs (provinces of Luzon), November 24, 1898, PIR, SD 212.1, Roll 18.

and distributed bonds that would be redeemable after just two decades. In July of 1899, the Malolos Congress authorized the Republic's ambassador, Felipe Agoncillo to negotiate subscriptions abroad. Akin to the first loan attempt, Congress promised the nation's natural resources and the future labor necessary to engender industry.<sup>5</sup> Again in this scenario the Republic assumed that "the people" were willing to sacrifice their future property and labor as collateral for such a loan.

In addition, with this second loan, the Republic proposed to exchange "the people's" sacrifice for foreign money. In this proposal, the young state seemed to claim that the loan's guarantee went both ways. Not only would the Republic guarantee foreign credit through the nation's future wealth, but the Republic would also ensure the nation's future by properly and successfully utilizing the national loan to win the war. Through the money of the national loan, the Republic would be able to free and protect "the people." Yet, as revealed earlier in the account of Baldomero Aguinaldo, money, and the capitalist market that it symbolized, appeared suspicious to the Republic. This suspicion lay in what the state saw as money-as-capital's powerful capacity to transform established hierarchies and social orders. As Baldomero Aguinaldo's letter concerning Manila markets demonstrated, not only could money fuel a war for political independence, but it could also produce unrecognizable and uncertain consequences.

The following chapter examines how the Republic's attempts, to create state institutions in order to domesticate and instrumentalize money-as-capital, was determined by a myriad of immediate historical and cultural contingencies. By money-as-capital, I mean to follow Marx's meticulous critique of capitalist value production, which saw the value of money not coming from some inherent or sensual property, but rather grounded in the commodification of labor

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<sup>5</sup> Exhibit 771 in John M. Taylor *The Philippine Insurrection Against the United States, Vol. 4*, (Pasay: Eugenio Lopez Foundation, 1971), 459-60.

power. The capitalist market, however, was able to obscure any certain origin of value through its erasure of qualitative difference between commodities, leaving only an abstract unit of comparison: value. As a result of this logic, all things (and this includes labor) are commensurable within the market and quantitatively determined by capitalist exchange value, or merely value.<sup>6</sup> Thus, whenever money showed itself as capital, it was necessary for labor to disappear completely.

This chapter therefore asks: what occurs if money appears but labor's disappearance remains incomplete? After all, the capitalist mode of production is a historically and socially determined system. How then does money figure in the minds of the public during a time of revolution and war? In particular, does money seem to be inconsequential to, or appropriated by, different social formations at certain moments? And how do these diverging aspects of money, from the outbreak of the 1896 Revolution to the official end of the Malolos Republic, relate to other historical contingencies, such as the spontaneous intensification of organized labor actions, the emergence of popular and official nationalisms, the violent questioning of traditional forms of political authority, and the ongoing attempt to form a sovereign Philippine nation-state?

With these questions in mind, this chapter first seeks to understand the relative absence of money within the discourses of the *Katipunan*, in particular during the 1896 Revolution. What was especially peculiar about these discourses was the manner in which discussions of wealth and economy revealed desires and values that differed from, and sometimes remained ambivalent to, capitalist desires and values. In these discussions of wealth and economy, we see how at certain moments, a system of valuation, grounded in the nation, was able to appropriate money for its own political and social purposes. The topic of wealth and economy, however, also

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<sup>6</sup> See especially chapter three of Karl Marx's *Capital*. Karl Marx, *Capital: A Critique of Political Economy, Vol. 1*, (London and New York: Penguin Books, 1990).

revealed what Benedict Anderson has termed the tension between popular and official nationalism.<sup>7</sup> Part of this tension between popular and official nationalism are located in the myriad ways that official nationalism continued the hierarchies and orders formed and developed by the colonial state.

The establishment of the Republic activated concerns over hierarchies based not on the virtues of the nation, but rather the desire to: produce, accumulate, invest, and reproduce more capital. Subsequently, the second section of this chapter explores anxieties over how the Republic siphoned political power and capital away from the majority of the provincial and non-wealthy population for the benefit of a bloc of wealthy urban elite. Moreover, by allowing the wealthy to instrumentalize the state as simply another means of accumulating capital, the Republic risked losing all political legitimacy. From this suspicion of not only the urban wealthy, but the capitalist market for which the urban wealthy remained figures, we explore how the Republic's claim to sovereignty was constantly undermined and questioned by what it claimed to represent: the nation.

From its very founding, the Republic faced constant antagonism not only from foreign imperial agents but also from what could be labeled domestic forces. The residual energy of the 1896 Revolution and the erupting possibilities, beginning in 1898, from the Philippine American War constituted these domestic forces. Often labeled by the Republic as misguided or naïve attempts of popular nationalism, anti-tax actions and labor strikes against state authority instead revealed the numerous ways that the just distribution of wealth and resources remained one of the most crucial concerns of the Philippine lower and working classes. The Republic witnessed

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<sup>7</sup> See Benedict Anderson's *Imagined Communities*, Chapter 8 and 10 especially. Benedict R. O'G. Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism*, (New York and London: Verso, 2006).

in horror the proliferation of extemporaneous and sometimes violent outbreaks of popular dissent and work stoppages aimed against local elites and foreign and Chinese owned businesses.

The Republic feared these occurrences of spontaneous, yet organized, challenges to its sovereignty. What is especially striking was the manner in which these actions were consequences of the conscious realization by numerous workers and peasants that the same political hierarchical system under the Spanish, that favored the wealthy and exploited the poor, was never eradicated by the founding of the Republic. Instead, in the eyes of workers and peasants, compulsory war taxes and unjust wages undergirded the political order of the Republic. The political order of the Republic, thus, simply maintained a system in which the extraction of money and labor from the poorer classes continued. Money-as-capital, for a few fleeting moments at least, was seen in its naked state: as a token of an exploitative economic system. Within the eyes of the nation, the Republic appeared subservient to such a system. Faced with the possibility of losing political authority over the nation, the Republic attempted to appropriate the force of capitalism by creating state institutions charged with administering the monetary and financial future of the nation. Still, attempts by the Republic to create a state currency and a National Bank, among other monetary and financial legislation, in turn illuminates the troubles both the nation and the state suffered in attempting to domesticate the force of the capitalist market.

### **Some Diverging Values During the Revolution**

In 1896, due to increased Spanish discoveries of membership rituals and plans, the underground secret society known as the *Katipunan* launched a rebellion in the working-class

districts of Manila.<sup>8</sup> The Katipunan was partly an outgrowth of Jose Rizal's failed attempts to create a more radical type of political movement in 1892. Rizal's *La Liga Filipina* intended to be grounded more in the material conditions of the colony rather than the ideological propaganda of the Peninsula. Spanish authorities, rightly nervous of such an organization, immediately shut down *La Liga Filipina*, as Rizal was arrested and sent into exile in Dapitan, Mindanao. Despite this stillbirth end, *La Liga Filipina* managed to attract and inspire a sizable number of youth, students, and urban workers from the poorer parts of Manila. One such urban worker was Andres Bonifacio, who would go on to found the Katipunan.

Bonifacio was born in the neighborhood of Tondo, a notoriously poor and criminalized area of urban Manila during the late nineteenth century, to humble parents who soon left him and his five younger siblings orphaned. Bonifacio, who was only able to finish primary schooling, found ways to financially support himself and his younger siblings by working as a craftsman, clerk-messenger, and commercial agent, a variety of occupations brought about by a modern urbanity. He continued his education by self-teaching himself Spanish, honing his Tagalog, reading histories of the modern world such as the French and American revolutions, and the works of Rizal. In addition, as a Freemason, Bonifacio was heavily influenced by masonic ideals of secrecy, rituals, egalitarianism, and fraternity, which would greatly inform the practical and ideological foundations of the Katipunan.<sup>9</sup>

By 1896, the Katipunan had rapidly increased in numbers, subsequently leaving more haunting clues of a secret world autonomous of a fracturing Spanish colonial order. As Spanish colonial policing intensified, Bonifacio's rebellion in 1896 soon spread to other parts of Manila

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<sup>8</sup> The official full name is *Kataas-taasan, Kagalang-galangang Katipunan ng mga Anak ng Bayan* which may be translated as: The Highest and Most Honorable Society of the Children of the Country.

<sup>9</sup> Patricio N. Abinales and Donna J. Amoroso, *State and Society in the Philippines*, (Oxford: Rowmand & Littlefield Publishers, 2005), 110.

and other provinces outside of Manila. In a cellular manner, local Katipunan chapters were spontaneously formed, swelling the ranks through the attraction of tens of thousands of small landholders and peasants.<sup>10</sup> In contradistinction to the Propaganda reform movement, which was led by bourgeois *ilustrados*, Spanish for the enlightened ones, the Katipunan led Revolution of 1896 exploded ideas of imperial sovereignty through its foundation in the desires of the peasantry and the urban poor. Still, as Vicente Rafael points out, the Revolution did not eliminate the idea of sovereignty altogether.<sup>11</sup> In its stead, the Revolution displaced imperial legacies into other forms such as the notion of “popular sovereignty.” Knowing this, however, leads this chapter to ask: what was the role of money, and particularly money-as-capital, within this historical episode in which certainty over sovereignty and authority seemed suspended in the Spanish Philippines?

There was very little recorded of popular thinking specifically dedicated to monetary conditions in the archipelago before the Revolution. The closest popular critique of money can most likely be found in the archives covered in Reynaldo Ileto’s *Pasyon and Revolution*. In his seminal history of popular movements and protests in the Catholic Philippines, Ileto viewed the possibility of the 1896 Revolution occurring in and through the affective discourses of freedom (*kalayaan*), compassion (*damayan*), and reciprocity and exchange (*utang na loob* and *hiya*).<sup>12</sup> Due to the cultural and political hegemony of Catholic orders in the Spanish Philippines, these affective discourses were made accessible to popular audiences through Catholic vernacular texts, such as the *Pasyon* (a play which narrates the suffering and resurrection of Christ) in the

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<sup>10</sup> See especially the first chapter of Reynaldo Ileto’s *Pasyon and Revolution*. Reynaldo Ileto, *Pasyon and Revolution: Popular Movements in the Philippines, 1840-1910*, (Quezon City: Ateneo de Manila University Press, 1998).

<sup>11</sup> Vicente L. Rafael, “Welcoming What Comes: Sovereignty and Revolution in the Colonial Philippines,” *Comparative Studies in Society and History* 52 1 (2010): 165.

<sup>12</sup> Like all translations, my translation of Tagalog words into the closest approximate English word is simultaneously insufficient and excessive.

second half of the nineteenth century. As a consequence, Ileta reads such events as the popular martyrdom of Rizal, the common resonance of the Katipunan, and the rhetoric of the Republic, as being grounded in Catholic symbolism.<sup>13</sup> In the following, this chapter will revisit some texts that Ileta cites from the Revolution, but rather than read for its Catholic resonances, this chapter instead explores the relevance or irrelevance of money, particularly money-as-capital, within the economies of the Revolution.

Throughout Ileta's selections of vernacular writings of the *Pasyon* play, one can see an inherent critique of the colonial system of valuation built upon material wealth. With this in mind, in contradistinction to a colonial world which seemed to be popularly seen as grounded in the greed of Friars and Spanish colonial officials; vernacular Catholic texts and writings by leaders of the Katipunan, seemed to call for a new social system based on the nation as the ultimate authority over values. For example in Bonifacio's "*Ang Dapat Mabatid ng mga Tagalog*" (translated as "What the Tagalogs Should Know"), one may first notice the utopic sentimentality of a pre-Spanish world.

In the early days, before the Spaniards set foot on our soil which was governed by our compatriots, Katagalugan [The Tagalog "nation"]<sup>14</sup> enjoyed a life of great abundance and prosperity. She (or he)<sup>15</sup> maintained good relations with her neighbors, especially with Japan, and maintained trade relationships with them all. That is why there was wealth and good behavior in everyone; young and old, women included, could read and write using their own alphabet. Then the Spaniards came and appeared to offer to guide us toward increased betterment and awakening of our minds; our leaders became seduced by the sweetness of such enticing words.<sup>16</sup>

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<sup>13</sup> See Ileta's first provocative chapter in *Pasyon and Revolution*.

<sup>14</sup> Although *Katagalugan* can be a reference to one of a multitude of major ethno-linguistic communities in the Spanish colony at the time, it was in fact expanded by Bonifacio and the *Katipunan* to include anyone that lived within the archipelago. Thus, *Katagalugan* can be the imagining of what is now considered the geo-political territory that is the Philippine nation-state.

<sup>15</sup> There is no gender specific third person pronoun in Tagalog, although Ileta translates the pronouns to indicate a female identity for the "Katagalugan". Words in parentheses are my own.

<sup>16</sup> Ileta, *Pasyon and Revolution*, 103. The original Tagalog is in Teodoro Agoncillo's *The Writings and Trial of Andres Bonifacio*.

In his interpretation, Iletto highlights the idyllic, or continuing the biblical reference, Eden-like world in existence before the arrival of the Spanish. The Spanish, similar to Del Pilar's critique from the first chapter, seduced the *Katagalugan* people away from this ideal economic world through the use of sweet words, or the sweetness of their tongues ("*tamis ng kanilang dila*").

As mentioned in chapter one, economy is etymologically derived from the Greek words *oikos* (home or family) and *nomos* (law or custom). Let us emphasize the economic; for at least according to Bonifacio, what has been lost by the Tagalogs is a type of economy, or family-like convention and distribution of resources. Still, unlike Iletto's assertion, at least in this instance, Bonifacio's economic representation of a pre-colonial word intriguingly did not imply a primitive economy, in which exchange and movement of goods and services occur, but do not necessarily expand beyond ideal subsistence. Instead, Bonifacio claimed historical trade connections beyond the confines of the archipelago, to the outside world, specifically naming Japan. The specificity of Japan most likely had to do with Japan's prominent arrival on the world stage at the end of the nineteenth century.

Indeed, with the economic and political transformations resultant from the Meiji restoration, Japan had intensified its presence in the global public as an emerging militaristic and industrial power. No doubt, this older connection to such an emerging modernizing force in Asia influenced Bonifacio's evocation. His imagining of the pre-colonial Philippines was thus not strictly bound to an Eden-like nostalgia for a primitive past. Rather, the pre-colonial Philippines was a society and culture that, like Japan, held the potential to progress into a modern and prosperous nation. This potential modernity, however, was corrupted by Spanish colonialism. Furthermore, Bonifacio did not idealize a primitive economy in which the goal was to simply satisfy immediate needs. Rather, Bonifacio claimed that the pre-colonial Tagalog people traded

with the Japanese an excess amount of goods or commodities, in order to engender profit (“[...] *ng mga kalakal malabis ang pag yabong ng lahat ng pinagkakakitaan* [...]”).<sup>17</sup> With this type of profit intention, there is a strong possibility that Bonifacio was not nostalgically pining for some primitive past, rather he was imagining the lost opportunity of a developed modern capitalist modernity.

Still, capitalist development does not necessarily fit in so easily with nationalist values during the Revolution. The following text is from Santiago V. Alvarez’s memoirs. Alvarez served as a general in the *Magdiwang* branch of the Katipunan army in the revolutionary war against the Spanish, and though eventually marginalized by the rival Aguinaldo led *Magdalo* branch of the Katipunan, Alvarez remained a supporter until the official dissolution of the Malolos Republic. In one particular excerpt, Alvarez fondly recalled scenes of excessive contentment in liberated towns of the Cavite province. Although surrounded by the constant threat of war, the townspeople appeared mad with happiness. As Rafael highlights in his essay on sovereignty and Revolution, “Welcoming What Comes,” Alvarez fondly reminisced about the unconditional hospitality displayed by townspeople.

As Alvarez narrates, it was as if the Revolution brought about a transformation, or suspension, of the capitalist market’s system of valuation based on supply and demand: “Food was plentiful; all things were cheap; there were no criminals, no robberies, no thefts, no pickpockets.”<sup>18</sup> Rather than political uncertainty creating profitable demand out of market

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<sup>17</sup> Interestingly Iletto does not translate this part of Bonifacio’s text into English, collapsing the original Tagalog sentence: “*Kasundo niya ang mga kapit bayan at lalung lalo na ang mga taga Japon sila’y kabilihan at kapalitan ng mga kalakal malabis ang pag yabong ng lahat ng pinagkakakitaan, kaya’t dahil dito’y mayaman ang kaasalan ng lahat, bata’t matanda at sampung mga babae ay marunong sumulat ng talagang pagsulat nating mga tagalog[.]*” into the English sentence: “She maintained good relations with her neighbors, especially with Japan, and maintained trade relationships with them all.” 103.

<sup>18</sup> Santiago V. Alvarez, *Katipunan at ang Paghihimagsik* (The Katipunan and the Revolution: Memoirs of a General), trans. Paula Carolina Malay, (Quezon City: Ateneo de Manila University Press, 1992), 281. Although Malay provides a translated text into English, my translations orient more toward Iletto’s and Rafael’s.

scarcity, under Revolution, the absence of Spanish authority brought about abundance. Rather than having prices of commodities driven skyward due to price gouging, under Revolution, prices became readily affordable. Because the market was not a site of exploitation, like it was under Spanish rule, the usual criminalized symptoms of an inequitable economic system, such as pickpocketing and robberies, had vanished. For certain, one could follow Iletto's reading and see Alvarez's memories of the Revolution as simply a wish for a pre-colonial world of Eden-like (and thus pre-sin), or as Rafael critically points out, a pre-oedipal, economic equilibrium.<sup>19</sup> Instead, rather than believe that Revolution evoked nostalgic wishes for a pre-colonial world, perhaps Revolution opened up the possibility of radically interrupting the capitalist system of valuation.

In a later passage Alvarez recalled how, despite the threat of violent war, "[t]he women's stores were open all day and night." In addition, much like other surviving written accounts of the Revolution, Alvarez never explicitly mentions money. However, during these passages expressing the pleasures experienced by lower-class townspeople, Alvarez alludes to non-stop "singing, dancing, feasting beneath the trees, gambling and cockfighting everywhere [...]."<sup>20</sup> What is curious, however, about this passage is the manner in which gambling and cockfighting was not judged as something immoral or detrimental to society. Indeed, gambling, over cockfighting especially, would be considered by the later American colonial officials as unmodern and shortsighted for it converted money into immediate pleasure.<sup>21</sup> By giving into the

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<sup>19</sup> Rafael, "Welcoming What Comes," 177.

<sup>20</sup> Alvarez, *Katipunan at ang Paghihimagsik*, 282.

<sup>21</sup> See chapter seven in Filomeno Aguilar Jr.'s *Clash of Spirits* for a wide scope overview of American government and Protestant discourses concerning gambling in the Philippines. Filomeno V. Aguilar Jr., *Clash of Spirits: The History of Power and Sugar Planter Hegemony on a Visayan Island*, (Hawai'i: University of Hawai'i Press, 1998). For a more explicit example see noted American economist Edwin Kemmerer's "The Philippine Postal Savings Bank," in which he expresses his concern of the Filipino's love of cock-fighting: "[h]ow can they be encouraged to save, to forego the momentary pleasures of the cock-pit [...]" Edwin W. Kemmerer, "The Philippine Postal Savings Bank," *Annals of the American Academy of Political and Social Science*, 30 (1907): 45.

desire of immediate pleasure, money did not act the same as investment for the production of surplus capital. Rather, gambling with money, at least under Alvarez's recollection, worked as a means of social bonding through the collective realization and expression of pleasure.

As Clifford Geertz explains in a different though relevant experience in 1958 Bali, Indonesia, the cockfight event that he thought he was merely audience to, had in actuality, incorporated he and his wife. Geertz described the scene as one filled with "hundreds of people" in which he and his wife had become "fused into a single body around the ring, a superorganism in the literal sense [.]"<sup>22</sup> Later on Geertz would argue that an audience at a cockfight event couldn't be simply reduced to that of a crowd. Rather, he argued:

[s]uch gatherings meet and disperse; the participants in them fluctuate; the activity that focuses them is discrete—a particulate process that reoccurs rather than a continuous one that endures. They take their form from the situation that evokes them, the floor on which they are placed [...] but it is a form, and an articulate one, nonetheless.<sup>23</sup>

Cockfights, therefore, unlike private conversions of money into immediate individual pleasure, had an ability to reinforce social expressions of common pleasure at the time of Revolution. For Alvarez, the social activities occurring around cockfight gambling, illustrated the social formations of the nation possible at a time of Revolution.

One could then argue, that rather than a capitalist system of valuation, during the Revolution, alternate value systems emerged. In the instances of an abundant and cheap market and the social pleasures of gambling, the heterogeneity of money's use-value especially came to fore. For someone like Alvarez, money could be used in order to stabilize and cultivate national sociality. Money could thus circulate within, and be determined by, a system which valued an order and hierarchy different from capitalist logic. In the eyes of Alvarez, money could be

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<sup>22</sup> Clifford Geertz, "Deep Play: Notes on the Balinese Cockfight" in *The Interpretation of Cultures: Selected Essays*, (New York: Basic Books, 1973), 414.

<sup>23</sup> Geertz, "Deep Play," 424.

incorporated into the nationalist system of valuation. Another system of valuation, however, both informed, yet stood anterior to the nation. This system of valuation was the one that grounded the economy of the *Katipunan*'s sibling economy of love, compassion, obligation, and reciprocity. As Alvarez recalls: "All had love for each other and from one end of the town to the other, sibling love which is the teaching of the *Katipunan*, reigned supreme."<sup>24</sup>

This sibling economy of love and reciprocity, on which the *Katipunan* was ordered, assumed equality between all participants as a starting point, not as a goal. What happens, however, to those whose rank and identity was derived from the capitalist system of valuation, namely the urban wealthy of Manila? What occurs when these urban rich attempted to curb the alternate systems of valuation opened up by Revolution? The next section sheds light on the anxieties of one intellectual of the Revolution, Apolinario Mabini, over the growing influence of urban capitalists in the Malolos Republic. The next section, in particular, traces the curious manner in which Mabini's mistrust of the growing influence of the urban wealthy runs parallel with the suspicion of money's general destructive effect on the political authority of the Republic.

### **Mabini's Concerns Over Money's Corruption of Political Authority**

The suspicion of money's corruptive capacity, especially regarding political decision-making, was expressed in several of Apolinario Mabini's correspondences with Emilio Aguinaldo. Often recognized as one of, if not the, primary intellectual leaders of the Revolution and the Malolos Republic, Mabini came from modest means and was critically limited in mobility due to being paralyzed from the waist down. Despite what many of his contemporaries viewed as class and physical limitations, he still attained formal education in philosophy and law.

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<sup>24</sup> Alvarez, 281.

It is perhaps because of the combination of his background and education that he approached the capitalist market with a critical, if not altogether skeptical, eye. Specifically, unlike other political economic ideas in circulation at the time, he most likely saw the market as an outgrowth of social interaction rather than as a model for society. Moreover, like other ilustrados, in contradistinction to the English tradition of political economic thinking or what is now dubbed classical liberalism, Mabini most likely followed the Spanish nineteenth century intellectual tradition of economics as subsumed by law and state-craft. The distribution and circulation of wealth, therefore, was merely incidental to the government technique of the state, not necessarily the grounds from which it governed.

For Mabini, the proposal for a Malolos government loan exposed the striking contrast between an authority founded on virtues versus an authority based on capitalist values. In one undated letter to Aguinaldo just shortly before the Philippine American War, Mabini expressed his doubts concerning a recent decree by the Malolos Republic's Department of Treasury.<sup>25</sup> Focusing in on a particular article of the decree, Mabini pointed out that the majority of the Bank Board would consist of major Manila stockholders.<sup>26</sup> He suspected that because these members

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<sup>25</sup> This decree that Mabini was most likely referencing was the Decree of November 30, 1898 (since he mentions receiving news on the 30<sup>th</sup>), which authorized the issuance of bonds in the sum of P5 million, pursuant to the law authorizing a P20 million loan. Article 4 is of specific concern to Mabini because it empowered the Board of Treasury to take charge of collecting rents to provide the needed capital for the loan. If the capital collected from the rents was inadequate, the money would come from the much publicly despised personal *cedula* taxes. *The Laws of the First Philippine Republic (The Laws of Malolos) 1898 – 1899*, (Manila: National Historical Institute, 1998), 73. In a letter, Mabini stated: “I have read in your letter of the 30<sup>th</sup>, regarding the government loan (Art. 4), that the permanent commission of the Board of Treasury shall take charge of the collection of the rental of the estates of the government for the reason that the loan and its interest shall be paid in installments with these collections. The decree also says that if these collections should not be enough, the Board shall be authorized to use the income from personal taxes.” The Mabini quote is from Apolinario Mabini, *The Letters of Apolinario Mabini*, (Manila: National Historical Institute, 1999), 82.

<sup>26</sup> Article 4 states: “La Comisión permanente de la Junta de Hacienda recaudará, por medio de los empleados que nombre el Gobierno de acuerdo con ella, los productos de las rentas de las haciendas de la propiedad del Estado, para aplicarlos al pago de intereses y amortización de las obligaciones. Si dichas rentas no fueren suficientes, la Comisión retendrá el producto del impuesto de cédulas personales, nombrando al efecto delegados que lo perciban de los empleados del Gobierno encargados de su recaudación.”

of the Board, who will “govern and fiscalize the Treasury,” are all of the same community of Manila elites, they will not serve the interests of the nation. Rather, Mabini asserted that since these urban rich have a deep intimate history of being of the same political, economic, and geographic community, they were of one specific classed culture, made up of specific class interests.

By the very reason that the rich people of Manila, since they live in the same place, shall make up this Board—and as I understand, Paterno has already talked to them—I can already foresee that we shall have a worse setup than the one we had during the Spanish regime. Inasmuch as it is the Treasury which supports you, if you are going to put it in the hands of the rich you will necessarily be under the power of the latter.<sup>27</sup>

As the above illustrates, Mabini believed that the culture of the urban elites was dedicated to, above all else, the accumulation of money. Because the constant desire of money saturated the culture of the urban rich, the Republic’s political decisions would increasingly be determined by the very non-virtuous desire for profit. According to Mabini, if appointed, the urban rich will utilize their control of the Board in order to not only benefit their own endeavors to make money, but wrest authority from the political leaders of the Republic. In fact, Mabini argued that allowing the rich people of Manila to take over the Board could potentially be far more exploitative and corrupt than the governmental practices of the Spanish colonial state.

To better understand Mabini’s anxieties over the possible erosion of political authority, let us look first at his ideal type of political system. As Rafael cogently points out, Mabini did not believe that nationalist politics began and ended with the state building of the Malolos Republic. Rather, heavily influenced by late eighteenth and nineteenth century British and

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“The standing Commission of the Treasury Board will raise, through the behalf of government employees in accordance, the products of the rents from the estates of the property of the State, to apply to interest payments and redemption of the bonds.

If such revenues are insufficient, the commission may retain the proceeds from the personal cedula tax, appointing the government employees in charge of collection.” Translations are my own. *The Laws of the First Philippine Republic*, 73.

<sup>27</sup> Apolinario Mabini, “Letter to Aguinaldo,” Undated, but most likely immediately after November 30<sup>th</sup>, 1898, *The Letters of Apolinario Mabini*, 82.

American theories of republicanism, Mabini believed that national politics should be founded on virtue. Virtue was the capacity of the individual to put the common good above individual self-interest. According to Mabini, virtue was evident in the willingness of indio revolutionaries to sacrifice their lives to fight the injustice of colonial oppression. Virtue moreover, was the sacrifice of life in order to realize the “natural laws” of liberty, fraternity, and equality. For Mabini, the sacrifice to restore “natural law” was what connected the Katipunan to the French and American Revolutions, thus legitimizing the 1896 Philippine Revolution. Yet, he tethered this form of moral government not to an artificial system created solely by man, but to the Divine Reason and Sovereignty of God.<sup>28</sup> In his view, political authority must always be based on sovereign law and reason, not the corrupting pursuit of money.

In contradistinction to a political authority founded on virtue, the Bank Board, according to Mabini, consisted of a hegemonic bloc desirous of making money off of the nation. They represented the financial dimension of the ongoing counter-Revolution. In another section of his letter to Aguinaldo, Mabini described how nationalist virtue should be pursued without desire for profit by arguing that he and others had “worked without any pay; but the rich people will not put up their money without having a voice in the Treasury.” Noting the profit motive of the wealthy, he suspected that “the members of the Board would ask for salaries,” and thus feared that “the rich people will get all the benefit and the soldiers will remain hungry.”<sup>29</sup> In Mabini’s eyes, driven by their own self-interest, the urban wealthy eschewed the very meaning of virtue in order to have the nation labor to produce wealth for the already rich, all while soldiers remained hungry.

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<sup>28</sup> Rafael, “Welcoming What Comes,” 168.

<sup>29</sup> Mabini, “Letter to Aguinaldo,” Undated, 83.

Even the appointment of Mariano Trias, who Aguinaldo considered a true patriot, as head of the Treasury, was suspect. Mabini warned that Trias' urban heritage and class interest would eventually trump his allegiance to the nation.

You might say that Don Marianito [sic] is a person of your confidence, it is true. But you know very well that it would be so easy for the Board to obtain the conformity of Don Mariano, and the Board would make sure not to let him know its intentions. After the Bank is established, it will in reality be the one to manage the government inasmuch as the government will be its debtor. If Manila were under our jurisdiction, I would not have any misgivings, because you will then have jurisdiction over the Bank.<sup>30</sup>

Trias would, according to Mabini, either succumb to the wishes of the urban rich, or be pushed out of all Board decisions. Mabini thus challenged the logic that asserted that since the urban wealthy were deeply intimate with the culture of money, they would have the best knowledge of how to run the Department of Treasury and National Bank. In other words, he challenged the argument that political authority over budgetary and money matters should be based on a type of authority drawn from the knowledge of the capitalist market, rather than on the "natural laws" of man. Indeed, for Mabini, this corrupted authority would have disastrous results. Mabini imagined a series of future disturbing events if this bloc of urban rich was to gain authority over the Republic's Department of Treasury.

Mabini suspected that this group of capitalists, if given political authority, would employ the state as simply another instrument in accumulating wealth. First, he argued, the urban wealthy would bestow upon themselves salaries in the name of working for the nation. Subsequently, the poor would continue to sacrifice labor and lives for the nation without expecting any monetary payment. Second, in order to keep money within the treasury, the administrators would force collections from tenants working the land. Mabini believed that the

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<sup>30</sup> Mabini, 82.

culture of the urban wealthy was so corrupt that little of the collections would go to the Republic Treasury and instead end up inside the pockets of administrators.

The rich would press the collection from the tenants. The administrators will pocket part of the money, and only a little will go to the government safe. As the collections will not be enough to pay the interest and the amortization of the loan, the administration will even retain the collection from personal tax and you will have nothing to pay the people.

Because there would be no money, the wages for “the people” would be suspended. Mabini warned Aguinaldo: “[i]n the end, the tenants and the employees will blame you, and the rich will have a big laugh.”<sup>31</sup>

The harsh cruelty and weird pleasure form bankrupting the nation that Mabini ascribed to the urban wealthy in their pursuit of profit, may at first seem like an overly paranoid warning to Aguinaldo. Still, Mabini’s concern over the corruptive capacity of the urban rich was not totally unfounded. His view, no doubt, of the urban rich was shaped by the exploitative, yet politically weak, nature of the Spanish colonial state. In particular, how Spanish friar orders, foreign financiers, and urban capitalists wielded the colonial state for what Marx termed the “primitive accumulation” of capital.<sup>32</sup> Still, it was a clear reminder that the hierarchy Mabini supported was the nation-state over the market, and any authority that claimed to come from the latter would remain suspect. In the end, however, Mabini does not necessarily dismiss the need for a government of knowledgeable men. Mabini himself was deeply involved in the budgeting for, and organization of, the Central Treasury, Accounting Office, and the Department of Finance.<sup>33</sup> Rather, Mabini seemed highly dubious of a potentially powerful hegemonic bloc sharing the same urban capitalist culture in charge of government funds.

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<sup>31</sup> Ibid, 83.

<sup>32</sup> See especially part eight of Karl Marx, *Capital: A Critique of Political Economy: Volume I*, trans. Ben Fowkes (London and New York: Penguin Classics Books, 1990).

<sup>33</sup> Mabini, “Memorandum to Secretary of Treasury,” January 10, 1899, *The Letters of Apolinario Mabini*, 88-89.

Concerned with maintaining the integrity of a Republic founded on “natural law” and Divine Reason, he cautioned Aguinaldo from muddying political decisions with the logic of the capitalist market. Still, Mabini not only did not trust certain hegemonic blocs within the Republic, but went so far as to make the strange observation that “[a]fter the Bank is established, it will in reality be the one to manage the government inasmuch as the government will be its debtor.”<sup>34</sup> Indeed, this phrase is strikingly weird, for it granted the government institution, the Bank, not only a sentient character, but also a characteristic that alluded to the Bank’s capacity to turn on its masters. To put another way, Mabini seemed to hint at a different fear. He revealed a fear that placed the Bank not only autonomous of political and social control, but reversed the hierarchical relationship altogether. The Bank, and the world of money and capitalist system it represented, could someday potentially control the political and social destiny of the Philippines. In this topsy-turvy future world, political authority would have no bearing, and instead the exploitation of the majority for the benefit of the wealthy minority, would intensify. Faced with this potential, the Republic planned to construct state institutions in order to domesticate this potentially unrecognizable future.

### **Republic Strategies for Monetary and Finance Institutions**

The fear of a future deterioration of the political and the social by money-as-capital can be further explored in the Republic’s attempt to establish a national currency. On November 26, 1898 the Malolos Congress passed a measure to issue 3 million pesos worth of paper notes.<sup>35</sup> The following June, a presidential decree supplemented the initial congressional act by establishing several practical details, which included the denomination of the notes to be issued

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<sup>34</sup> Mabini, “Memorandum to Secretary of Treasury,” 82.

<sup>35</sup> Emilio Aguinaldo and Mariano Trias (Secretary of Finance), “Decree of November 26, 1898,” article 3, *The Laws of the First Philippine Republic*, 72.

and the legal limitations of its circulation. Still, there are a few other specifics worth mentioning, in particular because of the types of obligations it imposed on the nascent nation-state. First, the currency's value was to be secured by the properties and resources of the government. Second, the notes would earn no interest, but would be redeemed and recognized by the Republic for the payment of taxes and other government obligations. A month later, a financial body was created in order to manage this new state apparatus.<sup>36</sup> Similar to other governments, the Republic would attempt to establish further measures to both legitimize and give physical form to their currency. After the November 13, 1899 move toward guerrilla strategy in the Philippine American War, however, few currency notes and coins were ever able to circulate, much less be manufactured. Still, what is of interest was the desire of the Philippine Republic to appropriate and control the power of money and its circulation.

In order to create a national currency, the Republic sought out loans from both local contributions and foreign creditors. What it wished to obtain were first “spontaneous” contributions from the native elite as well as forced labor from local civilians. These “spontaneous” sacrifices on the part of local elites and civilians relied on the official nationalist narrative of the Revolution.<sup>37</sup> This narrative presented the Revolutionary dead as those who gave their lives for the nation. As Benedict Anderson reminds us, it is the perfection of both the nation's past dead and future unborn that holds so much power over the present living.<sup>38</sup> Similar to other nationalisms, the Malolos Congress believed that the sacrifices of the dead and unborn could obligate sacrifice from the living. They assumed that at crucial moments, love of the nation would trump (although not radically contradict) any other type of economic, ideological, or

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<sup>36</sup> P. A. Paterno (Sr. Secretary of Interior), “Decree of June 30, 1899,” *The Laws of the First Philippine Republic*, 168.

<sup>37</sup> John M. Taylor, Exhibit 771, pages 459-60

<sup>38</sup> Benedict R.O'G Anderson, *The Spectre of Comparisons: Nationalism, Southeast Asia, and the World*, (London and New York: Verso, 2000), 360.

religious desire. As mentioned earlier, the national loan, potentially funded by foreign money, would provide much needed cash for the continuation of the war. As implied in the language, the loan would be guaranteed by the future wealth of the nation, in particular the nation's future labor and resources.

The stark difference between the nation's political authority and value of money was especially pronounced on the face of the currency note itself. Even though in 1899, the Constitution of the Malolos Republic empowered the President to coin money, it was Aguinaldo's dictatorial powers, which brought about the minting and production of the Republic's money.<sup>39</sup> Due to the constraints of the war only the two-*centimo* denominations were ever coined. Two different versions of the coins survived the war. On the first version, one side contained in the center an image of the *Katipunan* sun (with a face) and three stars floating over an island, and the words '*REPUBLICA FILIPINA*' and '1899' on the border. The flip side of the coin contained a number '2' surrounded by a laurel branch on the left and an olive branch on the right, while on the border read '*LIBERTAD*' and '*CENTIMO DE PESO*'. The second version was similar, but eschewed the island and instead placed a more abstract sun and three stars within a triangle on one side. In a more drastic change, the other side contained no words and simply contained a number '2' in the center and a small letter 'c'. The periphery of the coin is filled in with intertwining laurel and olive branches.<sup>40</sup> According to numismatist Angelita Legarda, no exact mintage figures are known. There is also little evidence of actual circulation, thus the few coins that survived the war were most likely pattern issues.<sup>41</sup>

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<sup>39</sup> *The Malolos Constitution*, Article 68, Section 6. *National Historical Institute* Translated by Sulpico Guevara [http://en.wikipedia.org/wiki/Malolos\\_Constitution](http://en.wikipedia.org/wiki/Malolos_Constitution) (Accessed Tuesday, January 24, 2012, 12:52PM pacific time)

<sup>40</sup> I describe photographs of coins contained in Angelita Ganson de Legarda, *Piloncitos to Pesos: A Brief History of Coinage in the Philippines*, (Manila: Bancom Development Corporation, 1976), 50

<sup>41</sup> Legarda, *Peloncitos to Pesos*, 49.

Paper currency notes on the other hand, most likely because of the ease in printing in comparison to minting, did manage to circulate in the public. On June 30, 1899, a presidential decree in Tarlac stated that the secretary of finance was to issue notes immediately in denominations of P1, P2, P5, P10, P20, P25, P50 and P100. The notes were to act as actual money, and unlike bank notes, did not accrue interest. In addition, the Republic promised to redeem the notes, in particular as payment for taxes and other obligations.<sup>42</sup> Of key import, however, is the aforementioned statement that the properties and the resources of the Republic would act as security for the notes. By the time the Republic began waging guerrilla war, any claim to territory, in particular the property and resources belonging to such territory, was uncertain. The Republic's currency was thus not backed by any material wealth of the present. Instead, the value of the Republic's currency was firmly grounded in the future. The Republic's paper notes could thus be seen as a tangible promise for a future national wealth that was undetermined, but inevitable. For the promise of this currency to work, however, the trust solicited from the national public had to be grounded in the political authority of the nation. The Malolos Republic, as representative of national authority, demanded obedience to this promise. Still, the Republic's promise of the future national wealth by itself was not enough to turn a piece of paper magically into a container of value. In order for this transformation to occur, the Republic found that it had to appropriate the structure and power of the sovereign, articulated mostly through the form of the state.

The presence of the state in the Republic's promise of national wealth is firstly evident in the component of the decree involving payment of taxes and obligations. But the most telling of the intermixture of national authority and sovereign power is on the face of money itself.

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<sup>42</sup> P. A. Paterno (Sr. Secretary of Interior), "Decree of June 30, 1899," *The Laws of the First Philippine Republic*, 168.

Although the full decree of currency production was never carried out, there is evidence that P1 and P5 peso notes did circulate in several provinces in Luzon.<sup>43</sup> The few bills that did survive the war and American colonial monetary reforms, however, strongly demonstrate the fuzzy intermixture of national authority and sovereign power. For example, examining the one-peso note one notices that the text of “*FILIPINA REPUBLICA*,” the year of manufacture, and the value amount of the unit, was unsurprisingly similar to the Republic’s coins. However, printed on the note was the additional text of “*PAPEL MONEDA*,” references to the “*ley 30 Noviembre 1898 — 24 Abril 1899, El Delagado del Gobierno*,” and finally a signature by “P.A. Paterno” or Pedro Paterno.<sup>44</sup> Unlike the coin, which was visually assumed as money by most of the public, the one-peso note contained a printed description declaring what it was: “*PAPEL MONEDA*” (paper money). This begs the question: why was it necessary to remind the reader that the piece of paper, held in hand, was to be considered and treated as money? Moreover, how do the magic of the words “*PAPEL MONEDA*” seemingly transform the value of the paper from practically worthless, to a measurable and calculable unit of abstract value known as one-peso?

Perhaps this transformation is fathomable because the words come from the sovereign, the Malolos Republic. The paper note, after all, was not backed by anything commonly thought to be material wealth, for example gold or silver. Rather the paper note was backed by the promise of the future wealth of the nation. The Malolos Republic, however, as the sovereign, not only promised that the money was backed by the nation’s future wealth, but also undergirded its political authority through the making of law. Recall that printed on every currency note was a reminder of the sovereign’s law: “*ley 30 Noviembre 1898 — 24 Abril 1899, El Delagado del Gobierno*” (Law November 30, 1898 – April 24, 1899, The Delegate of the Government). Not

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<sup>43</sup> “Monetary System of the Philippine Republic” in *The Tribune Magazine*, February 8, 1931, reprinted in Neil Shafer, *A Guide Book of Philippine Paper Money*, (Racine, WI: Whitman, 1964), 14.

<sup>44</sup> Shafer, *A Guide Book of Philippine Paper Money*, 14.

only was it a particular law that imbued value to the paper note in any place and moment where the sovereign held authority, but also, at the same time, it was the demand to obey law in general. The notes, moreover, displayed through signatures, that the law was an expression and extension of the sovereign. To prove that the paper notes were authorized by the sovereign as money, every note had to be signed or stamped by either one of the three appointed Malolos Republic directors: Pedro A. Paterno, the Secretary of Interior, Mariano Limjap, and Telesforo Chuidian. Despite Mabini's concerns, all three were prominent financiers or came from prominent business families. Still, this raises the question: why would currency need a signature if the law was already printed on each note?

Certainly, with paper currency, there was the immediate concern of counterfeiting. After all, paper currency unlike metal coins, was much easier to re-manufacture and re-present as official money. Unlike the simple text of the law, a signature on paper currency, was much more unique and more difficult to falsify. The truth of the signature was founded in its singularity, for a signature always implied an author who took responsibility for the signature.<sup>45</sup> However, the author, in the case of paper currency, was oddly a representative of another representative. The three signatories were merely representatives of the Malolos Republic, which was in turn, the representative of the nation. We must remember that according to the law, the true source of the Malolos currency's value originated from the wealth of the nation. Therefore, the signature also recalled the promise made by the Malolos Republic of the future wealth of the nation. The representative of the Malolos Republic, by displaying his authorship through its signature, was thus responsible of this promise. To state it differently, the authenticity of the paper note was promised and held responsible by the authority of the Malolos Republic. Still, was the value of

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<sup>45</sup> Many of my thoughts on signature are informed by Jacques Derrida's seminal essay on singularity, origins, and difference, "Signature Event Context." Jacques Derrida, "Signature Event Context," in *Limited Inc.*, (Evanston, IL: Northwestern University Press, 1988).

paper currency authentic without a doubt? Can one be certain that the law and the signature which represents this law was not in itself, counterfeit? After all, was not the word “counterfeit” derived from the words counter and fait, meaning that which was opposed to the truth?

We remain uncertain because of Marx’s insight that the truth of all money, no matter what state or nation laid claim to it, ultimately belonged to the world capitalist market.<sup>46</sup> Money, after all, was the general relative form of the commodity. As such, money’s true value was determined through the exchange and circulation of commodities in the capitalist market.<sup>47</sup> If this was the case, then what becomes of the authority of the state? Can the state assign value to a piece of paper though mere signature? Indeed, as Marx (in reference to Aristotle’s assertion) social convention was also necessary in order for the money-value to be publically recognized and realized as paper currency.<sup>48</sup> The Republic attempted to institutionalize this conventional use of paper currency, as actual money, by utilizing the power of the sovereign. By having the notes receivable by the state “in the payment of taxes and other obligations,” the Republic ensured, through both state law and force, the conventional use of paper currency.<sup>49</sup> Yet, all the different techniques utilized by the state in endowing paper with value—the promise of the nation’s wealth, the law of the sovereign, and the force of the state—could work only by attempting to obscure the source of value itself.<sup>50</sup> Ultimately, the value of the Republic’s paper currency, like

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<sup>46</sup> Marx, *Capital*, 222.

<sup>47</sup> Marx, 188-189.

<sup>48</sup> Ibid, 151.

<sup>49</sup> Shafer, *A Guide Book of Philippine Paper Money*, 14.

<sup>50</sup> I take this idea of the necessity of convention in creating an institutionalize practice through the explorations by James Siegel in Chapter 1 especially of *Naming the Witch* and the chapter “Tout Autre est Tout Autre” in *Objects and Objections in Ethnography*. Siegel, of course, owes much to the thinking of Marcel Mauss on magic, Hegel on the fetish, and Marx on the commodity fetish. James Siegel, *Naming the Witch*, (Stanford, CA: Stanford University Press, 2006) and James Siegel, *Objects and Objections of Ethnography*, (New York: Fordham University Press, 2011).

the money-form of capital, arrived through the exploitative extraction of abstract labor. In the Republic's case, value was to be extracted from the labor of the native citizen and subject.

### **Popular Responses to “War Taxes” Under the Republic**

The Malolos Republic, eager to present themselves as the apposite authority of the Philippines, were very conscious about differentiating themselves from the Spanish. One of the primary means of differentiation had to do with the self-perceived modernity of the Republic in comparison to the Spanish colonial state. We can see an example of this distinction in the form of the fiscal policy undertaken by the Republic. In hopes of distinguishing their taxation policy, the Republic painted the Spanish colonial state's system of taxation as virtually unchanged for four hundred years. For certain, the critique made popular by the ilustrados was that the Spanish's tax system was essentially a tribute system between sovereign and subject, not state and citizen. Due to the work of many Peninsular and colonial progressive pressures, beginning in 1884, the tribute system was officially abolished and transformed into the taxation system based upon the *cedula personal*. The *cedula* was an individual tax based on the personal income of all residents of the colony (with the exception of the Chinese who had their own unique and racialized tax). It was, in actuality, a transformation of the way the state recognized the indio and other non-Spanish residents of the colony, for the *cedula* was a form of state identification. The taxation system, therefore, during the last three decades of Spanish rule in the Philippines was decidedly more liberal and modern than what ilustrados at the end of the century would like to concede.

Much of ilustrado critique, however, revealed a different notion of liberal modernity from the Spanish. Unlike the Spanish, ilustrados believed that no matter how bureaucratic and

technically efficient tax policy became in the islands, taxation would ultimately remain unmodern because of the racially based hierarchy which ordered colonial policy. Taxation, for many ilustrados, both symbolized and put into practice the systemized exploitation of those determined to be racially outside of Spanish citizenship. Thus what appeared a byzantine tax system of arbitrary privileges and punishments to the population of the archipelago was in reality a modern and liberal state technology of racializing difference. As a result, taxation remained a primary example of what Mabini would consider the Spanish colonial state's continuous transgression of the natural laws of man.

Much of ilustrado critique of Spanish taxation can be traced to the works of Gregorio Sancierco Y Goson, seen as one of the earliest ilustrados. In 1881, Sancierco published a critique of political and economic policies of the Spanish colonial state entitled *The Progress of the Philippines: Economic, Administrative and Political Studies*. Trained as a lawyer and living in Spain at the time, much of Sancierco's text was dedicated to what he deemed as the economic and legislative backwardness of the Spanish government in the Philippine colony. In his text, the system of taxation was especially targeted as both a source and a symbol of the colonial state's misgovernment. Through the subject of taxation, Sancierco revealed that the mark of a modern state hinged on the question of property. He argued for changing Spanish colonial state policy away from the tribute-like system in place toward a more modern system in which the state acted as ward to the growth and maintenance of individual life and property.

The tribute has a meaning condemned by modern law from the moment it grants freedom to the citizen and the exclusive use of his fortune and property. Unlike before, the state is no longer absolute owner of the life and property of persons under it. It ought to defend, protect and help them and in return for such services, it can also demand a certain contribution but a voluntary one and up to a certain point, inasmuch as it can be evaded,

the individual or citizen renouncing the ownership of certain properties. Thus, on who owns nothing pays nothing.<sup>51</sup>

According to the above, Sancianco imaged taxation as a relationship between state and citizen based on the exchange of a certain proportion of individual wealth to the state for the protection of property rights in general.

For Sancianco, this tax system was not only just, but logical, for it demanded more contribution from those most in need of security from the state, namely those with more property. Modern taxation, therefore, should be seen in positive rather than negative terms. Unlike older forms in which taxation was seen as a fine or punishment by the state, it should be seen as a consensual exchange that benefited both the state and the citizen. In addition, Sancianco argued for the tax contribution to be strictly determined by how much property one owned. Thus, tax contribution would be based strictly on the quantitative calculation of individual material wealth. This argument of a tax strictly based on property was novel, for previous taxation in the colony was based not on mere property ownership but rather on a racially based notion of citizenship. Indeed, for Sancianco, the Spanish state seemed incredibly unmodern for it not only exempted those who benefited the most from property security in the archipelago (the Spanish) from the payment of taxes, but it also based this exemption on the racial difference between Spanish and non-Spanish.

In the following, Sancianco explicitly highlighted the irrationality of a taxation policy in which those with the most need of protection of property rights would pay no taxes.

Why should it be paid only by those who have no Spanish or European blood in their veins from the father's side? By chance, do the so-called natives and mestizos only receive protection from the state? Does it not extend to persons of Spanish and European lineage through the father's side? Should the Spaniards and other Europeans only have

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<sup>51</sup> Gregorio Sancianco y Goson, *The Progress of the Philippines: Economic, Administrative and Political Studies*, Translated by Encarnacion Alzona. (Manila: National Historical Institute, 1975 [1881]), 77.

rights and those born in the Philippines alone have duties, because they are not considered Spaniards?<sup>52</sup>

The above revealed that what seemed to be a disorganized and arbitrary taxation system was in actuality an efficient, though unjust, taxation that produced and maintained a racialized colonial order. Ultimately, what kept the Spanish colonial state from becoming modern, according to Sancianco, was its desire to sacrifice its economic and political imperial future for the irrational maintenance of racial hierarchy. In a later passage, he laid out the racialized hierarchy concretized by the tax system.

1. The ruling race composed of the pure Peninsular Spaniards who have entailed the administrative positions in the government of the Archipelago.
2. Those of Spanish or European lineage, the mestizos, who are exempt from the tribute, compulsory duties and service required by the state, province and town of the Philippines.
3. The natives who are less overloaded with the tribute precede the Chinese mestizos in the order of preference.
4. The Chinese mestizos pay twice as much tribute as the natives.
5. The pure Chinese, being immigrants, are regarded in the same way as the Greeks and Egyptians did every foreigner who settled in their states.<sup>53</sup>

Sancianco warned that such a marginalizing and unjust system bred not only resentment, but hinted toward the possibility of violent antagonism on the part of non-Spanish in the archipelago.

Sancianco went so far as to point out the numerically based corporeal disadvantage of Spaniards in comparison to non-Spanish.

[...] let them consider the privileged race, the Spanish and the Spanish mestizo today hardly number 50,000 throughout the Archipelago, while the tribute-paying, half-slave and degraded race now is 8,000,000; that the whole army, with the exception of a Spanish regiment of artillery composed of 850 men, the officers and subalterns of the other regiments of the armed forces, is composed of tribute-paying natives, that is, 80 percent of the army.<sup>54</sup>

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<sup>52</sup> Sancianco, *The Progress of the Philippines*, 78.

<sup>53</sup> Sancianco, 81.

<sup>54</sup> *Ibid*, 82.

From the above, Sancianco seemed to ask: if the duty of the state was to protect property, and those with property would pay the state to protect said property, then wasn't the native in this instance being doubly exploited? In other words, the natives were not only giving up their personal wealth, but they were additionally giving up labor to protect the Spanish, who gave up nothing. In order to emphasize the potential violence that came from such unjust conditions, Sancianco pointed out to the reader that over eighty percent of the armed and trained population of the Spanish Philippines was native. As an alternative to such a violent future, Sancianco suggests the incorporation of the native into the fold of Spanish citizenry.

Through the adoption of a more modern and liberal individual tax system, racialized rank would be eradicated from the state's identification of the native.

What resentments would they not cast off, when they see that the law in full measure governs them; that there is no class distinction among them; that everyone contributes to the support of the state according to his earning and fortune; that there are no longer among them such denominations as "native Indio, Chinese mestizo, Spanish mestizo, castila or Spaniard", denominations that are still used in all official documents and ceremonies, as if their family names and residence were not enough to identify them; that all of them are as castilas or Spaniards, the appellation exclusively applied to the few Peninsular Spaniards residing there; that, in short, all those born in the Philippines who have not renounced their citizenship are as Spanish citizens as those born in Spain, endowed with all the political rights, such as, suffrage, to hold public office, etc., etc.!

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Although some changes were made in taxation policy, for example the adoption of an income based taxation policy, by the time of the outbreak of Revolution there was unfortunately little changed in the racialized requirements of citizenship. As a result, by the time of the Malolos Republic, the critique of taxation boiled down to the unjust taxation upon indios and mestizos, who were racially excluded from political representation. As Emilio Jacinto, later called the *Utak ng Katipunan* (Brains of the Katipunan) believed, individual taxation by the state was only legitimized through popular consent. No doubt echoing the social contract theories of post-

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<sup>55</sup> Ibid, 89.

European Enlightenment political thinking, Jacinto claimed “We have seen that the people, in order to exist and progress, need a head or government whom it is the duty of the people to grant, for its maintenance, subsidies or taxes which must be imposed and invested only with the manifest consent of the taxpayers.”<sup>56</sup>

In 1900, a few years after Jacinto’s death, the U.S. government’s Taft Commission solicited taxation advice from the recently captured Mabini. In response to what he saw as another agent of imperial sovereignty in the Philippines, Mabini replied: “all taxes imposed without the consent (or intervention) of the people who have to pay them, are unjust.”<sup>57</sup> Subsequently, Mabini offered no help to the Taft Commission on further crafting taxation policies in the Philippine colony. Still, both Jacinto and Mabini’s statements reveal the manner in which they saw taxation as the citizen’s exchange of money-as-tax for the right to equal representation, suffrage, and political office. During the time of Revolution, however, taxation was a deficient exchange. Although the state officially recognized *indios* and *mestizos* as subjects of the Spanish empire (through the *cedula*), equal representation and political office remained elusive.

Wishing for the recognition as legitimate sovereign of the Philippine Islands, the Republic, in contradistinction to the Spanish, intended to eradicate any racialized tax category and have tax contributions more justly proportional to an individual’s wealth. One of the most structured of the Republic’s taxation efforts came at the time of impending war with the American military. As a result, the language of taxation was coded as an individual obligation of a citizen to the nation at a time of war: “All Filipinos are obliged to defend his country with arms

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<sup>56</sup> Emilio Jacinto’s “The People and the Government” in *The Revolutionists: Aguinaldo, Bonifacio, Jacinto*, Epifanio De Los Santos, edited by Teodoro A. Agoncillo, (Manila: National Historical Institute, 1993).

<sup>57</sup> Cesar Adib Majul, *The Political and Constitutional Ideas of the Philippine Revolution*, (Quezon City: University of the Philippines Press, 1967), 63.

when called upon by law, and to contribute to the expenses of the State in proportion to his means.”<sup>58</sup> The revenues for what economic historian O.D. Corpuz terms a “war tax” was projected at approximately P4,050,000.<sup>59</sup> The war tax was to be paid by all those from the age of eighteen to sixty years old and the rate of taxation would be determined by the “ownership, possession, or management of cash or other property taxes [.]”<sup>60</sup> The following table is a reproduction of the tax rate chart produced by Corpuz:<sup>61</sup>

Class	Cash or Property	Rate
1 <sup>st</sup> Class.	Cash or property assets worth from P25,001 and over	P 100
2 <sup>nd</sup> Class.		50
3 <sup>rd</sup> Class.	From P15,001 to P25,000	25
4 <sup>th</sup> Class.	From P10,001 to P15,000	10
5 <sup>th</sup> Class.	From P5,001 to P10,000	5
6 <sup>th</sup> Class.	From P1,001 to P5,000	2
7 <sup>th</sup> Class	All males not in the above classes – i.e., unemployed	1
8 <sup>th</sup> Class.	All women not in the above classes – i.e., unemployed Non-commissioned officers and enlisted men in the military and assimilated civilian personnel of the same ranks, sexagenarians, the poor, the disabled, and insane.	<i>Gratis</i>

From the above, one may find the incremental taxation rate in proportion to wealth reasonable. But in actuality, the wealthiest above the P25,000 mark would merely be obligated to contribute a flat P100. Thus, as one’s wealth increased, the amount of taxation proportionally severely decreased. Despite this concerted effort by the Republic to impose a more just and thus

<sup>58</sup> Malolos Historical Institute translation, Art. 27; Political Constitution of the Republic; The following translation of the original Spanish text was made by Sulpico Guevara A.B., LL.B., LL.M.; Division of Research and Law Reform, University of the Philippines Law Center; [http://en.wikipedia.org/wiki/Malolos\\_Constitution](http://en.wikipedia.org/wiki/Malolos_Constitution) (Accessed Tuesday, January 24, 2012, 12:52PM pacific time)

<sup>59</sup> O.D. Corpuz, *An Economic History of the Philippines*, (Quezon City: University of Philippines Press, 1999), 210.

<sup>60</sup> O.D. Corpuz, *An Economic History of the Philippines*, 212.

<sup>61</sup> *Ibid*, 213.

legitimate system of taxation, one can easily see how concerns over equity would arise. In particular, one can easily argue, that unlike the older Spanish system of taxation, which seemed much more blatant in its favoring of the wealthiest, the Republic's system was able to cloak its inequitable system of taxation through the pull of nationalism. Moreover, because the burden of most of the combined war's physical labor and bodies sacrificed came from the working and peasant classes, the proportion that the wealthiest contributed seemed even more unjust.

Considering the Republic's attempt to impose an ultimately inequitable taxation, it is not too surprising that popular reaction ranged from irritation to antagonism. Milagros Guerrero's dissertation *Luzon at War* is rife with myriad historical episodes of organized popular dissent against the Republic's taxation. One example was in Nueva Vizcaya, where townspeople held an armed protest at the provincial capital. They not only questioned the legitimacy of war taxes but also suspected that the current local officials conducted themselves "far worse than the Spanish authorities," making false decrees in the name of the Republic.<sup>62</sup> Another striking instance of popular suspicion occurred in Laguna, where townspeople argued that the Republic's war tax was simply another ruse for corrupt local officials to extract more money from the lower classes.<sup>63</sup> For certain, Guerrero mentioned that mistrust over war taxes was so rampant, that movements deemed counter-revolutionary by the Republic, such as the *Guardia de Honor* and the *Santa Iglesia*, rapidly gained a ground swell of support.<sup>64</sup>

For certain, as Guerrero points out, popular feelings of suspicion and the outbreak of violent protests against the Republic's attempt to institute war taxes undoubtedly echoed the tearing of cedula. As emblematic of not only Spanish labor exploitation and economic oppression, the cedula also remained a reminder of the political marginalization of the indio.

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<sup>62</sup> Guerrero, *Luzon at War* 119.

<sup>63</sup> Guerrero, 20.

<sup>64</sup> *Ibid*, 120.

The tearing up of the cedula, as the first public act of defiance by the Katipunan, was a radical challenge to Spanish political authority and overall claims of legitimate sovereignty.<sup>65</sup> Popular dissent against taxation thus acted as a site where both a radical critique of the legitimacy of political authority and suspicion over the corrupt intentions of the wealthy could be expressed. It is no wonder then that the Republic faced strong popular antagonism, not only in its attempts to institutionalize what it saw as a more modern, rational, and ultimately more just system of taxation, but also its very claims to sovereignty.

Such antagonistic political responses to, what was seen as illegitimate taxation, were not limited to agricultural laborers and small landholders in the provinces. In Manila, for instance, shopkeepers and merchants drew up a manifesto on January 28, 1899, vowing to not pay taxes to the United States government. In their eyes, the American colonial occupation of Manila was an attempt to reestablish imperial sovereignty in the archipelago. Moreover, the American colonial tax and tariff policies, which benefitted foreign European merchant houses, signaled the erosion of proper political representation and threatened any immediate realization of true national independence. In other words, the anti-American tax manifesto was a critique of what many of the Filipino retailers of Manila saw as an illegitimate political authority. Despite garnering approximately 228 signatures from the urban Manila business community, including signatures from renowned national composer, Julio Nakpil and the recent widow of Andres Bonifacio, Gregoria de Jesus, the Republic remained curiously silent.<sup>66</sup>

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<sup>65</sup> Ibid, 114.

<sup>66</sup> Ibid, 119.

On one hand, perhaps the Republic's abandonment of the Manila retailers had to do with the previous fracturing politics left over from the era of the Katipunan.<sup>67</sup> After all, both Nakpil and de Jesus were clear Bonifacio supporters, and undoubtedly questioned Bonifacio's criminalization and eventual execution by the Aguinaldo-led Magdalo government. On the other hand, perhaps the Republic, hard pressed for war supplies, decided to stay silent due to its desire to maintain good relations with the foreign merchant houses. Merchant houses, even during the Philippine American war, remained the most stable financial institutions throughout the islands, and thus would be able to provide hard currency to the Republic in order to continue paying for the war. One other possibility for this silence, however, was the Republic's anxiety over any type of spontaneous organization emerging autonomous of its official form of nationalist politics. Indeed, in all the previous cases, be it either agricultural laborers and small landowners against the wealthy local officials or the Manila retail community against the American occupying military, taxation was seen as an exploitative extraction of the nation's wealth, in the form of money, by illegitimate political authorities. Money, therefore, as the form in which modern taxes would be paid in proportion to one's material wealth, unintentionally opened up space in which recognition and misrecognition of the Republic's political authority could occur. No doubt, the spontaneous antagonism toward the Republic's political authority is even more arresting when one shifts the focus from money-as-tax to money-as-wage.

### **Popular Responses to Money-As-Wage**

For the Republic, the question of just wages never figured equally to concerns of sovereignty, liberty, and fraternity. As many scholars have argued, the Republic marked, not the

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<sup>67</sup> See the intricate and dramatic political strife between the Aguinaldo led Magdalo chapter, the Magdiwang chapter, and the end of the Katipunan in Iletto's *Pasyon and Revolution*, and *Teodoro Agoncillo's* seminal *The Revolt of the Masses: the story of Bonifacio and the Katipunan*, (Quezon City: University of the Philippines Press, 2002).

last gasp of the Revolution of 1896, but rather the continued institutionalization of counter-revolution.<sup>68</sup> In other words, the Republic led the way to the establishment of new types of exploitative political, social, and economic orders, not a radical dismantling of hierarchies. By shedding light on money-as-wage and the labor market during the Philippine American War, we can see how the Republic did all in its power to domesticate radical challenges to its political order.

First, however, by labor market and money-as-wage, I refer to Marx's detailed account of the commodification of labor. The commodification of labor entailed the transformation of labor power into abstract labor-time, which was quantitatively measured in units of exchange value. Subsequently, the worker sold commodified labor to the capitalist and circulated in the capitalist market like all other commodities. The market's valuation of abstract labor was therefore expressed in the money form known as wages. This process of expressing labor through money was of course doubly ironic, for money-as-capital, as Marx argues, can only come about through the complete abstraction and exploitation of labor. Because of this ineradicable, though incessantly disavowed link between labor and money, questions over proper wages were always and already dangerous to political authority and order.

One of the most striking examples of the Republic's anxiety over the possibility of organized labor disrupting political order came at the tail-end of the Spanish American War. In a letter dated September 23, 1898, President Aguinaldo addressed railroad workers in the Luzon provinces of Pangasinan and Pampanga. In the letter, Aguinaldo mentioned how news had reached him of disgruntled workers refusing to report to work due to their desires for increased wages. Aguinaldo immediately labeled the strike a brash and uninformed action, for it would not

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<sup>68</sup> See, for example Iletto's *Pasyon and Revolution*, Rafael's "Welcoming What Comes", Guerrero's *Luzon at War*, and Abinales and Amoroso's *State and Society*.

only fail in gaining the workers what they demand, but subsequently stop commerce. The disruption of commerce threatened the very future of the nation, for the “necessities of life will be scarce and we shall be starved.”<sup>69</sup>

Aguinaldo then went on to emphasize that the workers misrecognized the meaning of the word “union” by differentiating between a union grounded in labor versus a union of people under the nation.

Our union does not lie in what you have done—refusing to go to work with the railroad company. There should be a union in hailing the sacred liberty of our native land and in defending the same from being again taken from us by the Spaniards or by any other foreign nation. Our union should not consist in small things, as what you have done, i.e., refusing to go to work, which discredits you and all of us in the eyes of other nations who are now contemplating us.<sup>70</sup>

A union based on the nation thus trumped the desires of “small things” such as fair wages, for larger values, such as liberty and sovereignty from “the Spaniards” and “any other foreign nation.” To put differently, the value of political sovereignty must be held higher than any type of fair valuation of labor. As Guerrero and Ileto have correctly pointed out, Aguinaldo clearly obsessed over how the outside world saw the strikes.<sup>71</sup> After all, the global politics of recognition entailed that Aguinaldo be forever mindful of how the “eyes of other nations” contemplated and criticized the political authority of the Republic.

Still, what was equally salient was the fact that Aguinaldo’s anxiety over the labor strike did not entirely derive from outside eyes. Rather, Aguinaldo seemed nervous over the organized decision to strike on the part of those who he saw as uninformed and naïve workers.

I do not censure your present attitude, as it shows our union which is the fountain and strength of our present struggle against the Spaniards, [...] but, what I expect you to do is

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<sup>69</sup> “Proclamation of the President of the Filipino Government”, Exhibit 257, Malolos, Sept. 23, 1898, [original in Tagalog, P.I.R. 989.5] in John R. M. Taylor, *The Philippine Insurrection Against the United States, Volume 3*, (Pasay: Eugenio Lopez Foundation, 1971), 360.

<sup>70</sup> Aguinaldo, “Proclamation of the President of the Filipino Government,” Malolos, Sept. 23, 1898, 360.

<sup>71</sup> See Guerrero, *Luzon at War*, 117; and Ileto, *Pasyon and Revolution*, 152 – 153.

to consult me before doing anything, for I am always at your service, ready to listen to your complaints and give wholesome advice as to what should be done.<sup>72</sup>

As clear from the above, the problem was not the action of striking against a foreign corporation, for it displayed to Aguinaldo a type of bravery and vigor undergirded by nationalist sentiments. Instead, the problem lay in that the railroad workers not only spontaneously organized, but collectively decided to strike, without looking to the proper authority: Aguinaldo and the Republic. In other words, the workers made a collective decision autonomous of the sovereign. Through this decision, the striking railroad workers expressed their own sovereignty, threatening the claims of sovereignty made by the Republic. Unlike the economic, social, and political hierarchies offered by the Republic, Aguinaldo was uncertain as to what lay behind a sovereignty expressed by organized labor. As a result, he attempted to disavow this possibility of a spontaneous and radical challenge to the Republic's authority by shifting the blame to more known enemies, such as "foreigners" and the "Friars who always desire" the Republic's "disgrace and misfortune."<sup>73</sup>

News of the railroad strike, however, inspired many more strikes throughout Luzon, leading to a myriad of militant labor actions even in Manila. September and October of 1898 was an especially busy period of strikes and work stoppages by labor in a wide array of sectors including, but not limited to: retail, cattle brokerage, domestic service, tobacco manufacturing, tram operations, shipping, and of course, the railway.<sup>74</sup> Provincial Governor Ambrosio Flores mentioned all these strikes, echoing Aguinaldo's letter above, by first asking: "Are these strikers

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<sup>72</sup> Aguinaldo, "Proclamation of the President of the Filipino Government," Malolos, Sept. 23, 1898, 361.

<sup>73</sup> Aguinaldo, 361.

<sup>74</sup> Ambrosio Flores, "To the Inhabitants of the Province o Manila," Exhibit 267 [original in Spanish, D. S. P.I.R., 301.3] San Juan del Monte, October 4<sup>th</sup>, 1898 in Taylor, *The Philippine Insurrection Against the United States*, Vol. 3, 379.

justified in their action? Are the grounds alleged well founded?" The question of justice goes conspicuously unexplored as Flores dismissed these as the wrong sorts of questions.

Flores asserted that questions of economic justice damaged the image of the nation in the eyes of the world. He chastised the strikers for bringing undue foreign concerns over whether Filipinos "possess the requisite ability and culture for self-government." One may read the sentiment of Flores as one wholly concerned with the global politics of recognition. After all, Manila at the end of the Spanish American War was under the jurisdiction of the United States military. In this liminal period, where sovereignty over the archipelago was still unsettled, every potential blemish to the capacity of Filipino self-government was anguished over by the Republic. With this in mind, Flores asked the workers if they had thought about how striking "may give rise to false impressions concerning the depth of our national character?"

Also at play, however, was Flores's understanding that events of striking and work stoppages appeared as symptoms of uncertain political authority. As we know, from the first chapter, the stability of political authority was inextricably linked to the steady development of capital investment. It was not surprising, therefore, when Flores anxiously mentioned how labor actions called into question the Republic's ability to "sufficiently guarantee order" for "protected foreign interests[.]"<sup>75</sup> Similar to Aguinaldo, he evoked the possibility of foreign minds behind the workers' actions. Also like Aguinaldo, Flores disavowed the capacity of laborers to organize and politically challenge authority autonomously from more educated and wealthier political leaders. He speculated "outside influences" were "working unceasingly to disparage the virile and powerful Philippine race [.]"<sup>76</sup>

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<sup>75</sup> Flores, "To the Inhabitants of the Province o Manila," 378.

<sup>76</sup> Flores, 379.

In the last section of his letter, Flores implored strikers to return to “honored work, which is the source of all prosperity[.]” encouraging them to ignore “the nationality of your employers” and to only “seek redress through legal and prudent methods[.]” Only after the workers “have exhausted every means of conciliation” will labor be “justified, individually or collectively, in resorting to passive resistance [.]” With a last ditch attempt, he warned the workers that

[...] in no case should you resort to violence or cause disorders which only serve to belie your naturally pacific, docile and honorable character, which even our very enemies and exploiters could not but acknowledge at all times.<sup>77</sup>

At first glance, one could read the inherent qualities of the Filipino as “naturally pacific, docile, and honorable,” as another example of a racialized politics of recognition. The shift in tone, however, from the earlier sections of the letter, which utilized the rhetoric of persuasion, now suddenly shifted to an authoritative command banishing the potential of violence or disorder: “in no case should you resort to violence or cause disorders[.]” This sudden shift to command revealed some other type of fear. No doubt this fear was rooted in the potential for violence and disorder, but what form of violence and disorder in particular? Perhaps Flores was fearful of a type of violence in which previous orders, systems, laws, and authorities became unrecognizable. The radicalness of this violence was a foundational violence, for it held the possibility of creating new orders, new systems, new laws, and new authorities.

As Walter Benjamin reminds us in his essay “Critique of Violence” (*Zer Kritik der Gewalt*) modern violence must at all times be seen intricately interwoven in its relation to law and justice: “All violence as a means is either lawmaking or law-preserving. If it lays claim to neither of these predicates, it forfeits all validity.”<sup>78</sup> In reference to the violence that may come about through a labor strike, Benjamin differentiates between a general political strike and a

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<sup>77</sup> Flores, 379.

<sup>78</sup> Walter Benjamin, “Critique of Violence,” in *Reflections: Essays, Aphorisms, Autobiographical Writings*, ed. Peter Demetz (New York, N.Y.: Schocken Books Inc, 1978), 287.

general proletarian strike. On one hand, a general political strike was merely the shift from one state to a new state, or the transfer of power from one privileged group to another. On the other hand, a general proletarian strike was the annulment of state power and ultimately the very transformation of economy and sociality.<sup>79</sup> While on one hand, a general political strike was a recognizable violence, for its intentions were the making of a new law, a new authority, and a new order. A general proletarian strike, on the other hand, was ultimately an unrecognizable violence, for its future consequences concerning law, authority, and order, remained uncertain. Thus, returning to Flores' warning to striking workers, it was not necessarily "violence" that was his fear, but rather the extent which the organization of labor may potentially cause "disorders." To put another way, perhaps most frightening to both Aguinaldo and Flores, was not merely the potential violence of labor strikes against the state or the deceleration of capitalist development in the Islands, but instead a future without any recognizable law, order, or authority.

### **Conclusion: The Haunting Afterlives of Money and Revolution**

The previous chapter illustrated the struggles of the Malolos Republic in domesticating the unintended and unforeseen consequences of money. Much of the Republic's difficulties lay in its dual efforts to build state financial institutions and legitimize its claims to sovereignty during a time of war. For certain, similar to the Spanish colonial state in the early 1890s, the Republic was plagued by the seeming autonomous force of the capitalist market. To the Republic's horror, the capitalist market determined prices and violently fluctuated the value of money without any heed to the state. In its attempts to control the market, the Republic instead found itself beholden to the capitalist market's various manifestations as foreign corporate money, loans for war supplies, foreign merchant houses, and the financing of native wealthy

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<sup>79</sup> Benjamin, 246.

elites. In terms of strategy this dependence upon the capitalist market was understandable considering the practicalities of war and state building. Still, despite money's ostensible threat to the Republic's sovereignty, the Republic nevertheless attempted to incorporate and appropriate money's power through the creation of state financial institutions and a national currency system.

In the particular case of the national currency system we see the Republic's attempt to combine the authority and belonging of the nation with the force and law of the state. By drawing from nationalism's ability to call for sacrifice, the Republic first guaranteed the value of state currency through the promise of the nation's future wealth. In order, however, for this wealth to be realized, it was necessary for the members of the nation to sacrifice lives, labor, and property for the good of the Republic. Still, the nation by itself was not enough to endow value to the Republic's currency. In order to fully bring about such a transformation, the Republic appropriated the power of the state by invoking the sovereign's lawmaking ability, demanding obedience to its political authority through the stamping of monetary legislation on every piece of paper currency. In order to shore up the legality and authenticity of its currency the Republic utilized the power of the official signature. Still, although the signature was meant to battle counterfeiting, the signature in fact exposed the possibility of state issued currency as counterfeit. As we saw from earlier, state currency may always be counterfeit for the truth of money's value cannot be so easily pinned down to the claims of either the state or the nation. Rather money, under capitalism at least, ultimately belonged to the capitalist market. The Republic therefore turned to forcing the conventional use of state currency by legally authorizing its currency to be used as payment for taxes.

Money-as-taxes, however, led to further problems for the Republic, in particular reminding many of the problematic nature of taxation policy under the Spanish colonial state.

Earlier ilustrado criticism of taxation, under the Spanish, focused in on what they believed as the colonial state's lack of modernity. For many prominent ilustrados, taxation evidenced the colonial state's irrational desire to sacrifice the prosperity and longevity of the Spanish empire for the sake of maintaining a racial hierarchical order. Money-as-tax, therefore, came to be a way for the Malolos Republic to distinguish itself from the Spanish exclusionary policy of racial citizenship. By pursuing what it believed to be a more just and modern system, the Republic attempted to fold in all those it saw as belonging to the nation through taxation. The Republic, by endowing the rights of citizenship (access to political representation for example) to those who paid money-as-taxes, hoped to illustrate taxes as a positive exchange between state and citizen rather than as a negative form of limiting a subject's liberty.

Popular responses, however, reflected the ongoing suspicion of taxation as an unjust exploitation of the poorer masses. Indeed, the proliferation of armed protests to war taxes demonstrated the ongoing popular belief that the state remained under the sway of the interests of wealthy elites, not the nation. Dangerously, in this scenario, not only is doubt cast upon the intentions of the wealthy elite, but the very sovereignty of the Republic. Mabini was especially aware of the threat of the wealthy elite to the Republic's authority. In his letters, Mabini warned President Aguinaldo particularly of the wedded class interests and hegemonic culture of the urban rich. Although specific to the machinations of local Manila politics, Mabini's anxieties reveal the larger suspicion of money under capitalism's corruptive influence upon the sovereignty of the Republic. Instead of following the capitalist system of valuation, Mabini argued for the noble pursuit of national virtues.

The call to eschew the capitalist system of valuation was especially pronounced during the Revolution. The Revolution seemed to open up alternate ways of using money outside of the

intentions of capital. Indeed, unlike the price gouging and criminality usually equated with times of political uncertainty, Revolution brought about abundance, happiness, and pleasure. Moreover, money during Revolution seemed to, for a moment at least, shed its function as a circulating form of capital and instead was converted for immediate and shared pleasure. The realization of collective pleasure through money appeared to nationalists, such as General Alvarez, as an expression of the incorporating capacity of nationalism. By the time of the Republic, however, the incorporating power of the nation would show its limitations. Facing a cascade of militant labor strikes throughout Luzon, the Republic attempted to dismiss such actions as trivial. However, the demands of both President Aguinaldo and Governor Flores for laborers to sacrifice their calls for economic justice for the political recognition of an independent nation-state, reveal the deep anxieties of the Republic. The myriad labor strikes over money-as-wages point to money's potential to disrupt known hierarchies and established orders. The Republic's dismissal of the labor strikes illustrates its counter-revolutionary desire to halt the possibilities of a radically unrecognizable political, social, and economic future.

On March 23, 1902 Emilio Aguinaldo was captured and subsequently coerced into pledging allegiance to the United States government. After Aguinaldo's April 19 call for all Filipinos to surrender to the United States, the Malolos Republic was dissolved. Because of its dissolution, we will never know whether the Malolos Republic would have been able to effectively domesticate the force of money and the capitalist market through its state policies. In the next chapter, however, we shift focus toward the initial state building attempts of the American imperial state in its new colonial possession. The monetary policies and legislation of the United States reveal anxieties uncannily similar to both the Spanish colonial state and the Malolos Republic. At the same time, however, American economic intellectuals, through a novel

transformation of economic and racial ideologies, went about radically changing the relationship between the state, the capitalist market, and the social world in the Philippine archipelago.

### Chapter 3:

#### Imperial Standards: Stabilizing Racial Hierarchies and Philippine Colonial Currency through American Economic Expertise, 1898 – 1903

I am a strong believer in “Imperialism” in the sense that the advanced powers should open the undeveloped countries to civilization and introduce among them the machinery of modern production, commerce, and finance. – Charles Conant, “Currency Problems in the Orient”<sup>1</sup>

In her memoirs entitled *A Woman's Impressions of the Philippines*, Mary H. Fee recalled the feelings of frustration and confusion that swept over her every time she received her wages. An American schoolteacher during the Philippine American War, Fee made the journey across the Pacific on the U.S.S. Thomas during the early development of the American colonial civil government. Fee described her 1901 travels across the Pacific like a sightseeing trip, witnessing exotic lands she had only imagined through various literatures. Once within the cycle of work, however, the romantic scales fell from her eyes, as she had to confront the realities of earning a living. It is from the mundane experience of receiving her paycheck that “one of the most irritating [...] features of life” in the Philippines germinated.<sup>2</sup> When Fee arrived in the Philippines, all of the local banks and financial institutions throughout the islands operated on a de-facto silver currency system in place since the twilight of Spanish governance. In considering the currency system, dominated by the Mexican dollar and some other coins of unknowable foreign origins, Fee lamented that only the “experts of the Government could tell where it all came from.”<sup>3</sup>

By the early twentieth century the United States and most of the imperial European nations had all transitioned to the gold standard system causing the value of silver currencies to

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<sup>1</sup> Charles A. Conant, “Currency Problems in the Orient—Discussion,” *American Economic Association*, 4, no. 1 (February, 1903): 281.

<sup>2</sup> Mary H. Fee, *A Woman's Impressions of the Philippines* (Chicago: A.C. McClurg and Co, 1910), 100.

<sup>3</sup> Fee, *A Woman's Impressions of the Philippines*, 160.

fluctuate violently. The Philippine economic world thus appeared like a nightmare to those employed by the American colonial government, who in order to cash their check, save money in a bank, or send remittances back to the United States, had to first convert their wages paid in gold into the local silver value. Fee explained that for over two years she, along with the rest of colonial society, would remain victim to the “evils of a fluctuating currency.”<sup>4</sup> There was “tremendous protest,” she claimed, against not only the fluctuating currency but also the “extortion which grew out of it.”<sup>5</sup>

Like Fee, most histories critical of American imperialism in the Philippines recognize how economic instabilities were inextricably bound to political uncertainties. Still, many historical works, although admirable for their overall ethical interrogations of empire, nevertheless tend to neglect crucial distinctions between political and economic imperialism in the Philippines. This blurring between political and economic imperialism is understandable, for the very exchange of sovereignty over the Philippines, from Spain to the United States in 1898, was only made possible through the monetary exchange of \$20 million. Knowing this, historians who emphasize the economic dimensions of empire, have routinely argued that purchasing the Philippines was all part of an American imperializing strategy to draw Asian markets intimately closer to the commercial world of the United States. Like its more established imperial rivals in Southeast Asia, American imperial formation entailed the large-scale extraction of natural resources for industrial production and heavy investment of capital into growing markets throughout the Asia-Pacific, especially the prized China market. At the same time, in the post-Reconstruction wake of massive state-formation and rapid industrialization, successfully binding Philippine currency to the American gold-based dollar

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<sup>4</sup> Fee, 161.

<sup>5</sup> Ibid, 162.

would prove to the international financial community that the United States possessed a currency that could potentially rival the global dominance of the British pound sterling.<sup>6</sup> In this narrative, American imperial sovereignty and the increased dominance of the United States over global capitalism uncomplicatedly went hand-in-hand.

I would, however, like to trouble this historical narrative by illustrating that imperial formation in the Philippine Islands was not merely a clean projection or pure exportation of fully formed American political and capitalist ideologies. Rather, I argue that imperial encounters in the colonial Philippines unexpectedly opened up unsettling questions over the capacity and legitimacy of American political authority, specifically American political authority over what increasingly appeared as an autonomous capitalist market. Through myriad anxious-ridden reports, the autonomy of the capitalist market would consistently materialize in the form of racialized figures, ranging from disgruntled American soldiers to predatory local Chinese retailers to scheming native laborers. Moreover, these racialized colonial subjects, by doubling as figures of an autonomous capitalist market, at the same time appeared independent from, and thus a threat to, American colonial authority. Consequently, these on-the-ground commercial

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<sup>6</sup> For examples of American economic imperialism in the colonial Philippines see monographs such as O. D. Corpuz, *An Economic History of the Philippines*, (Quezon City: University of the Philippines Press, 1997); Glenn May, *Social Engineering in the Philippines: the Aims, Execution, and Impact of American Colonial Policy, 1900–1913*, (Westport, CT: Greenwood Press, 1980); Norman G. Owen, *Prosperity Without Progress: Manila Hemp and Material Life in the Colonial Philippines*, (Berkeley: University of California Press, 1984); Carl C. Parrini, *Heir to Empire: United States Economic Diplomacy, 1916–1923* (Pittsburgh: University of Pittsburgh Press, 1969); Emily Rosenberg, *Financial Missionaries to the World: the politics and culture of dollar diplomacy, 1900-1930*, (Cambridge, MA: Harvard University Press, 1999); Murray A. Rothbard, *A History of Money and Banking in the United States: The Colonial Era to World War II*. (Auburn, AL: Ludwig von Mises Institute, 2002); Martin J. Sklar, *The Corporate Reconstruction of American Capitalism, 1890–1916*, (Cambridge & New York: Cambridge University Press, 1988); Peter Stanley *A Nation in the Making: the Philippines and the United States, 1899-1921*, (Cambridge, MA: Harvard University Press, 1974); and William Appleman Williams, *The Tragedy of American Diplomacy*, (New York, NY: W.W. Norton & Company, Inc., 1972). For more specialized analyses of turn of the twentieth century currency crisis in the American colonial Philippines see articles by Yoshiko Nagano's "The Philippine Currency System During the American Colonial Period: Transformation from the Gold Exchange Standard to the Dollar Exchange Standard," *International Journal of Asian Studies* 7 1 (2010); and Willem Wolters, "From Silver Currency to the Gold Standard in the Philippine Islands," *Philippine Studies* 51 3 (2003).

interactions and retail transactions between American imperial agents and Philippine colonial subjects exposed the fundamental heterogeneity between the rule of the state and the natural laws of the capitalist market.

In response, the American colonial state turned to the authority of the economic expert. By employing well-known economic intellectual, Charles A. Conant, to carry out currency reforms, the colonial state desired to stabilize, through positivist knowledge, what appeared to be an inherently indifferent and autonomous economic system. As a firm believer in the necessity of American economic imperialism and Anglo-American supremacy, Conant was up for the challenge. Despite Conant's seemingly firm ideological certainty that the gold standard was the universal standard of measurement and the monetary system of the most advanced civilizations, the vicissitudes of imperial encounter would radically alter this belief. Troubled by reports of Filipinos and Chinese-Filipinos' economic practices that consistently defied or ignored colonial authority, Conant created a new currency system that would harden racial hierarchies and maintain exploitative labor regimes. At the same time, however, the state's steady reliance on Conant and other economic expert opinions exposed the limitations of state sovereignty in the face of a seemingly illegible capitalist market. There were thus two contending forms of monetary authority that would hauntingly linger beyond this initial American colonial monetary policy: one grounded in sovereignty and one based in knowledge.

### **Troubled Market Encounters Under Colonial Military Rule and the Limits of State Authority**

Although the Philippine American War had many transformative consequences for economic life in the archipelago, the most urgent financial concerns of the U.S. military government beginning in 1900 consisted of purchasing supplies, paying wages for native labor,

and disbursing paychecks to soldiers.<sup>7</sup> By the time Conant was hired to work on monetary reforms in the Philippine colony, the disbursement of paychecks to soldiers would be the most cited concern for the colonial military state. By November 1900, military ranks had swollen to an estimated 70,000 army and navy troops who all required money to be clothed, fed, and paid. Moreover, because the United States military was now an occupying population filled with soldiers involved in a protracted war against native *insurrectos*, the stabilization of day-to-day banking services and commercial and retail transactions became even more important to maintain a sense of normalcy and sustain morale. The disavowal, therefore, of the ongoing war and the possibilities of insurgent violence erupting in supposedly pacified territory was heavily reliant upon the appearance and practice of a regulated and ordered economic world.<sup>8</sup>

The disbursement of wages, however, provided one of the largest headaches for the colonial military state. Every department seemed to have its own system of distributing paychecks and often, local paymasters, when frustrated, would shift to different systems from month to month.<sup>9</sup> This byzantine and seemingly inefficient form of distributing paychecks created a negative image of the government in the eyes of many soldiers. The tense situation was exacerbated by the discrepancy between the form of payment and the local currency conditions in which American soldiers found themselves. At first, soldiers were paid in a combination of United States silver and gold coins. As the money supply dwindled for the ever-growing military population, paymasters switched to issuing U.S. Treasury notes. Many paymasters were convinced that local banks and exchange shops would accept the notes at the same value as gold-

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<sup>7</sup> *Memorandum for Secretary of War on Currency and Exchange in the Philippines*, (Washington: Government Printing Office, 1900), 62.

<sup>8</sup> Although the history of the Philippine American War is extremely complex, the rival claims to sovereignty by both the United States and the Philippine Republic (or Malolos Republic) led to an almost decade long brutal war. This protracted war would entail intense guerrilla strategies in which Filipino soldiers were labeled by Americans as insurgents (or *insurrectos* in Spanish).

<sup>9</sup> Edwin Walter Kemmerer, *Modern Currency Reforms*, (New York, NY: The Macmillan Company, 1916), 263.

based U.S. dollars.<sup>10</sup>

Unfortunately, for many American soldiers who were being paid in gold-based notes, the silver based commercial world of the Philippine colony would appear predatory and criminal. There were three interconnecting reasons for this predatory and criminal appearance. First, since most, if not all registers of Philippine commercial transactions involved silver currency, soldiers had to convert their paycheck from gold-based currency into silver-based currency in order to purchase any local goods or services. Second, to convert gold into silver, soldiers had to go to an agent outside of the military government, primarily foreign-owned banks or local moneychangers who would regularly charge an inflated service fee or commission.<sup>11</sup> Finally, during the Philippine American War, and particularly after the Boxer Rebellion in China, the exchange rate between silver and gold underwent constant fluctuation. Based off of international market valuations, local exchange rates were subsequently posted daily by local banks and moneychangers.<sup>12</sup>

Soon, however, there was growing suspicion within the military ranks of collusion between banks and moneychangers. As one 1899 paymaster asserted, “[t]he two English banks of Manila seem to be in collusion, and charge exorbitantly for all business transacted over their counters.” The paymaster went on to detail how exchange rates would even detrimentally affect the value of money in a soldier’s savings account. “When an officer or enlisted man goes to deposit his gold with them it is credited to his account in silver, at the current rate—for this is a silver country—and if he wants gold for any purpose they charge him never less than 5 per cent for it.” In addition to the predatory withdrawal fee, the paymaster suspected that banks

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<sup>10</sup> *Currency and Exchange in the Philippines*, 7.

<sup>11</sup> Chief Paymaster, Charles McClure describes the process through a collection of different complaints from provincial paymasters and treasurers. *Currency and Exchange in the Philippines*, 6 - 9.

<sup>12</sup> *Ibid*, 45.

manipulated the exchange rates, especially when “pay day approaches” in order to “make a greater profit from these soldiers.”<sup>13</sup>

Even after converting wages into local currency, daily commercial transactions did not come easy. One main reason was due to the suspicion of American money among the native population, making retail transactions a difficult affair. According to a special report made by Edward W. Harden to the Treasury Department in November 30, 1898, natives illogically demanded the less valuable Mexican coin over American money. Harden stated, “[t]he native will take the Mexican dollar, worth less than 50 cents gold, in preference to the United States dollar, worth 100 cents. Any change in the coinage will require time for the natives to become accustomed to it before it will be accepted readily.” The native’s suspicion of American money, however, according to Harden, did not come from a malicious source. Rather, suspicion of American money came from the native’s lack of knowledge. In this particular case, suspicion was bred from illiteracy. According to Harden, the problem was that “a very small proportion of the inhabitants understand English.” This illiteracy of English made it especially hard for natives to “decipher the inscription on a coin” unless it was written in Spanish. Harden would go on to reason that if the Philippine Islands were to be converted to a gold standard system, natives would have to be slowly and patiently “educated to the value of the new currency.”<sup>14</sup>

Although Harden correctly anticipated the long-term American colonization of the Philippines, he seemed to neglect that illiteracy went both ways. Indeed, after converting their wages into local currency, many American soldiers most likely felt as if they were at a clear disadvantage due to their lack of knowledge of the extremely complex Philippine monetary system and their unfamiliarity with non-English languages. Charter Bank representative G.

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<sup>13</sup>Ibid, 8.

<sup>14</sup>Ibid, 52.

Bruce Webster listed the myriad types of coins circulating as currency in Manila, “(a) Spanish Filipino silver peso, (b) Mexican dollar, (c) Filipino silver half dollar (debased), (d) Filipino silver peseta of 20/100 dollar (debased), (e) Filipino silver half peseta of 10/100 dollar (debased), (f) Filipino copper cuartos and centavos.”<sup>15</sup> Of most concern for the typical soldier, particularly for smaller-scale daily commercial and retail transactions, were what Webster categorized as Filipino copper cuartos and centavos. As Willem Wolters has pointed out, despite the Spanish colonial state’s attempt to overhaul the Philippine currency supply during the last three decades of the nineteenth century, smaller denominational coins continued to be scarce, disproportionately affecting the working and poorer classes.<sup>16</sup> This seeming chronic scarcity is important to note because for most of the colonial population, interaction with, and access to, any type of money was limited to smaller denominational coins. One could even say that for most of the population, to conceive of money was to image copper coins.

Smaller denominational currency, however, was especially troubling to Webster, who described the copper coins as “to a large extent dilapidated pieces of metal, on many of which it is difficult to discern any image or superscription[.]” The inability to “discern any image or superscription” placed the American customer in a precarious position, for in a retail transaction, the customer had to defer to “the ruling of the Chinese or Filipino small dealers[.]” Thus, according to Webster, due to the American’s illiteracy or lack of knowledge of local currency, he or she necessarily depended upon the knowledge of the Chinese and Filipino retailers. This scenario troubled Webster, not only because Chinese and Filipinos held authority over the prices of their commodities, but also because American customers had to “accept the ruling” of Chinese

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<sup>15</sup>Ibid, 53.

<sup>16</sup>Willem Wolters, “How Were Labourers paid in the Philippine Islands During the 19<sup>th</sup> Century?” in *Wages and Currency: Global comparisons from antiquity to the twentieth century*, ed. Jan Lucassen (Germany: Peter Lang AG/Bern, 2007), 151-153.

and Filipino retailers concerning the value and authenticity of coins.<sup>17</sup>

Seen in this light, these decisions over the value and authenticity of coins were formed autonomous of any state authority. Deferment to the authority of Chinese and Filipino retailers was ultimately the result of the typical American consumer's illiteracy of local currency. Because Chinese and Filipino retailers were able to read what Americans found "difficult to discern" they had access to knowledge Americans did not. As a result, Chinese and Filipinos held authority over money and over American consumers through their ability to "discern" or to put another way, to mediate, knowledge of the local, day-to-day, retail market. Equally troubling, perhaps, was the concern that authority over money arrived autonomous of the state. Webster's account, after all, presented a world where imperial consumers had to "accept the ruling" of colonized retailers. In this world, then, the Chinese and Filipino's seeming arbitrary decisions over valuation and authenticity had the troubling public appearance of being sovereign of any state authority. This raises the question: was the seeming autonomy of money and the market limited to smaller-scale retail transactions? To answer this question let us turn our attention to a moment in which the American military government in the Philippine colony found itself unable to effectively decipher transnational fluctuating rates of exchange.

By July 1900, fluctuating rates between gold and silver, were severely affecting the military government's large-scale purchases of war supplies. This global fluctuation was due in large part to the vast quantities of money invested in troops and war supplies by transimperial forces attempting to suppress the Boxer Rebellion in China.<sup>18</sup> In a cablegram dated August 3, 1900, General Arthur MacArthur accused banks in the Philippines of exploiting the U.S. military

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<sup>17</sup> *Currency and Exchange in the Philippines*, 53.

<sup>18</sup> Kemmerer, *Modern Currency Reforms*, 269, and for the broader history of the Boxer Rebellion see Paul A. Cohen, *History In Three Keys: The Boxers as Event, Experience, and Myth*, (New York, NY: Columbia University Press, 1997).

government during this moment of wild fluctuations. MacArthur, like many of his troops serving below him, believed the Boxer Rebellion, or what he referred to as the “Chinese War” was simply “made pretext by local banks for profitable speculation in United States currency.” By the end of the cablegram, illustrating the liminal state of American imperial sovereignty in the Philippines, he cast serious doubt upon the local “foreign banks” which controlled the money supply and set rates of exchange “in opposition to the interests of the United States.” As a temporary solution to these predatory practices, MacArthur suggested artificially setting the rate of exchange between silver and gold at “two for one.”<sup>19</sup>

By suggesting this solution, MacArthur reminded the reader of the previous 1898 promise of the three major banks in the Philippines—The British owned Hongkong and Shanghai Banking Corporation, the Chartered Bank of India, Australia, and China, and the Spanish-Filipino owned Banco Español Filipina—that if allowed to reestablish the duty-free import of Mexican silver dollars they would maintain a parity of exchange “at not less than two Mexican dollars for one gold dollar[.]”<sup>20</sup> The importation of Mexican silver coins had been banned by the Spanish colonial state in 1877 in the Philippine colony partly due to rampant accusations of predatory bank practices.<sup>21</sup> For the next two years the banks did indeed keep up their part of the bargain, maintaining an exchange rate at or below the aforementioned two to one ratio. However, after the outbreak of the Boxer Rebellion and the subsequent rapid escalation of silver prices in global markets beginning August 1900, representatives of the banks claimed that they could not maintain this rate of exchange without incurring great losses. As a result, local moneychangers and banks began varying the rates at 1.75, 1.70, 1.60, or 1.50, to one U.S. dollar.

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<sup>19</sup> *Currency and Exchange in the Philippines*, 45.

<sup>20</sup> *Reports of the Taft Philippine Commission*, (Washington: Government Printing Office, 1901), 85.

<sup>21</sup> See Francisco Godinez, *Regularizar la situación monetaria en las Islas Filipinas*, (Madrid: imprenta de luis aguado, 1894), 4; and Francisco Aguilar y Biosca, *Legislacion Sobre Moneda* [1893] reprinted in *Barrilla: The Central Bank Money Museum Quarterly* 6 no. 2, (1979), 62-63.

These drastic changes in ratio consequently transferred the supposed loss of banks to those whose wages were paid in U.S. dollars, specifically laborers and troops employed by the U.S. military.<sup>22</sup>

MacArthur thus appeared to assert the legitimacy of the state to not only determine what he believed to be a more just exchange rate between gold and silver, but also effectively to bypass any claims of the capitalist market as the ultimate measurer of valuation. MacArthur's suggestion of the state as the ultimate and legitimate measurer of value sparked off a series of criticisms from the pro-banking community. One of the most intense responses came from Secretary of the U. S. Treasury L. J. Gage, who defended the action of the banks and scoffed at MacArthur's notion that exchange rates could be fixed by the military government. "In considering the subject-matter in the light thrown upon it by General MacArthur's letter," Gage stated, "I am first struck with the thought that the quartermaster's rate of exchange is itself arbitrary and unnatural—one that there would always be difficulty in maintaining, at least upon the present principle."<sup>23</sup> For Gage, a government fixed rate would not only be an expression of arbitrary rule, but would simultaneously go against the very nature of capitalist valuation. Gage thus invoked the logic that only through the capitalist market's "law of demand and supply" could the true and natural value of currency be determined. As he pointed out, unintentionally echoing Marx's insight of the always-existing dual value of a commodity, the "value of the bullion" of the coin should be considered separate from the "commercial value" of currency.<sup>24</sup>

Intriguingly, this heated exchange between MacArthur and Gage revealed the kind of strange paradox within the capitalist system of valuation. MacArthur seemed to believe that the

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<sup>22</sup>*Reports of the Taft Philippine Commission*, 86.

<sup>23</sup>*Currency and Exchange in the Philippines*, 46-47.

<sup>24</sup>*Ibid*, 46-47. Also see the first chapter of Karl Marx's *Capital, Vol. I* concerning the inherent dual value of the commodity. Karl Marx, *Capital: A Critique of Political Economy: Volume I*, (London: Penguin Classics, 1990).

bullion content of a coin contained a natural value. Yet, he also believed that this natural relation between silver and gold currency values could be set at about two to one, or the historical and traditional exchange rate determined since the 1898 American occupation. Responding to this, Gage argued that this notion of a natural value to metal was in actuality “arbitrary and unnatural.” For Gage, there appeared to be an even higher register of nature or truth than the “natural” metal bullion. This more natural or truthful value was intangible and determined simultaneously through local and global markets. Indeed, from Gage’s perspective, and what was the dominant perspective of many economic experts at the time, the “law of demand and supply” was the true and natural determiner of value. Moreover, often considered the inherent container of value by the lay population—the value of the metal bullion—was in actuality also determined commercially through the logics of the capitalist market.

As a result of this notion of how value was determined and produced, Gage defended the actions of the banks by reminding MacArthur, and the reader, that everyone ultimately existed under the same rule of the market. Even those who seemed to benefit from the market, for instance banks, could eventually become “necessary victims” to “movements they can not control[.]” Gage thus argued that banks were “obliged to adjust themselves and their actions,” and that MacArthur was ultimately “subject to the same rule of commercial necessity.”<sup>25</sup> By wondering why MacArthur could not comprehend that he too was “subject to the same rule” as everyone else, Gage simultaneously universalized and authorized the logic of the market. In other words, the market, no matter what MacArthur or the bankers believed, ruled over not only the production and exchange of values, but also ruled over any social being or action connected to the production or exchange of values.

We are left with two seemingly incompatible perspectives of the relation between the

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<sup>25</sup> Ibid, 46.

capitalist market and the military colonial state in the Philippine colony. From MacArthur's perspective, in order to end the exploitation caused by the capitalist market toward both the military treasury and the wages of the troops, the military government had to reassert its rule by setting parity at two to one. From the perspective of Gage, however, government action without understanding the natural movements of the market would be reckless and ultimately an expression of "arbitrary" and "unnatural" authority. Despite their seeming incompatible perspectives of the currency problems, however, Gage and MacArthur in actuality shared a common notion: the capitalist market was ultimately autonomous of both the military government and colonial society.

### **The Racialized Labor of Imperial War-making**

The appearance of the market as illegible, predatory, and ultimately autonomous from any type of state authority instigated novel questions of value and labor. Currency thus unintentionally became a terrain in which American soldiers began to question the conditions produced by empire. We know from letters and journals that many soldiers reproduced the rhetoric that their labor of war in the Philippines would eventually benefit the native population by lifting Filipinos out of abject conditions.<sup>26</sup> Some, however, began to question what exactly was the role of the state in the face of this international market? And more important, where did

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<sup>26</sup> The rhetoric of "benevolent empire" was common and widespread, but for a short list of examples see John Clifford Brown, *Gentleman Soldier Gentleman Soldier: John Clifford Brown & the Philippine-American War*, (College Station: Texas A & M University Press, 2004); John Gates, *Schoolbooks and Krags: the United States Army in the Philippines, 1898 – 1902*, (Westport, CT: Greenwood Press, 1973); Peter Lewis, *Foot Soldier in an Occupation Force: The Letters of Peter Lewis, 1898 – 1902*, (Manila: Linguistics Office, De La Salle University, 1999); Clarence Lininger, *The Best War at the Time*, (New York: R. Speller, 1964); and Augusto V. de Viana, *The I-stories: The Philippine Revolution and the Filipino American War as Told by its Eyewitnesses and Participants*, (Manila: University of Santo Tomas Publishing House, 2006). For an example of more recent historical monographs that leave "benevolence" unquestioned, see for example Brian McAllister Linn's *The Philippine War, 1899-1902* (Lawrence: University of Kansas Press, 2000); and Glenn Anthony May, *Battle for Batangas: A Philippine Province at War*, (New Haven, CT: Yale University Press, 1991). Paul Kramer, specifically hones in on this continuation of "benevolent empire" in his article: "Race-Making and Colonial Violence in the U.S. Empire: The Philippine-American War as Race War," *Diplomatic History* 30 2 (2006): 209 - 210.

they themselves stand within this dichotomy between state and capital?<sup>27</sup>

Disappointment with the government and suspicion of the exploitative qualities of the market was especially pronounced when the subject of wages was broached. What is intriguing, however, were the ways racial ideologies informed this disappointment with the American imperial government. To be more specific, racial ideologies strongly shaped how certain soldiers valued the wages and labor of imperial war. In one unsigned letter published in the *Wisconsin Weekly Advocate*, a Black American soldier reveals the way White American troops protested wages through racist language. According to the letter, the white soldier complained: “[d]o you think we could stay over here and fight these damn niggers without making it pay all its worth? The government only pays us \$13 per month: that’s starvation wages. White men can’t stand it.”<sup>28</sup>

The state, thus, appeared to white soldiers as an entity that both devalued their labor and did not have the interests of the white soldier in mind. In other words, despite their exploited labor, imperialism under the guidance of the military colonial state would ultimately not provide them with any monetary or material benefits. As a result, according to this particular black soldier, white soldiers transferred their resentment and frustration toward the native population. He recounted that white soldiers “began to apply home treatment for colored peoples” and “cursed them as damned niggers.” White soldiers would “steal (from) and ravish them, rob them on the street of their small change, take from the fruit vendors whatever suited their fancy [...] looted everything in sight, burning, robbing the graves.”<sup>29</sup> White soldiers therefore seemed to believe that since they were being exploited by the colonial state for their labor, they in turn,

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<sup>27</sup> Some black soldiers especially began to question their role as citizens trapped between capital and the state. See Willard B. Gatewood, Jr., *Smoked Yankees" and the struggle for Empire: letters from Negro soldiers, 1898-1902*, (Fayetteville: University of Arkansas Press, 1987), 304.

<sup>28</sup> Gatewood, *Smoked Yankees" and the struggle for Empire*, 280.

<sup>29</sup> Gatewood, 280.

should exploit the native population and the local markets. Through extralegal modes of racist terror, white soldiers believed that they would be able to make-up, either materially or symbolically, what they imagined the colonial state owed them for their work.

According to this unsigned letter, Black American soldiers, when confronted by this type of criminal activity, were appalled. Black soldiers were stunned that White soldiers believed that racist exploitation of natives would be simply tolerated: “[t]hey talked with impunity of “niggers” to our soldiers and should they be brought to remember that at home this is the same vile epithet they hurl at us, they beg pardon and make some effeminate excuse about what the Filipino is called.”<sup>30</sup> It was in this moment that the geographic difference between home and abroad seemed strangely to collapse. This moment was especially strange for Black soldiers who quickly realized that white supremacist and anti-black racial hierarchies, a way of life back home, could manifest itself in novel ways abroad. Even stranger, however, were the ways in which White soldiers, finding new racialized targets in the Filipinos, appeared to want to forget the racially exploitative labor regimes and brutal Jim Crow legal world faced by Black Americans.

On one hand, this momentary forgetting by White soldiers indicated that imperial encounters allowed for new types of national solidarities between White and Black Americans. As many letters have shown, Black Americans, on the whole, tended to frame imperial formation in the Philippines through patriotic language. Oftentimes, Black soldiers identified themselves, along with many White soldiers, as part of a modern English-speaking and protestant civilizing American force.<sup>31</sup> The economic rank of being a soldier in the face of a predatory and indifferent capitalist market also seemed to link the fates of White and Black Americans in the Philippines.

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<sup>30</sup> Ibid, 281.

<sup>31</sup> See more in Gatewood, *"Smoked Yankees" and the struggle for Empire*; and the George P. Marks, *Black Press Views American Imperialism (1898-1900)*, (New York, NY: Arno Press, 1971).

On the other hand, however, imperial formation could also lead to Black soldiers questioning nationalist bonds, amplifying their feelings of marginalization by a state and society founded upon white supremacy. This feeling of isolation for Black soldiers could also potentially lead to an identification with the native population of the Philippine Islands, an identification expedited through the continued use of the White soldier's epithet of "nigger."<sup>32</sup>

In a strongly worded conclusion, the anonymous author shed light on the complex relationship Black Americans had with a particularly imperial form of American nationalism by stating that "if it were not for the sake of the 10,000,000 black people in the United States" only "God alone knows on which side of the subject" he would be.<sup>33</sup> At first glance, the previous statement illustrated the unique position embodied by the Black soldier engaged in the labor of imperial war-making. Clearly, if it was not for his racialized and nationalist connection to the large community of Black Americans back in the United States, his support would squarely be on the side of the native. Still, despite this masculine pull of nationalism, he emphatically differentiated his interests and the authentic interests of Black Americans from the imperial "robbery" committed by the American state, by claiming that "[w]e don't want these islands, not in the way we are to get them[.]"<sup>34</sup> Provocatively, the assessment of imperial formation, as a type of "robbery" ordered and planned by the colonial state, showed the ineradicable disjuncture between the state's imperial desires and the interests of the greater population of American soldiers. In this way Black soldiers, at least in one aspect, shared with White soldiers a similar critique of the colonial state.<sup>35</sup>

From the above historical episode we see that the actions of the American colonial

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<sup>32</sup> For an excellent account of this see Scot Ngozi-Brown's article "African-American Soldiers and Filipinos: Racial Imperialism, Jim Crow, and Social Relations," *The Journal of Negro History* 82, No. 1 (1997), 42-53.

<sup>33</sup> Gatewood, "Smoked Yankees" and the struggle for Empire, 281.

<sup>34</sup> Gatewood, 281.

<sup>35</sup> Ibid, 280.

military state was not only a response to an ongoing crisis of authority opened up by imperial formation, but also reflected an anxiety over the possible unrest of American soldiers as well as local economic agents. The military government also clearly anticipated certain threats to its nascent colonial order, potentially emerging from its military ranks. Imperial encounters and the shared experience in the face of an exploitative capitalist market thus allowed for new ways of expressing Whiteness, Blackness, and American-ness outside of what was intended by the colonial state or imperial sovereignty. In particular, these newly conceived links between Blackness and Native-ness, and the possible imagined community which could spring forth, would have been a powerful disruption of imperial formation. In response, the colonial state turned to a policy of allowing American soldiers and other labor to settle for a kind of state recognition. As the following will show, it would be currency reform—authorized through a historically produced ideological assemblage of economic knowledge and grounded in a global conception of racialized hierarchical order—which would be essential in blocking alternate possibilities opened up through imperial spaces.

### **The Autonomous Market and the Imperial Role of the Expert**

The turn of the century American concept of an autonomous capitalist market was largely informed by two historical contingencies: three decades of violent money debates of the post-Reconstruction era and the increasing authority of the hardening discipline of economics. The late nineteenth century monetary debates, which involved vast sectors of the American public, often pitted those who favored a flexible currency system, usually based or partly based on silver, against a hard currency based on gold. The debates over “The Money Question,” as it would be publicly labeled, would subsequently provide opportunities for a myriad of populist

monetary and financial reform movements to emerge. The two major monetary reform movements coalesced first during the 1870s and again in the 1890s. For both major movements, money, and in particular its currency form, represented the reality that underpinned the fictions of finance. Indeed, for most of the American public, money was seen as not only a concrete site of economic transformation but potentially political transformation.

The first major post-Reconstruction debates over money emerged during the 1870s. The debate pivoted around two specific issues. The first issue was a result of the excess of fiduciary money produced during the Civil War, as it switched from a gold standard to a greenback system. The second issue was due to the establishment of the 1863 National Banking System. In 1873, a banking panic led to a depression that would last over five years. As Gretchen Ritter explains, the depression offered space for two major political and geographically based communities to emerge both for and against the gold standard. Anti-gold Green-backers, on one side, were publicly seen as mainly consisting of debtors and agrarian-based laborers from both the West and South. Gold-backers, on the other side, were publicly seen as being made up of mostly Northeasterners, industrialists, and creditors.<sup>36</sup>

The second currency debates occurred in the late 1890s, framed mainly by the banking panics and subsequent economic depression between 1893 and 1897. On one hand, currency reformers argued for bimetallism. Reformers argued that having more silver based currency would decrease the U.S. market's dependence on international forces. Specifically reformers blamed Northeastern bankers' and capitalists' ties to the London dominated international financial system. The "free silver" movement, as it would eventually be known, envisioned an inelastic currency that would focus less on international exchange and instead cultivate domestic

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<sup>36</sup> Gretchen Ritter, *Goldbugs and Greenbacks: the antimonopoly tradition and the politics of finance in America* (Cambridge: Cambridge University Press, 1999), 64.

production through increased agricultural credit and loans.<sup>37</sup> Gold-backers, on the other hand, argued for financial conservatism. The struggle over monetary reform culminated in the presidential election of 1896, which saw the defeat of William Jennings Bryan. Despite his famous stumping tour speech warning against America's crucifixion on a "Cross of Gold," the bimetallist Democrat Bryan lost by a narrow margin to the corporate and finance favorite, Republican William McKinley. As president, McKinley would go on to lead the United States in a war against Spain, gaining several colonial possessions, such as the Philippine Islands, as a consequence.

The steady series of gold-backer political victories was both a product and producer of an ideological ensemble that money was part of a natural phenomenon dictated by its own internal natural laws. The dominance of gold-backers radically hardened public opinion, rendering no trustworthy alternative. Common sense had thus positioned the market as something that stood autonomously apart from both society and the state. Although far from reaching a consensus and always brimming with tensions and contradictions, the "logic of naturalism" as Walter Benn Michaels puts it, constructed a common sense notion of money and the market in the public. Indeed, the debates seemed to actually congeal public acceptance that the capitalist market, despite being produced and sustained by people, was not wholly of the people. Through this logic, therefore, money and the market was both separate from society and the state, and though artificial, operated with its actions dictated by laws natural to itself.<sup>38</sup>

Another factor crucial in bringing about the naturalized notion of money and the market in the United States was the professionalizing discipline of economics. As Dorothy Ross

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<sup>37</sup> Ritter, *Goldbugs and Greenbacks*, 155.

<sup>38</sup> See specifically Chapter five of Walter Benn Michaels' *The Gold Standard and the Logic of Naturalism*. Walter Benn Michaels, *The Gold Standard and the Logic of Naturalism*, (Berkeley and Los Angeles, CA: University of California Press, 1987).

explains, a new generation of classical liberalist influenced economic scholarship, following decades of vast state-formation and accelerated industrialization, attempted to popularize positivist methods of tracking the underlying natural forces at work within the American economy.<sup>39</sup> At the same time as this more positivist approach gained ascendancy, there was a critical mass of American economists who saw the destiny of the academic discipline deeply bound to the future of imperial state formation. The best example being the American Economic Association's creation of a special committee led by Jeremiah W. Jenks of Cornell University.<sup>40</sup> This committee would go on to write *Essays in Colonial Finance*, a compilation of modern colonial financial and fiscal policies of various imperial powers in Asia, Africa, and Latin America.<sup>41</sup> For these men, the future of the discipline of economics entailed the development of a new relation with the state, particularly through the crafting of government policies. As intellectual authorities wielding market knowledge, economists would in turn shore up state political authority.

Indeed, the future of the discipline of economics had developed a new relation with the state, particularly through the crafting of government policies. As authorities wielding market knowledge, economists could in turn shore up state political authority. On one hand, this symbiotic, though clearly uneven relationship allowed the economist a sense of intellectual autonomy from the state, as well as a unique and privileged role. The state, on the other hand, extended its reach into market knowledge, and allowed itself publicly to say this authority over knowledge came from a source other than itself, in turn giving more value to knowledge

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<sup>39</sup> Dorothy Ross, *The Origins of American Social Science*, (Cambridge and New York: Cambridge University Press, 1991), 174.

<sup>40</sup> Jenks, a professor at Cornell University, would work extremely close with Conant in advancing both the relation between the American Federal government and the discipline of economics, particularly under the Roosevelt administration's Commission on International Exchange.

<sup>41</sup> Murray N. Rothbard, *A History of Money and Banking in the United States: The Colonial Era to World War II*, (Auburn, AL: Ludwig von Mises Institute, 2002), 216.

produced by economists. The symbiotic and complex bond between the economist and the state was expressed in Yale President and economist Arthur Twining Hadley's 1899 presidential address. According to Hadley, the economist's ultimate future "lies not in theories but in practice, not with students but with statesmen, not in the education of individual citizens [...] but in the leadership of an organized body politic."<sup>42</sup> It is in and through this ideologically shaped desire that financial advisors sent to the Philippines, such as Conant, formed their own theory about money, the market, and the political and cultural destiny of the United States in global history.

Charles Conant was a self-taught intellectual who made his name through a decade of writing editorials and articles in various journals, mainly covering and commenting on issues of commerce and finance.<sup>43</sup> He also eventually became, along with Jeremiah Jenks, one of the most visible and well-traveled members of the United States Commission of International Exchange (CIE). The CIE was the primary diplomatic apparatus charged by the Roosevelt government to create an American-led global financial system. It would subsequently send financial advisors to a myriad of countries such as China, Cuba, Nicaragua, and Germany.<sup>44</sup> A staunch Gold-standard supporter, Conant attended the Indianapolis Monetary Convention of 1898, eventually gaining the attention of several prominent figures instrumental in the creation of the financial and fiscal institutions of the Philippine civil government. Many of his articles in the last years of the 1890s were dedicated to understanding why, despite the efficient and satiated productivity of American industry, financial markets would periodically collapse and go into crisis. Perhaps more

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<sup>42</sup> Arthur Twining Hadley's, presidential address quote from Rothbard, *A History of Money and Banking in the United States*, 216.

<sup>43</sup> J.W Leonard, *Who's who in New York*, (New York, NY: City and State, 1907).

<sup>44</sup> See Emily Rosenberg's indispensable history of financial advisors during the early 20<sup>th</sup> century in *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930*.

importantly, these articles reflected Conant's inquiry into how American business and the United States government could effectively approach the devastating effects of economic crisis.<sup>45</sup>

“The Economic Basis of ‘Imperialism’” provides a lucid illustration of Conant's guiding thoughts concerning the importance of race, capitalist markets, and civilizational history in positioning America as an imperial force at the dawn of a new century. Published just a month after the beginning of the Spanish American War, Conant's article attempted to take an unsentimental perspective of the United States' extraterritorial global expansion into Asia. Most likely influenced by the assemblage of contemporary scholarly vocabulary from the hardening science of economics, Conant situated American imperial formation as the natural development of a modern race advancing a universal capitalist system.<sup>46</sup> For Conant, the racialized “natural impulses” and “instinctive tendency” to imperially expand should not be understood under the ethical binary of “good or ill.” Rather, imperialism should be understood as being undergirded by the basic economic logic of supply and demand. Specifically, Conant found the capitalist markets of the United States and Europe heavily stagnated by the combined overproduction of supply and the weak demands of domestic markets. This blockage of commodity circulation was evidenced by the recurring moments of crises and panics during the last three decades of the nineteenth century. For Conant, therefore, the imperial instincts of the American or Anglo-Saxon race should be seen as a specular mirroring of the natural tendencies of capital to expand.<sup>47</sup>

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<sup>45</sup> For a more in-depth account of Charles Conant's social and professional connections to both the banking community and the McKinley administration see Carl Parrini's detailed chapter “Charles A. Conant, Economic Crises and Foreign Policy, 1896 – 1903” in *Behind the Throne: Servants of Power to Imperial Presidents, 1898 – 1968*, ed. by Thomas J. McCormick and Walter LaFeber, (Madison, WI: The University of Wisconsin Press, 1993), 35.

<sup>46</sup> In particular see Veblen's use of racial anthropological perspective on the labor theory of value in Dorothy Ross, *The Origins of American Social Science*, 207 – 208, and in Jeffrey Sklansky, *The Soul's Economy: Market Society and Selfhood in American Thought, 1820 – 1920*, (Chappell Hill and London: The University of North Carolina Press, 2002), 190.

<sup>47</sup> Charles A. Conant, “The Economic Basis of ‘Imperialism’,” *The North American Review* 167 502 (1898): 326.

In order to make this argument Conant first sutured racial progress with the growth of the global capitalist market by placing the United States within the historical lineage of celebrated Western military and commercially dominant civilizations, such as the Romans, Venetians, Goths, and especially the Anglo-Saxon British.

The United States to-day seem about to enter upon a path marked out for them as the children of the Anglo-Saxon race, not yet traversed because there has been so much to do at home. [...] The irresistible tendency to expansion, which leads the growing tree to burst every barrier, which drove the Goths, the Vandals, and finally our Saxon ancestors in successive and irresistible waves [...] demanding new outlets for American capital and new opportunities for American enterprise.<sup>48</sup>

Conant made this grand statement of the U.S.' auspicious growth overseas beyond the continental territory, however, not out of sentimental patriotism or naïve racial pride. Rather, in his mind, American imperial formation was a natural consequence of economic and racial development. Specifically, it is a racial capacity to not only be excessively productive, but a racial habit to not give into immediate desires in order to save and accumulate wealth for the future.

It is the result of a natural law of economic and race development. The great civilized peoples have to-day at their command the means of developing the decadent nations of the world. This means, in its material aspects, is the great excess of saved capital which is the result of machine production. It is proposed to point out in this article how great this excess is at the present time, how profoundly it is disturbing economic conditions in the older countries, and how necessary to the salvation of these countries is an outlet for their surplus savings, if the entire fabric of the present economic order is not to be shaken by a social revolution.<sup>49</sup>

From the above it is important to note that Conant saw the advancement of the Anglo-Saxon race as the progress of civilization in general. Indeed, Conant's statement referred to the dominant belief that the Anglo Saxon race—which was increasingly, through the aide of scientific Darwinism, becoming the dominant notion of Whiteness at the time—both embodied

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<sup>48</sup> Charles A. Conant, "The Economic Basis of 'Imperialism,'" 326.

<sup>49</sup> Conant, 326.

the American national spirit and acted as the vanguard of human civilization in general.<sup>50</sup>

Moreover, Conant saw capitalism as the natural economic system that simultaneously advanced, and was a result of, civilizational progress. In other words, when one scientifically explored the capitalist system, one was simultaneously exploring the progress of civilization in general.

The second intriguing aspect of Conant's statement was the emphasis placed upon "the great excess of saved capital." This great excess was an unforeseen result of the latest stage of modern civilization, or in his words, the age of "machine production." For Conant, saving was a natural civilizational impulse of advanced races against the "risk of loss and weakness of old age." Yet, as capitalism and civilization progressed, savings were slowly being used as capital investment into newer modes of production. The process of investing savings, as capital, into newer modes of production, led to the industrialization of the most advanced races during the nineteenth century. With the advent of modern industrialization, shares in corporations were more readily available to a population with an increased amount of excess capital to invest. Unfortunately, due to a lack of economic knowledge "frightful miscalculations were made and great losses occurred[.]"<sup>51</sup> This historic process, along with the racial tendency to save, led a greater part of the American population to withhold capital from investing into new enterprises or from consuming commodities from domestic markets. This increased amount of pent-up potential capital congesting the economic systems of the most advanced nations, led to such

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<sup>50</sup> There is a plethora of the complex history of modern whiteness at the turn of the century, some of the more interesting work comes from: David Roediger, *Wages of Whiteness: Race and the Making of the American Working Class*, (London & New York: Verso, 1991) and *Working Toward Whiteness: How America's Immigrants Became White: The Strange Journey from Ellis Island to the Suburbs*, (New York: Basic Books, 2005); Matthew Fry Jacobsen, *Whiteness of a Different Color: European Immigrants and the Alchemy of Race*; (Cambridge, MA: Harvard University Press, 1998); Paul Kramer, *The Blood of Government: Race, Empire, the United States, and the Philippines* (Chapel Hill: The University of North Carolina Press, 2006); Amy Kaplan, *The Anarchy of Empire in the Making of U.S. Culture* (Cambridge, MA: Harvard University Press, 2002); and Stuart Anderson, *Race and Rapprochement: Anglo-Saxonism and Anglo-American Relations, 1895 – 1904*, (Rutherford, NJ: Fairleigh Dickinson University, 1981).

<sup>51</sup> Conant, "The Economic Basis of 'Imperialism,'" 327.

disagreeable effects as the “overproduction, lock-outs, strikes, and commercial convulsions” between 1893 and 1897.<sup>52</sup>

As Emily Rosenberg has astutely pointed out, Conant, foreshadowing similar conclusions drawn by V. I. Lenin and A. J. Hobson, highlighted the historically intimate connection between the excesses of surplus production under industrial capitalism and the accelerated growth of late imperialism.<sup>53</sup> Unlike Lenin and Hobson, however, Conant viewed the crisis of overproduction not as a threat to American capitalism, but rather as an unfortunate consequence that could be expertly managed through the creation of sound financial and monetary policies by economic experts. But this begs the question: what was the most sound policy for the United States in order to make certain the severe effects of crises would not be unmanageable? To answer this question Conant presented three possible solutions.

The first solution proposed the state’s possible adoption of a socialistic policy. To free up capital that individuals were saving-up as insurance against future needs, the state would invest into civic projects and social programs. The state’s investment would thus guarantee against the future needs of individuals, thus allowing individuals to invest their capital into their present market. As Parrini insightfully points out, this strategy would be taken up and refined by John Maynard Keynes a generation later.<sup>54</sup> Conant warned against this strategy, however, because in his view, the great majority of savers would not eagerly hand over money to social programs unless “under compulsion of taxation.” In other words, For Conant, a strong imposing state would be necessary in order to carry out such an economic policy. He thus brushed aside this option for the American Anglo-Saxon by stating: “[i]t will be long before this solution will be

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<sup>52</sup> Conant, 328.

<sup>53</sup> Rosenberg, *Financial Missionaries to the World*, 16.

<sup>54</sup> Parrini, “Charles A. Conant, Economic Crises and Foreign Policy, 1896 – 1903,” 37.

accepted in a comprehensive form in any modern civilized state.”<sup>55</sup>

The second possible solution to overaccumulation was to revitalize demand in domestic markets. This was quickly set aside as inadequate by Conant, for American capital faced a particularly exceptional moment in history when modern modes of production had the capacity to overwhelm any American or European market consumption. “[T]here has never been a time before when the proportion of capital to be absorbed was so great in proportion to possible new demands.” Conant then raised the possibility of war as a possible receptacle for saved up capital. However, Conant labeled war pure consumption, and thus ultimately a “waste of capital.”<sup>56</sup> For Conant, military spending would only make sense if utilized to clear and pacify sites for capital investment and the stabilization of capitalist markets.<sup>57</sup>

The most apposite solution for the United States, therefore, was to go beyond both the old “decaying countries” of Europe and the American continental territory, to pursue the “equipment of new countries of production and exchange.”<sup>58</sup> What would these new sites for capital look like? For Conant, American capital had to turn its gaze toward the countries of Asia and Africa which have “not felt the pulse of modern progress.”<sup>59</sup> American capital in these countries had to be invested in not only the extraction of natural resources or labor through the construction of buildings and machinery, but in public infrastructure, such as roads, dams, irrigation and sewage systems.<sup>60</sup> Conant thus provocatively asserted that in order to advance the growth of the entire global capitalist system, American capital must be invested in developing unmodern societies into modern markets populated by modern economic subjects. What is particularly necessary in

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<sup>55</sup> Conant, “The Economic Basis of ‘Imperialism,’” 337.

<sup>56</sup> Conant, 337.

<sup>57</sup> *Ibid.*, 337.

<sup>58</sup> *Ibid.*, 337.

<sup>59</sup> *Ibid.*, 388.

<sup>60</sup> *Ibid.*, 338.

this imperial scenario, however, is the creation of an ever-expanding world of open markets and free competition. Therefore, the American imperial state, and in particular its military apparatus, was only necessary insofar as it cleared the way for the clear and free flow of capital to where it could proliferate.

In this light, we can see Conant laying down a rough ideologically informed schema for what he believed should be the new relationship of the state to capital. Indeed, the state was merely in existence to clear way for capital and to further develop markets and economic subjects. Yet, for Conant, there was also a spatialized concept of how overaccumulated capital had to flow. As noted earlier, reinvestment into the current and domestic sites of production would not fix the oversupply aspect of crisis. Instead, Conant believed that capital had to, in “undeveloped nations,” find new sites of production rather than merely markets. In subsequent writings he would reiterate that the opening up of territories to American imperialism was a natural stage that American capital had to enter in order to reignite competition and therefore jumpstart global circulation.<sup>61</sup> This therefore meant that the American imperial state had to set proper conditions in these new areas for the safe investment of capital. In other words, “half savage lands” had to be disciplined as an orderly and safe space, not only in the present but also for the long-term future.<sup>62</sup>

Again, Conant differentiated this American Anglo-Saxon style imperialism from other, more tyrannical, and in his view, less rational types of racial imperialisms, like those of Slavic or Latin races. The French and Russians, for example according to Conant, pursued imperialism for “sentimental reasons” and thus irrationally kept their colonial markets closed, retarding the advancement of colonial markets. Closing off markets ended up exacerbating the existing

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<sup>61</sup> Charles A. Conant, “Can new openings be found for capital?” *The Atlantic Monthly* 84 505 (1901): 608.

<sup>62</sup> Conant, “The Economic Basis for ‘Imperialism,’” 338.

problems of overaccumulation since this old-fashioned policy endeavored “to destroy the purchasing power of one’s purchasers” by putting up a protected wall and intensifying “contest against each other before the same body of consumers.” These older colonial closed markets thus went against the “natural laws of trade.”<sup>63</sup>

It is clear that in the years leading up to the American acquisition of the Philippine Islands, Conant had formed a sophisticated theoretical perspective of American capitalism and its intimate connection with imperial state policies. This connection, however, between capitalism and empire was also grounded in the positivist assumptions espoused by racial and civilizational scholarly discourse permeating economic thinking at the time. For Conant, successful economic policy entailed understanding the historical trajectory and lineage of Anglo-Saxon civilization. Specifically, Conant espoused the role Anglo-Saxon civilization played in growing the capitalist world system through: the adoption of industrial modes of production and modern infrastructure, the construction of modern financial and banking institutions based on the Gold standard, the development of a saving and investing culture, the opening of free and competitive markets, and the transformation of what he believed to be primitive populations into modern economic subjects. In other words, Conant clearly imaged American society, especially all the progressive economic attributes, as synonymous with Anglo-Saxon Whiteness. Despite this seeming certainty of how an imperial American economic policy should be constructed, we will see in the next section how local contingencies eventually pushed upon and morphed Conant’s monetary policy in the American colonial Philippines.

### **Marketing Empire and Racializing the Colonial Market**

The year 1901 marked the formation of the Taft Philippine commission. The goal of the

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<sup>63</sup> Conant, 340.

commission was to organize and construct a civil colonial government in the Philippines. The civil colonial government, particularly the judicial, legislative, and executive powers, would take up the moniker Philippine Commission until 1916. On July 23, 1901 Conant was appointed as advisor to the Philippine Commission. Tasked with assessing monetary conditions and subsequently drafting a policy for currency reforms, he would report to the Secretary of Finance and Justice Henry Ide. It is important to note that Conant was hired upon the recommendation of his friends and colleagues Secretary of War Elihu Root and Secretary of the Treasury Lyman J. Gage. Root, who often served as a corporate lawyer, the banker Gage, and the economic expert Conant traveled within the same prominent banking and business circles and all three were eventually involved in the passing of the United States Gold Standard Act of 1900. Conant's banking background intriguingly complimented his research interest in capital investment in spaces opened up by imperialism. After his trip to the Philippines he was immediately appointed treasurer of the Morton Trust Company of New York. The Morton Trust subsequently became the bank in charge of the reserve funds for the Philippines.<sup>64</sup> Yet even before his appointment to the Philippine Commission, Conant had already formed a loose schema in his mind for the Philippine currency system.<sup>65</sup>

Conant was eager to test his theories of racial empire and the nature of the capitalist market through currency reforms in the Philippines. He was especially certain that transforming Philippine currency into a gold-standard system tied to the United States gold dollar would prove the universality and modernity of a single transnational monetary standard. In addition, Philippine currency reform was a crucial test case not only for the gold standard, but also for the

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<sup>64</sup> The Morton Trust eventually also became the reserve banks for Panama and the Dominican Republic, nations that underwent currency reform under the advice of American experts. Rothbard, *A History of Money and Banking in the United States*, 232.

<sup>65</sup> Parrini, "Charles A. Conant, Economic Crises and Foreign Policy, 1896 – 1903," 47.

increasingly privileged role played by expert authority in state decisions. In approaching currency reforms, Conant knew that the United States president had the power to institute a new monetary policy through his executive power over the Islands. Yet, he also understood that in order to attract investment, the currency system had to be founded on a more stable and resilient rule of law. Conant therefore believed it necessary to get the new currency system to be approved through the United States Congress in order to see its real long-term effects. This consequently necessitated shaping the new currency system into something that would appear to benefit not only American and European investors, entrepreneurs, and workers in the islands, but also native subjects. In order to shape a currency system that benefitted both American and native interests, Conant had to first consider how previous and contemporary economic observers viewed the monetary system of the Philippine colony.

Despite the ideological argument that American empire was exceptional from other empires, American economic experts crafting Philippine monetary policy drew their data mostly from reports and articles produced out of the Spanish-language economic and monetary debates of the 1890s.<sup>66</sup> The debates of the 1890s concerned itself mostly with the disappearance of gold from the Spanish Philippines and the subsequent crises caused by the dominance of the Mexican silver currency. Along with these debates and the reports of the military colonial government, American economic specialists received most of their information through Manila newspapers, correspondences with local bankers and businessmen, and of course, records of Spanish monetary legislation and policies between 1895 and 1897.<sup>67</sup> In spite of multiple expert warnings,

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<sup>66</sup> Indeed many of the same works, especially those authored by Francisco Godinez is littered throughout BIA boxes, RG 350 at the National Archives and Kemmerer collection in the Seeley G. Mudd Manuscript Library at Princeton University.

<sup>67</sup> Wolters, 388 and A.A.O. "La Cuestion Monetaria," *La Politica de Espana en Filipinas*, 7 170, (1897).

the Spanish state in 1895 pursued a gold standard currency in the Philippine colony.<sup>68</sup> Although there was an effort to import a substantial supply of gold currency, the reforms were cut short due to the combined strains of the Philippine and Cuban revolutions beginning in 1896. As a result of the inability of the Spanish colonial state to reinforce currency reforms, Mexican dollars once again dominated Philippine currency circulation. From this history, Conant learned an important lesson: strong colonial state actions would be essential in creating an effective and lasting gold standard currency system.

American occupation did little to fix the problem of fluctuating silver values in the Philippine colony. If anything, American imperial formation may have accelerated many of the forces involved in creating currency instability in the Philippine Islands. One need not look further than the aforementioned crisis caused by the Boxer Rebellion. Investment by various imperial agents in the suppression of the Rebellion led to an extraction of almost 3 million Mexican silver dollars from the Philippine markets to China. Attempts to stem the export flow by the American military government were unsuccessful. Eventually, however, after the demand from China dried up, silver currency quickly found its way back into the Philippine colony. This sudden growth in currency supply drastically depreciated the value of silver coinage well below the pre-Boxer Rebellion two to one ratio.<sup>69</sup> The recurring unpredictability of monetary fluctuations significantly hampered American colonial state building, causing losses to the treasury, increasing uncertainty over the budget, and troubling attempts to efficiently keep accurate accounting.<sup>70</sup> As a result, the Philippine Commission, eager to legitimize its authority as

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<sup>68</sup> Willem G. Wolters, "Flooded With Foreign Coins: Spanish and American Administrators Dealing with Currency Problems in the Philippines 1890-1905," *Bijdragen tot de Taal-, Land-en Volkenkunde, The Philippine Historical and Social Studies* 157 3 (2001): 531.

<sup>69</sup> Angelita Ganzon de Legarda, *Piloncitos to Pesos: A Brief History of Coinage in the Philippines*, (Manila: Bancom Development Corporation, 1976), 54.

<sup>70</sup> Kemmerer, *Modern Currency Reforms*, 281.

the new colonial civil state of the Philippine Islands, steadily pushed forward Conant's plan for a new currency system based on the gold standard.

Interviews conducted by the Philippine Commission throughout 1901, however, reveal that there were many who opposed the gold standard. What was especially striking was the manner in which racial ideologies and civilizational discourses grounded anti-gold arguments. For example, one British trader and former bank manager, Charles Ilderton Barnes, defined the Philippines as a "producing country" in which the "wealth of the country, the wealth it produces, is entirely from the soil."<sup>71</sup> For Barnes, Philippine native society's role within the global capitalist system was to only produce raw resources for the industrialized world, thus a more rudimentary currency, such as silver, would suffice. Because natives were racially conceived of as producers, they were in turn not thought of as consumers. Many reasoned that unlike individual lifestyles in industrialized societies, the native's naturally impoverished lifestyle would be incompatible with gold-based currency.<sup>72</sup>

American entrepreneur John T. Mcleod, for example, argued that the native would never be able to afford any of the higher retail prices that naturally accompanied gold-based currency. Unlike individuals in modern industrial societies who understood how to properly save and invest money, the Philippine native would simply "gamble it away."<sup>73</sup> Yet, even if the native did in fact manage to not waste money through gambling, the native's natural lifestyle would not necessitate consuming higher priced modern commodities that a gold-based market would bring.

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<sup>71</sup> *Report of the Philippine Commission to the President January 31 1900*, (Washington: Government Printing Office), 183–185.

<sup>72</sup> For the rest of this chapter I refer to "native" and "Chinese" rather than "Filipino" and "Chinese-Filipino." Not only because these are the racialized and nationalized identifiers used within the texts, but also because to assign "Filipino" or "Chinese-Filipino" to these unknowable figures is to assume a pure and knowable origin for those who were part of a heterogeneous society made up of a plurality of possible identities. Unlike those involved with these interviews, I attempt to write an historical account without domesticating these radically unknowable and locatable figures.

<sup>73</sup> *Report of the Philippine Commission to the President January 31 1900*, 308.

Asked by the Commission whether natives, once on a gold based currency, would consume higher priced commodities produced in the United States such as manufactured clothes, Barnes answered: “the native does not use a great deal of clothing.”<sup>74</sup> For both Mcleod and Barnes, therefore, the unmodern native, who wasted money and had primitive consumption needs, was incapable of the more modern desires that naturally accompanied gold currency.

But why, according to many who were anti-gold, was the native incapable of this leap into the life of modern consumption? A related and perhaps more practical reason for this anti-gold argument, especially for capitalists and entrepreneurs such as Mcleod and Barnes, had to do with the effect of gold currency on wages.<sup>75</sup> If the prices for the necessities of life were to increase, then that would mean a situation in which wages would have to correspondingly be raised. The anxiety over the native demanding more value for their work, and thus challenging authority, did not come entirely from a suspicion of labor, but also from doubting the native’s racial capacity to comprehend modern value. As the Director of the Banco Español Filipino Bernacio Balbas asserted “the native [...] can’t understand when you give him a small piece of gold that it is worth more than silver. Moreover, they don’t care for it, it is too small for them.”<sup>76</sup> According to Balbas, the native’s primitive mental capacity would not allow him to be able to understand that the smaller gold coin was worth more than the larger Mexican silver coins. Because of this racial unmodernity, the native would not be able to comprehend that value is determined not by the aesthetics or the concrete dimensions of the coin, but rather by the capitalist market.

Due to the native’s ignorance of the true value of coins, he would in turn demand that he get paid the same numerical amount of coins as before. Put differently, the native would cast

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<sup>74</sup> *Report of the Philippine Commission to the President January 31 1900*, 183–185.

<sup>75</sup> *Ibid*, 306.

<sup>76</sup> *Ibid*, 156 - 157.

suspicion upon the new gold currency, not believing that the smaller-size and lesser number of coins would be equal in value to their previous wages. This sentiment was echoed when the Commission questioned American financial broker William A. Daland on the matter of wages.

Q. You think that if you made a contract with the native to pay him so many dollars you would have to pay him as many gold dollars as you now pay him silver dollars?

A. That would be the native's idea; yes.

Q. In the matter of wages and the price for labor?

A. They would expect the same wages as they get to-day.

Q. The effect would be that we were paying them double?

A. Yes.<sup>77</sup>

The problem was not limited to the individual native laborer, however. Instead, the problem also involved the local market conditions of the Philippines in which native retailers would, because of their racial incapacity, refuse to believe that the smaller gold coin was worth more than the older silver Mexican coin. As H. D. C. Jones, the head of Hongkong and Shanghai Bank argued, the native "can get more for the silver dollar than he could for the gold, and when he has got the Mexican silver dollars he naturally feels he has more money in hand to spend[.]"<sup>78</sup> In this retail exchange, the native seemingly rejected both the state and the market's determined valuation of money and instead valued money by how it "naturally feels." In this imagined scenario we see how the racialized ignorance of the native was dangerously connected to the native's potential non-recognition of the value authorized by either the state or the expert.

The native, however, was not the only racialized subject that attracted attention from those debating currency reforms. Indeed, much like the Spanish era monetary debates, the Philippine Commission was obsessed with linking money to the figure of the Chinese merchant. Many believed that in approaching the perceived Chinese retail and moneylending dominance in the Philippines the Commission should take as a model the immigration policies of the United

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<sup>77</sup> Ibid, 162.

<sup>78</sup> Ibid, 210.

States. This especially exclusionary policy would limit Chinese migration to manual laborers and place a time limit on the residence of Chinese migrants in the colony. This policy of exclusion was suggested as a way to allegedly protect the development of native capital and simultaneously extract cheap labor to build much needed modern infrastructure due to the native's natural laziness.<sup>79</sup> Many of those interviewed, racialized the Chinese migrant as parasites to local economies. Often these accounts called upon the popular narrative of cunning entrepreneurship. This narrative was perfectly encapsulated in Edwin H. Warner's interview: "the Chinaman comes here as a coolie; he saves a little money and at once goes into the country and starts a small store." After the establishment of his business, however, the Chinese merchant/middleman revealed his inherent parasitic and exploitative qualities. Again, Warner:

[H]e is a curse to any province he goes to, as he systematically adulterates everything, everything he buys, and cheats the native in bargaining. He has got no system of morality at all.<sup>80</sup>

As we know, however, the racialized figure of the Chinese merchant often acted as the public face of money and the market in the latter half of the nineteenth century Spanish Philippines.<sup>81</sup> Moreover, due to their historically produced economic role as retailer or moneylender in the Philippine colony, the Chinese remained the most public and commonplace of predatory figures during times of monetary crisis. As a result of this simultaneous suspicion and scapegoating of the Chinese, there was, no matter what side of the currency debates one was on, a strong anti-Chinese consensus among those interviewed.<sup>82</sup> Indeed, there seemed to be an incessant obsession with linking the currency question with the question of the Chinese by both

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<sup>79</sup> Although there are many examples of the native's inherent laziness, see Daland's interview especially to see its connection to anti-Chinese migration, *Report of the Philippine Commission to the President January 31 1900*, 164.

<sup>80</sup> *Report to the President January 31 1900*, 199 - 200.

<sup>81</sup> See chapter one of "Monetary Authorities."

<sup>82</sup> Indeed in the majority of those interviewed concerning currency reforms, the question of Chinese immigration was almost always asked. See, for example the accounts of McLeod, Barnes, Jones, Balbas, and Legarda in the *Report of the Philippine Commission to the President January 31 1900*.

the Philippine Commission interviewers and the interviewees.

Because of this obsession, many argued that by limiting or diminishing the economic role of the Chinese, it would be a benefit to both the native and the colonial state. On one hand, as H. D. C. Jones asserted, the native would benefit because “[t]he native has a great antipathy to the Chinaman[.]”<sup>83</sup> The colonial state, on the other hand, would benefit from anti-Chinese policies because according to Benito Legarda the Chinese were “the most demoralizing people” and “use their means in every way to evade the law, to get around the law, to get the better of it.”<sup>84</sup> Moreover, to the detriment to Philippine society, the local market, and the colonial state, Chinese simply “make money and take it away with them.”<sup>85</sup> Even if anti-Chinese policies were pursued, however, the economic role of middleman, retailer, or moneylender would be left vacant. Consequently, it would not be the racialized native who was “too lazy to keep store” that would fill the role.<sup>86</sup> Instead, as Daland argued, once the Chinese were rooted out of the retail and middleman position, “[t]he English, the Americans, and civilized nations” would “come here to keep store.”<sup>87</sup>

The combined knowledge culled from past Spanish monetary debates and policies, local racial hierarchies and civilizational discourses, and the divergent desires and complicated allegiances of the business and banking community in the Philippines decisively changed Conant’s initial schema for currency reform in a crucial way. While in 1898 Conant had argued against the “limping standard” of bimetallism and for the bright future of a global capitalist system based on the gold standard, by November 1901 Conant had transformed his notion of an American monetary imperialism. Instead of a gold standard, Conant drafted and submitted his

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<sup>83</sup> *Report to the President January 31 1900*, 216.

<sup>84</sup> *Ibid*, 179.

<sup>85</sup> *Ibid*, 165.

<sup>86</sup> *Ibid*, 169.

<sup>87</sup> *Ibid*, 167.

plan for a new coinage, materially consisting of silver bullion, but its value was equivalent to a theoretical gold peso. Conant had thus introduced a plan for a gold exchange standard in the Philippines.<sup>88</sup>

### **Stabilizing Colonial Currency and Racial Hierarchy through Knowledge**

Conant went ahead and laid out a six-step plan, including changing the name and the denomination of smaller value coins, in which to carry out currency reform in the American Philippines.<sup>89</sup> In order to advance this plan, however, Conant had to address many of the arguments of those in favor of maintaining a silver based currency and as well as those who advocated extending the U.S. dollar into the colony. In response, Conant argued that maintaining a currency based on silver or bimetallism would be disastrous for the future foreign trade of the country. Calling upon his knowledge of monetary history, he argued that silver nations were at a “serious disadvantage” due to “the fact that the value of silver as expressed in gold” was “subject to constant fluctuations.” Additionally, in order to maintain silver currency in the islands, the silver value would be based on a forced parity with gold. Silver, for Conant, would thus be maintained by a state fiction that went against “the free play of the laws governing the value of money.”<sup>90</sup>

Intriguingly, however, Conant shifted the focus of most of his gold exchange argument toward the perceived needs of natives and the local conditions of native life. Unlike his previous works, which saw the colonization of silver countries as a solution for gold-based industrial

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<sup>88</sup> Conant, *A Special Report on Coinage and Banking in the Philippine Islands*, (Washington: Government Printing Office: 1901), 14; Also see Rosenberg, *Financial Missionaries to the World*, 16. And for an in-depth history of the fate of the gold exchange standard in the Philippine colony see Yoshiko Nagano’s “The Philippine Currency System During the American Colonial Period: Transformation from the Gold Exchange Standard to the Dollar Exchange Standard,” *International Journal of Asian Studies* 7, no. 1 (2010): 30 – 34.

<sup>89</sup> Conant, *A Special Report on Coinage and Banking in the Philippine Islands*, 7.

<sup>90</sup> Conant, 14.

nations to overcome economic crises caused by overproduction, Conant relied on racialized assumptions of the benefits of gold exchange to transform, in a series of measured stages, Philippine economic life. Certain to make clear that his conclusions about the benefits of a gold exchange standard to a less developed race was informed by positivist knowledge, he argued that those who desired to simply extend the American system to the colony had not “studied from a scientific point of view the monetary necessities of the Filipino people.” If they had, they would have known that utilizing American currency for a race that, on the whole, did not have the capacity to understand the true market value of currencies, would lead to “a great confusion in retail prices and in rates of wages.”<sup>91</sup>

Recall, from earlier interviews, the racial common sense that the native was both suspicious of new things and far too mentally underdeveloped to comprehend market value that they could not feel or see. The most consistent example of both this reactionary suspicion and market value illiteracy was the native’s perception that the smaller United States gold dollar was worth less than the larger, more familiar, Mexican silver coin. Informed by this common sense perception of the racial limitations and desires of the native, Conant created what he believed could stabilize value, make trade and capital investment easier with industrialized countries, and bind the Philippine currency to the United States monetary and financial system. The realization of these goals, however, depended on the native’s recognition and acceptance of the new currency. Consequently the new silver coin would be called the Philippine peso, in order to distance it discursively from the dollars (American and Mexican) currently in circulation. This would ease the “inconvenience in retail trade” and would protect against any future confusion over “interpretation of contracts.” Despite this nominal distinction, believing the native suspicious and illiterate of modern market value, Conant believed that there should be no

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<sup>91</sup> Ibid, 8.

“radical change” in the weight or fineness of the coin.<sup>92</sup> Fighting the urge to drastically reduce the silver content of the token silver peso, Conant argued for a coin that would not disturb the conditions of exchange to which natives had “long been accustomed.”<sup>93</sup>

Still, the creation of a token coinage system invited the twinned possible threats of counterfeiting and smuggling. If the silver bullion content contained in the coin was valued higher than the state fiat value, it could initiate desires to extract the silver content from the coins and “drive them to the melting pot.” If the silver bullion content was too small, however, it could, according to Conant, “invite distrust and expose the new coin to the same danger of counterfeiting as American silver money.”<sup>94</sup> To caution against both smuggling and counterfeiting, the new silver peso would contain just enough silver and be similar enough in size to the previous Mexican silver coin that the native would recognize in it, authenticity. At the same time, however, to combat driving the new coins to the “melting pot” the silver bullion content of the coin would be reduced below the set value of the theoretical gold peso.

Conant’s plan essentially called for the creation of two new currencies: the token silver peso and the theoretical gold peso. The proposed currency system thus secretly held its true value somewhere else, a ghostly monetary system that physically existed neither in the Philippines nor in the United States. The new token coins, moreover, had to appear strangely familiar and authentic to the native and at the same time secretly reorient its source of valuation toward the United States monetary and financial system. Through this technique of secrecy and distance Conant intended to stabilize and render consistent the coin’s value. Stabilization and consistency, in this case, was not only intended to help foster commerce but was also necessary

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<sup>92</sup> Ibid, 21.

<sup>93</sup> Ibid, 6.

<sup>94</sup> Ibid, 21.

in order to keep labor wages and costs of living low.<sup>95</sup>

Despite the radical changes being brought about, the new currency's design and form would be recognizable enough to natives so as to not raise suspicion. Suspicion of the American colonial state currency, after all, could easily be extended to suspicion of the American colonial state in general. Suspicion, wrought from misrecognition, was an especially dangerous condition during the time of the Philippine American War, particularly for a colonial economy that still could not reliably differentiate between *amigos* and *insurrectos*. As a result, Conant made certain to argue that the correct plan for currency reforms not only fulfilled economic aims, but also were politically resonant enough to ensure the "progress of pacification."<sup>96</sup>

In 1902, after failing to push currency reforms through Congress the previous year, the Bureau of Insular Affairs (BIA) made a concerted effort to sway public opinion before currency reform again went before Congress. The BIA reached out to Conant, once again, as the public face of Philippine currency reform. As both Rosenberg and Rothbard point out, Conant drew upon his public intellectual persona and launched a massive public lobbying campaign for a Congress-approved Philippine currency reform. For Conant, however, public lobbying consisted mainly of tapping into intellectual networks of academic and financial journals for favorable articles, threatening banking community members of the power of the Secretary of War, and even wooing various notable American silver-backers.<sup>97</sup> In January 9, 1903, a currency reform bill was reintroduced through the Committee on Insular Affairs. Conant's public campaign seemed to have succeeded because a month later, the Conant plan found its way through the

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<sup>95</sup> Ibid, 8.

<sup>96</sup> Ibid, 8.

<sup>97</sup> Both Rosenberg and Rothbard summarize the Conant's lobbying strategies contained in correspondences with Colonel Edwards. See Rosenberg, *Financial Missionaries to the World*, 17 and Rothbard, *A History of Money and Banking in the United States*, 223; and National Archives, RG 350, BOX 3197 for the original set of correspondences.

Senate. After being sent back through the House, with very little changed, the bill was adopted by a close vote a week after the Senate approval. On March 2, 1903, President Theodore Roosevelt signed the Philippine Coinage Act.

### **Conclusion: Knowledge and Race against the Force of Money**

This chapter examined the 1903 American currency reforms in the colonial Philippines as a product of myriad intertwining contingencies. On one hand, currency reforms were a result of transnational anxieties, particularly from the American monetary experience in the last decades of the nineteenth century, over crises that punctuated the global capitalist system. Through a reorientation toward a positivist approach in economic thinking, the market appeared even more naturalized and increasingly more autonomous of the state. This apparent autonomy rendered the market unwieldy and even predatory to the colonial military government and colonial society, prompting an urgent push for currency reforms. As a result, American expertise was called in by the colonial state to properly read what military government officials seemed to find illegible. This reliance on the American expert, however, also illustrated that authority based on sovereign power had become, in the realm of the economic at least, increasingly dependent upon an authority based on knowledge. Economic experts could now claim authority over money through their mediating position between the rule of the colonial state and the truths of the capitalist market. On the other hand, however, currency reforms also showed us how economic thinking was obsessed in maintaining both global and local racial hierarchical orders. Indeed, as the military reports on currency conditions as well as interviews conducted by the Philippine Commission reveal, racial capacities to wield and understand money grounded efforts to craft policy and garner public support for legislation. The stabilization of money and economic

exchange at the dawn of American transpacific imperial formation, therefore, was inextricably bound to the stabilization of global and local racial hierarchies.

By July 1903 the “Conants,” as they were soon to be popularly called, began circulating throughout the islands. Looking back at this moment, Mary Fee described how they “were all relieved” by the news that Congress had adopted the ““Conant” system of currency.”<sup>98</sup> Indeed, as Fee remembers, there was some initial resistance to the reform but convinces us that “on the whole the change went off quickly and without much friction.” She recalled in wonderment “how easily and quickly one circulating medium disappeared and another took its place.” Yet, within her same narrative of almost instantaneous transformation remained the cluster of memories that recalled “trouble about getting the poor people to recognize” the new money-form and the value it embodied. With a tone of disappointment, she recounted how “the Treasurer had a long line of delinquents before him each morning admonishing them that they could not play tricks with Uncle Sam’s legal tender.”<sup>99</sup>

The image of the ambivalent, and perhaps even resistant native, reminds us that despite the fact that Conant’s plan had been strongly informed by the native’s capacity to incorporate designs of what he considered a less modern money, we see that his strategy ultimately remained lacking. Conant believed that by keeping the money form and appearance somewhat similar to the older Spanish-era Mexican currency, natives would not seriously question the changes brought about by American imperial formation in the archipelago. Indeed, although he attempted to construct what he believed to be a more recognizable, by way of being more familiar and thus legible, coin, he failed to anticipate that money would never fully belong to the authority of the economic expert. Fee’s observation of “trouble about getting the poor

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<sup>98</sup> Fee, *A Woman’s Impressions of the Philippines*, 162.

<sup>99</sup> *Ibid*, 166.

people to recognize” the new coins, indicated that, despite both expert and political authority, there remained the possibilities of unforeseen and unanticipated misrecognition of American colonial currency in particular, and American authority in general.

In the next chapter we will explore how continuing attempts to strengthen the monetary and banking system of the American colonial Philippines entailed the increased state surveillance and intervention into native economic conventions, social institutions, and various forms of labor marked as unmodern. This intervention demonstrated the combined efforts of economic knowledge and state policies, grounded in heteronormative concepts of capital production, in transforming racialized colonial subjects into ideal modern economic subjects. Due to the myriad responses of ambivalence, resistance, or antagonism on the part of colonial subjects, however, the consequences of this attempted imperial transformation always seemed to escape desired outcomes.

## Chapter 4:

### Creatures of the Present: Race, Desire, and Imperial Progressive Banking, 1903 – 1916

But a storm is blowing from Paradise; it has got caught in his wings with such violence that the angel can no longer close them. This storm irresistibly propels him into the future to which his back is turned, while the pile of debris before him grows skyward. This storm is what we call progress. - Walter Benjamin, "Thesis on the Philosophy of History"<sup>1</sup>

In a letter dated September 2, 1906, Edwin Walter Kemmerer, former Chief of Division of Currency of the Philippine colonial state, congratulated Ben F. Wright on his recent appointment as Chief of the Postal Savings Bank Division. Kemmerer applauded Wright's appointment, for it not only meant an increase in salary and an "ostrich feather" in Wright's cap, but it also marked the materialization of the only "Postal Savings Bank in all Uncle Sam's territory." As the main architect of the postal savings bank system for the American colonial Philippines, Kemmerer had plenty invested in its management, growth, and success. Describing the Philippine Postal Savings Bank as an "experiment" that would be "watched with a great deal of interest," Kemmerer believed its success would lead to the adoption of similar institutions in other American colonial possessions, such as Puerto Rico, or perhaps even in the United States itself. Exciting as these possibilities were, within the same paragraph Kemmerer expressed his doubts of a postal savings bank system ever being adopted in the United States, due to what he believed would be the fierce opposition from the American banking bloc.<sup>2</sup>

What Kemmerer did not foresee, however, was the banking panic of 1907, a financial crisis which entailed the bailout of several of the most prominent investment banks by the capitalist J. P. Morgan. The consequences of this particular economic crisis instigated wide

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<sup>1</sup> Walter Benjamin, "Thesis on the Philosophy of History," in *Illuminations*, trans. Harry Zohn (New York: Schocken Books, 1968), 259.

<sup>2</sup> Edwin W. Kemmerer to Benjamin Wright; September 2, 1906; Edwin W. Kemmerer Papers, 200 1; Public Policy Papers, Department of Rare Books and Special Collections, Princeton University Library.

public support for increased state intervention into financial markets, eventually leading to the creation of a quasi-state central bank system, the Federal Reserve System in 1913 and the Postal Savings System in 1911.<sup>3</sup> The above correspondence illustrated the ways that certain institutions formed in the Philippine colony anticipated and perhaps laid the groundwork for many of the institutions that would take hold in the metropole.

Additionally relevant in the above exchange, however, was the paragraph immediately after Kemmerer's congratulations of Wright. Although brief, the paragraph mentioned Kemmerer's upcoming article "The Philippine Postal Savings Bank" to be published in the October 1906 edition of the *American Review of Reviews*.<sup>4</sup> As an informative description as well as a promotion of the work being done by the civil service in the colonies, the article, in the very opening, makes a remarkable connection between the habit of saving and the capacity for self-government. He writes: "Few measures have been taken by our government in the Philippine Islands of greater importance in the work of educating the Filipino for self-government than the recent creation by the Philippine Commission of a Philippine Postal Savings Bank."<sup>5</sup> Undoubtedly Kemmerer intended the opening of the article to be a statement on the necessary continuation of American political authority in the Philippine Islands. Indeed, one could see in his reference to self-government, that the former colonial civil servant expressed anxiety about the introduction of the new Philippine Assembly, the lower legislative house of the Philippine

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<sup>3</sup> For more information on the origin of the Federal Reserve system and how it was, and continues to be, an "independent" Central Bank rather than a completely state-owned Central Bank see the third chapter in Allan Meltzer, *A History of the Federal Reserve*, (Chicago: University of Chicago Press, 2003); Edwin W. Kemmerer, *Postal Savings: An Historical and critical Study of the Postal Savings System of the United States*, (Princeton and London: Princeton University Press, 1917), 3.

<sup>4</sup> *The American Review of Reviews* was an American mouthpiece of much Progressive reformist propaganda, edited by Albert Shaw in order to animate and strengthen transatlantic discourse with British reformers. One could argue it was also an organ of white Anglo reformist propaganda. See Daniel T. Rodger's *Atlantic Crossings: Social Politics in a Progressive Age*, (Cambridge MA: Harvard University Press, 1998), 132 - 133.

<sup>5</sup> Edwin W. Kemmerer, "Philippine Postal Savings Bank," *The American Monthly Review of Reviews*, 34 (1906): 468 - 470.

government. The seats of the Philippine Assembly were to be occupied by representatives popularly elected in July of 1907, therefore, symbolically, if not politically, decreasing American authority.<sup>6</sup> This impending election was a watershed moment for American colonial rule in the Philippines, for it not only opened up to elected colonial subjects the ability to make law, but it also empowered colonial subjects, through a limited suffrage, the facility of popular sovereignty.

Clearly, however, Kemmerer was skeptical of such empowerment. For him, the Philippine nation's capacity for popular sovereignty, or as was consistently referred to at the time as self-government, was radically dependent upon the individual Filipino's ability to govern oneself. Put differently, the individual Filipino's ability for self-government was an index of the entire Philippine nation's capacity for self-government. Authority over oneself was therefore crucial in actualizing a nation's political authority in general. But how, according to Kemmerer, could one judge both an individual's and a nation's capacity for self-government? The answer lay not in the "purely intellectual" qualities but rather the "moral qualities" of the Filipino, which were founded upon "[p]rovidence, self-reliance, and self-control." These, after all, exhibited the "basic virtues of all successful democracies." At the same time, however, these virtues, which undergirded successful democracies, had a special relationship with the habit of saving. For Kemmerer, not only were these "preeminently the virtues upon which the saving habit depends," but in a surprisingly mutually constitutive way, these virtues were "in turn cultivate[d]" by the habit of savings. Thus the capacity to save was not merely connected to the capacity for self-government, for Kemmerer, the capacity to save was radically necessary in order to cultivate democracy.<sup>7</sup>

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<sup>6</sup> For an in-depth analysis of the 1907 elections see Michael Cullinane, *Ilustrado Politics: Filipino Elite Responses to American Rule, 1898 – 1908*. (Quezon City: Ateneo de Manila University Press, 2003).

<sup>7</sup> Kemmerer, "Philippine Postal Savings Bank," 468.

In the same vein as Kemmerer, this chapter focuses on the deep ties between economic self-control and political self-government in the American colonial Philippines. It examines, in particular, the ways in which the racial capacity of the native Filipino to not only labor efficiently, but also to put off immediate desires in favor of increased wealth in the future, was obsessed over by an American colonial state increasingly influenced by transimperial Progressive liberal reforms. Progressive liberalism, a constellation of ideologies which stretched over not only metropole and colony but also across imperial borders, informed many of the large-scale shifts in the relationship between the capitalist market and social beings. Crystallizing as a political and ideological response to the devastating effects of late nineteenth century industrial capitalism and anticipating many of the twentieth century crises resulting from the emerging dominance of finance capitalism, Progressivism was fixated with both reforming the state and instrumentalizing the state to institute reforms. Unlike previous calls for reforms, however, American Progressivism on the whole demanded: economic competition, centralized political authority, and rule by an efficient technocratic bureaucracy. At the same time, these reforms which Progressivism demanded from the state necessarily extended into society and the individual. Consequently, the individual and society were also gauged by how competitive, how efficient, and how easily one submitted to political authority.

This chapter also traces how these two interrelated demands for reform—of the state and of the individual—occurred simultaneously in American colonial and “domestic” spaces. Still, the central concern of this chapter is not limited to illustrating how American ideologies were informed within an imperial field. Rather, this chapter also focuses on how the increasing dominance of finance in the global capitalist system was heavily dependent upon the transformation of racialized and colonial subjects into economic individuals who labored and

conceived of an infinitely expanding capitalist future. As a result, so-called political reforms of preparing Filipinos for self-government were perhaps founded on a more general global liberal desire to educate natives as self-controlled laborers and potential investors. This transformation was desired for two primary reasons. First, since competition was crucial for the continued growth of the capitalist market, incorporation of more efficient labor and potential capitalists shored up the future of the global capitalist system. Second, hoping to emerge as the geopolitical leader of such a future, American imperial reformers looked toward the Philippine colony as both an experiment for “domestic” populations as well as evidence of America’s fitness to lead.

Filipinos, however, given their assumed racial incapacities could not naturally become ideal economic and political subjects. Instead, Filipino evolution entailed state intervention in order to speed up economic progress. The colonial state, however, did not believe in direct intrusion into the economic realm, choosing instead to carry out economic policies which intervened, not in the capitalist market, but in the political and social conditions of the market. Unencumbered by legal restraints and oftentimes inspired by more economically advanced empires, the colonial state instituted experimental banking and credit policies, unseen in the “domestic” United States. This chapter traces the creation of two specific institutions—the Agricultural Bank and the Postal Savings Bank—in order to reveal how colonial economic policies were obsessed with transforming supposed Filipino racial traits and habits, particularly the racial habit to immediately satiate desires. Still, by exploring the colonial state’s obsession with transforming the Filipino from a creature of the present to a creature oriented toward the future, we see how seemingly innocuous concerns over self-control were in actuality linked to

anxieties over self-government. Indeed, we shall see that one of the most significant desires in need of state domestication was the desire for immediate political independence.

### **Imperial Progressivism and the American Colonial Technocratic State**

On May 22, 1913, Kemmerer delivered a speech in Princeton, New Jersey titled “Why I am a Progressive.” In a lucid tone, his “confession of political faith” recounted the last two decades of what reformers believed to be the preventable exploitation, corruption, and injustice running rampant throughout the social and political system of the United States.<sup>8</sup> Founded on a mix of tedious economic statistics, a review of recent legislation and court cases, and heavy-handed moral rhetoric, the speech could be seen as both crude propaganda and a declaration of support for the barely two year-old political party. Despite Theodore Roosevelt’s failure to be elected president on the Progressive Party ticket just a few months earlier, the third party held on to the belief that they had momentum going into the 1914 elections to make real changes in the United States concerning: “education, legislative reference, social and industrial justice, conservation, popular government, and cost of living and corporation control.”<sup>9</sup>

At the core of the propagandistic rhetoric for the Progressive Party, however, was Kemmerer’s sincere critique of industrial capitalism’s effects on what he believed was America’s spirit of entrepreneurship and meritocracy. Specifically, industrial capitalism’s mode of production not only brutally exploited labor for the pursuit of profit, but also corrupted the entrepreneurial spirit and dynamism of the market through the formation of monopolies, the transformation of electoral politics into big business, and the unregulated decisions and actions

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<sup>8</sup> Edwin W. Kemmerer, “Why I am a Progressive”; May 22, 1913; Edwin W. Kemmerer Papers, 295.9; Public Policy Papers, Department of Rare Books and Special Collections, Princeton University Library, 13.

<sup>9</sup> Kemmerer, “Why I am a Progressive,” 13.

of the banking bloc. In response to these unpalatable conditions Kemmerer made a call for justice. He stated:

I am a Progressive first, because I am intensely interested in the human side of our economic life; because fo [sic] my mind the dollar exists for man not man for the dollar; because I am convinced that the biggest problems, the most fundamental ones, the most impelling ones, now confronting us as a people are the problems of social and industrial justice; because I believe that in this day when the dollar is so much in the ascendency it is a Godsend that a great political party should be formed dedicated primarily to the rights of man rather than to the rights of property. "The supreme duty of the nation", declares the Progressive National Platform, "is the conservation of human resources through an enlightened measure of social and industrial justice."<sup>10</sup>

As shown above, "justice" was necessary when the wealth brought about by industrialism and an "ascending dollar" entailed allowing an undomesticated capitalist market to trespass upon the "rights of man[.]" Kemmerer's speech thus put into focus his belief that an unregulated market, founded on an accelerated industrial mode of production, created an unjust system that "favors the few and handicaps the many."<sup>11</sup>

To illustrate his point, he asked the audience to imagine "two children of equal ability, the one born in a cultured and wealthy home with every advantage to develop everything that is in him; the other born of parents who are industrious but poor in this world's goods." Despite this "mere accident of parentage," Kemmerer believed it unjust that an alterable political and social environment should determine any "child's life opportunities[.]" Likening the current system to a game, he assured the audience of no radical proposals. Instead "Progressives do not complain of those who win under the present rules, provided they play the game honestly; but they believe that substantial changes in the rules would make the game a better and fairer one,

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<sup>10</sup> Kemmerer, 1.

<sup>11</sup> Ibid, 8.

would bring out a larger number of capable players, and withal more skill and joy in the playing.”<sup>12</sup>

It is in this analogy, of economic life being a game bound by systemic rules and played by social beings, that Kemmerer’s speech becomes much more complex in comparison to basic moral rhetoric or political propaganda. Indeed, the competition analogy reveals that one of the main tensions within Progressive era liberalism was the distinction between, on one hand, the capitalist market, an imagined space in which commodities and capital circulated, and on the other hand, the capitalist system that undergirded the market, made up of interwoven political networks and social modes of production. Progressives such as Kemmerer, thus seemed to ask in this moment of late industrial capitalism: how can the capitalist market, which potentially provided so much wealth and so many benefits to a multitude of people, find a way to allow more individuals equal access?

Indeed, the question was not how to replace “the rights of property” by “the rights of man.” Rather, the question was how to put the capitalist market, which was naturally ruled by the “rights of property” under the guidance of the “rights of man.” How, in other words, could the natural market, be put in its proper place? For Kemmerer, the market, therefore, was a natural fixture and essential for man to survive, develop, and progress. As something that was natural, ruled by its own internal laws, the problem was not with the capitalist market, which necessitated competition in order to grow and continue. The problem was that the United States had lost the ability to uphold the “rights of man,” to such an extent that even competition, so essential to the growth of the capitalist market, was stifled under the current political and social systems.

Returning to the game analogy in Kemmerer’s speech, we see how he seemed to insinuate that the injustice of the current game was not inherent to capitalism itself. Rather, the

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<sup>12</sup> Ibid, 8.

game had progressed or evolved to a point that the current rules did not provide a level playing field. As a result, the problem was not that the game produced unequal economic relations. After all, any game must have winners and losers. The problem was that the current rules of the game had become outmoded and were not efficiently or economically allowing players to compete fairly or even allow enough players to play. Kemmerer was nervous as to what could result from this type of inefficient game, a game governed by antiquated rules. Indeed, if allowed to continue its course unmolested, the game would produce more and more losers and involve less and less players. Competition had to be saved.

In searching for a realistic solution to save competition, Kemmerer identified government as both the problem and the answer, for it sustained rules based on what Kemmerer, and other reformers called the “dead hand” of laissez faire philosophy.<sup>13</sup> Created under “entirely different industrial conditions,” legislative reforms were necessary so that “the people” playing in the current game “should not be unduly restrained by the dead hand.”<sup>14</sup> Rather than maintain a political and legal system that seemed to choke competition, the state needed to reform the rules to reinvigorate competition, which was, in turn, essential to sustain the natural growth and dynamism of the market. Kemmerer thus, seemed to see economic individuals less as players being corrupted by the market. Instead, by taking advantage of outdated rules and competing without proper refereeing, individuals were corruptors of the market. What was necessary, therefore, were new rules to better discipline and govern self-interest in order to maintain competition for the benefit of the market. In sum, the conditions of the market—the economic

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<sup>13</sup> “Dead hand” was a Progressive criticism of Adam Smith’s metaphor of the “invisible hand.” The “invisible hand” was the notion that the market contained within its essence a self-regulating nature, naturally channeling individual self-interests toward ends that benefit all of society. Unlike laissez faire proponents, Progressive critiques on the whole, claimed that industrial capitalism changed the conditions of the market and thus self-interest was going against society. One of the most public and controversial critics during the Progressive Era, Upton Sinclair, wrote the “Dead Hand” series, a set of non-fiction books published from 1917 to 1925 concerning the moral and social consequences of unregulated capitalism.

<sup>14</sup> Kemmerer, “Why I am a Progressive,” 14.

individual, society, and the current political system—had to be altered and reformed, not the market. The key to these modifications, for Kemmerer and for many others within the constellation of Progressive liberal thought, lay in increased state intervention, particularly in social education and legislation reform.<sup>15</sup>

Kemmerer's path to Progressivism was undoubtedly shaped by his imperial cosmopolitanism. He cut his teeth through the experiences of America's foray into a globalized world dominated by new imperial scrambles for territory and markets, specifically in Asia, Africa, and the Pacific. For certain, as will be seen later on in the chapter, like other American Progressives, Kemmerer exhibited both a racial affinity and rivalry with the white bourgeois social reformers of the British Empire.<sup>16</sup> His first major career milestone, however, and indeed the "ostrich feather" that would remain in his cap as he would eventually become known to the world as the international "money doctor," was work done as Chief of Division of Currency in the Philippine colonial state.<sup>17</sup> It was therefore in the colonial Philippines that Kemmerer's lengthy career as financial expert advisor to the world began. The Division of Currency, however, was not a long-term position; it was created as a two-year temporary position in order to implement and administer the currency reforms brought about by the 1903 Gold Standard Act. In addition, one of the main stipulations named in the Act as a responsibility of the Chief of Currency was the creation of financial and banking institutions for the economic development of the Philippine colony.<sup>18</sup>

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<sup>15</sup> Kemmerer, 13.

<sup>16</sup> Kemmerer often referred to British colonies in his reports and correspondences concerning Philippine currency and banking. For more on British and American imperial rivalry and affinity see Rodgers' *Atlantic Crossings* and Stuart Anderson, *Race and Rapprochement: Anglo-Saxonism and Anglo-American Relations, 1895 – 1904*, (Madison, New Jersey: Fairleigh Dickinson University Press, 1981).

<sup>17</sup> G. Findlay Shirras and W. Stark, "Obituary: Edwin Walter Kemmerer," *The Economic Journal*, 56.222 (1946).

<sup>18</sup> Yoshiko Nagano, "Philippine Currency System During the American Colonial Period: Transformation from the Gold Exchange Standard to the Dollar Exchange Standard," *International Journal of Asian Studies*, 7 1 (2010): 33.

To run the Division of Currency, the Philippine Commission at first looked to hiring Charles Conant, the main architect of the 1903 Act. Conant, however, had already taken up a position in the Roosevelt created Commission on International Exchange (CIE), which sought, through expert based diplomacy, to convert the Chinese and Mexican currency systems into a gold-based system pegged to the U.S. dollar. The Commission then approached Conant's partner in the CIE, noted Cornell University economist Jeremiah Jenks for a recommendation. In response, Jenks suggested his recently graduated doctoral student Kemmerer. By World War I, Kemmerer and his students would be some of the most publicly known international economic advisors and proponents of the gold standard system.<sup>19</sup> In 1903, however, Kemmerer, still inexperienced and unknown, was teaching as an entry-level instructor at Purdue University, unsure of his ability to command masculine authority in a room full of experienced politicians and elder bureaucrats. In numerous private correspondences to his mentor Jenks, Kemmerer expressed anxieties concerning his appearance and his ability to make a good impression on men of political authority, for example, Philippine Governor General William Howard Taft.<sup>20</sup>

Kemmerer was no exception from the broader community of economists in his anxieties over “manliness” at the dawn of the new twentieth century. As Emily Rosenberg argues, the increasingly professionalized science of economics and the scientific-managerial field of international finance was the domain of men.<sup>21</sup> Consequently, Kemmerer's constant heteronormative anxieties over financially providing for the livelihood of his wife and child, according to Rosenberg, exhibited much of this specifically white bourgeois patriarchal belief in

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<sup>19</sup> Emily S. Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy 1900 - 1930*, (Durham, NC: Duke University Press, 2003), 17.

<sup>20</sup> Edwin W. Kemmerer to Jeremiah Jenks; May 27, 1903; Edwin W. Kemmerer Papers, 199.2; Public Policy Papers, Department of Rare Books and Special Collections, Princeton University Library: 1.

<sup>21</sup> Not only were the dominant majority of economists, financial advisors, and bankers men, but notions of the proper management of the capitalist market was largely informed by white bourgeois gender codes. Rosenberg, *Financial Missionaries to the World*, 33.

the paternalistic duty of stronger men to economically provide for and protect naturally weaker women and children.<sup>22</sup> Citing a personal letter from Kemmerer's son, Rosenberg makes the argument that Kemmerer's moral paternalism extended beyond the intimate into the public, underlining in particular, Kemmerer's belief in the state's duty to ensure that hard work and savings of individuals in society were rewarded and protected.<sup>23</sup> This particular view of the state, as an entity that, on one hand, guaranteed that those who worked hard within a capitalist system were rewarded, and on the other hand, ensured that everyone within a capitalist system competed by the same rules, positioned Kemmerer firmly in agreement with many Progressive-era reformers on matters of government. Indeed, reformers saw the state as both a site of social and economic reforms as well as an instrument. Still, this left the question for many Progressives just how far beyond the "domestic" nation would the calls for reforms travel.

As much recent scholarship has shown, the colonial Philippines, in the first decades of the twentieth century, was a key site for many American imperial social and political experiments.<sup>24</sup> One of the first, and most famous, to demonstrate the Philippine colonial state's interventions in the political and social realms is Glenn Anthony May's 1890 *Social Engineering in the Philippines*. As May asserts, three particular types of colonial policies dominated American obsessions: preparing Filipinos for self-government, mass primary education, and

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<sup>22</sup> Rosenberg, 33 – 34.

<sup>23</sup> Rosenberg 33, footnote is on 272. One could thus speculate, that for those like Kemmerer, the structure of heteronormative and patriarchal kinship provided a means of stabilizing the potentially queering effects of capitalism.

<sup>24</sup> This is a recently popular, and certainly important, shift in the historiography of American imperial history. Still, one must caution against the way this type of historical argument, which only finds relevance in the history of Philippine colonialism through its "importation" of institutions into the metropole and its curious privileging of "empirical" historical evidence over theory. See Alfred McCoy's *Policing America's Empire* and the majority of essays in *Colonial Crucible* co-edited by McCoy and Francisco Scarano for the best example of this type of historical argument. Alfred McCoy, *Policing America's Empire: The United States, the Philippines, and the Rise of the Surveillance State*, (Madison, WI: University of Wisconsin Press, 2009); Alfred McCoy and Francisco Scarano eds., *The Colonial Crucible: Empire in the Making of the Modern American State*, (Madison, WI: University of Wisconsin Press, 2009).

economic development.<sup>25</sup> Although his overall conclusions were perhaps a bit shortsighted in its scope, the study itself indicated a novel shift in American historiography concerning Philippine colonialism.<sup>26</sup> Namely, academic studies of American colonialism, rather than dwell on whether empire “succeeded” or “failed” in molding Philippine colonial subjects into ideal modern liberal subjects, began to concentrate on how novel modes of government, specifically the disciplinary kind, developed simultaneously in the colonies and the metropole, and even spread to other corners of the globe through ever-expanding imperial webs.<sup>27</sup> In addition, and of concern to the central themes of this chapter, many began to implicitly critique May’s initial dismissal of any connection between reforms in the Philippine colony and Progressive-era liberal reforms in the United States.<sup>28</sup> Before delving further into the impacts of Progressive liberal reforms in the colony, however, let us first look a little closer at Progressivism in general.

Progressivism, as a keyword, was born out of scholars’ attempts to describe the myriad and contradictory histories of organized movements to reform, on a massive scale, both state and society in the wake of industrial capitalism between the end of the nineteenth century and until the end of WWI. Still, there was always a nagging feeling that Progressivism never seemed to quite capture the era’s histories of frequently distinct and contradictory ideologies. Daniel T.

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<sup>25</sup> Glenn Anthony May, *Social Engineering in the Philippines: The Aims, Execution, and Impact of American Colonial Policy, 1900 – 1913*, (Westport CT: Greenwood Press, 1980), xvii.

<sup>26</sup> May falls into the trap of arguing that the United States, due to the resilience of Philippine local hierarchies and traditional authorities, was a failed colonial power. May, *Social Engineering in the Philippines*, xvii.

<sup>27</sup> The following is a sample of the recent historical monographs that have attempted to show this imperial field. Some are of course, more successful than others. See for example: Warwick Anderson, *Colonial Pathologies: American Tropical Medicine, Race, and Hygiene in the Philippines*, (Durham, NC: Duke University Press, 2006); David Brody, *Visualizing American Empire: Orientalism and Imperialism in the Philippines*, (Chicago: University of Chicago Press, 2010); Ann Foster, *Projection of Power: The United States and Europe in Colonial Southeast, 1919 – 1941*, (Durham, NC: Duke University Press, 2010); Amy Kaplan and Donald Pease eds., *Cultures of United States Imperialism*, (Durham: Duke University Press, 1994); Paul Kramer’s *Blood of Government: Race, Empire, the United States, and the Philippines*, (Chapel Hill: The University of North Carolina Press, 2006); Susan Harris God’s *Arbiters: Americans and the Philippines, 1898 – 1902*, (Oxford and New York: Oxford University Press, Inc., 2011); Kristin Hoganson, *Fighting for American Manhood: How Gender Politics Provoked the Spanish-American and Philippine-American Wars*, (New Haven: Yale University Press, 1998); and Alfred McCoy, *Policing America’s Empire: The United States, the Philippines, and the Rise of the Surveillance State*.

<sup>28</sup> May, *Social Engineering in the Philippines*, xviii.

Rodgers, hoping to resolve the debates over “Progressivism” offers an interesting solution. He suggests that “Progressivism” was made up of “three languages—full of mutual contradictions” that “rose into currency and fell into disuse at distinctly different times[.]”<sup>29</sup> As a multiplicity of ideas with “distinctly different historical roots[.]”<sup>30</sup> Rodgers thus believes we should treat Progressivism as a “constellation of live, accessible ways of looking at society[.]”<sup>31</sup>

This constellation of thought, however, had three distinct rationalities. First, Progressivism drew from a relatively old American antimonopolist tradition, most visible in the first decade of the twentieth century in anti-trust politics and rhetoric and the widespread public suspicion of finance capital.<sup>32</sup> Second, Progressivism drew from what Rodgers describes as an obsession with “social cohesion” or a “consciously contrived harmony.” The desire for social harmony could be found in Progressivism’s compulsive need to identify and stamp out any form of moral irresponsibility or even asocial practices and institutions. These irresponsible and asocial acts were framed through a mixture of older Protestant moralities and newer theories of the individual and society from the professionalizing social sciences.<sup>33</sup> The third, and according

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<sup>29</sup> Daniel T. Rodgers, “In Search of Progressivism,” *Reviews in American History*, 10 4 (1982): 123. Although Rodgers is adamantly against considering Progressivism within the realm of ideology, I would suggest that he rethink his notion of ideology, in particular in light of more nuanced and rigorous understandings of ideology in the twentieth century. For example see Antonio Gramsci’s concept of hegemony in *The Prison Notebooks Selections from the Prison Notebooks*, eds. Quintin Hoare et. al., (New York: International Publishers, 1971); Terry Eagleton *On Ideology*, (London & New York: Verso, 2008); Althusser “Ideological State Apparatuses” in “Ideology and Ideological State Apparatuses,” in *Lenin and Philosophy, and Other Essays*, trans. Ben Brewster, 127-188, (London: New Left Books, 1971) and *For Marx*, (London & New York: Verso, 2005); Stuart Hall on Althusser and Gramsci, “Signification, Representation, Ideology: Althusser and the Post-Structuralist Debates,” *Critical Studies in Mass Communication* 2 2 (1985), and “The Toad in the Garden: Thatcherism among the Theorists,” in *Marxism and the Interpretation of Culture*, eds. Cary Nelson et al., 35 – 73, (Urbana and Chicago: University of Illinois Press, 1988).

<sup>30</sup> Rodgers, “In Search of Progressivism,” 123.

<sup>31</sup> Rodgers, 127.

<sup>32</sup> *Ibid*, 123.

<sup>33</sup> *Ibid*, 125. Racial, gendered, and sexual boundaries seemed to be the most heavily policed for trespassing, see Mae Ngai *Impossible Subjects: Illegal Aliens and the Making of Modern America*, (Princeton, N.J.: Princeton University Press, 2004); Gail Bederman, *Manliness and Civilization: A Cultural History of Gender and Race in the United States, 1880 – 1917*, (Chicago: University of Chicago Press, 1995); Nayan Shah, *Stranger Intimacy: Contesting Race, Sexuality, and Law in the North American West*, (Berkeley: University of California Press, 2011) and *Contagious Divides: Epidemics and Race in San Francisco’s Chinatown*, (Berkeley: University of California Press, 2001). For the case of the Philippines and Philippine America especially see: Vicente Rafael, *White Love: And Other*

to Rodgers, the last to arrive, was the rationality of efficiency, rationalization, and social engineering.<sup>34</sup> Although all three rationalities were ever present, the language of efficiency appeared to have the most traction for technocratic bureaucrats seeking the increase of state intervention.<sup>35</sup>

This notion of a highly centralized, efficient, and bureaucratic state appeared novel to most Americans living at the time. As Onofre D. Corpuz points out, the American civil colonial state in the Philippines, scrambling to prove to the world that their imperial war against Filipino nationalists was legitimate, desired to quickly build economic institutions and political apparatuses. Having almost complete autonomy from U.S. Congress, the American colonial state was thus “free to innovate” and craft policies “forward-looking even by American standards” subsequently instituting reforms that most in the United States had “as yet been unable to achieve.”<sup>36</sup> Often imperialists pointed to these novel reforms as proof that indefinite American colonial authority was essential. Two aspects of colonial state formation are of particular concern to us. First, imperial reformers highlighted the exclusion of politics in the machinery of the colonial state. Since the central colonial state was highly bureaucratic, most state workers were appointed, and therefore supposedly not subject to the “spoils system” of local politics.<sup>37</sup> Second, the colonial state would act as a means of education to guide the social, political, and economic

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*Events in Filipino History*, (Durham: Duke University Press, 2000); Linda España-Maram, *Creating Masculinity in Los Angeles's Little Manila: Working-class Filipinos and Popular Culture, 1920s – 1950s*, (New York: Columbia University Press, 2006); and of course Carlos Bulosan, *America's in the Heart*, (Seattle: University of Washington Press, 1973).

<sup>34</sup> Rodgers, “In Search of Progressivism,” 126.

<sup>35</sup> See for example Jennifer Karns Alexander, *The Mantra of Efficiency: From Waterwheel to Social Control*, (Baltimore: The Johns Hopkins University Press, 2008); Samuel Haber, *Efficiency and Uplift: Scientific Management in the Progressive Era, 1890 – 1920* (Chicago: University of Chicago Press, 1973); Dorothy Ross, *The Origins of American Social Science* (Cambridge and New York: Cambridge University Press, 1991); Stephen Skowronek, *Building a New American State: The Expansion of National Administration Capacities, 1877 – 1920*, (Cambridge, London, New York: Cambridge University Press, 1982).

<sup>36</sup> Onofre D. Corpuz, *American Colonial Bureaucracy in the Philippines*, (Institute of Public Administration, Quezon City: University of the Philippines, 1957), 165.

<sup>37</sup> Corpuz, *American Colonial Bureaucracy in the Philippines*, 170.

progress of the native Filipino. Americans were thus recruited into the ranks of the state into authoritative positions, under the assumption that employees would “conduct themselves as exemplars of American civilization” and teach Filipinos “techniques and the substance of expertise[.]”<sup>38</sup>

The image, however, of a smooth construction of a highly centralized, efficient, and bureaucratic state provided by Corpuz is not necessarily complete. Instead, we see that there were many struggles over not only the contours of the state, but also over the particular meanings of catchwords such as centralized authority, efficiency, and expertise. For example Patricio Abinales argues that the constitution of the American colonial Philippine state, as a “patchworked apparatus of agencies and offices that mixed patronage, corruption, and compromises with isles of administrative efficiency and autonomy” has to be seen as “mirroring” the “(re)constitution” of the American continental state.<sup>39</sup> Tracing the lack of willingness on the part of American scholarship to engage with imperial Progressivism to May’s homogenizing dismissal in *Social Engineering*, Abinales responds by rightly pointing out the heterogeneity of Progressive thought, in particular the calls of reformers for a more efficient system of production and the increased intervention into society by a centralized state.<sup>40</sup> What is especially significant in Abinales’ analysis of civil colonial state formation is the tension he illustrates between maintaining a centralized state authority versus a more disseminated state made up of semi-autonomous local government authorities.<sup>41</sup> Progressive reforms, in the Philippine historical case, therefore supported an unelected centralized and bureaucratic state manned by American

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<sup>38</sup> Corpuz, 175.

<sup>39</sup> Patricio Abinales, “Progressive-Machine Conflict in Early-Twentieth-Century U.S. Politics and Colonial-State Building in the Philippines” in *The American Colonial State in the Philippines: Global Perspectives*, eds. Julian Go and Ann Foster, (Durham, NC: Duke University Press, 2003), 150 – 151.

<sup>40</sup> Abinales, “Progressive-Machine Conflict in Early-Twentieth-Century U.S. Politics and Colonial-State Building in the Philippines,” 150.

<sup>41</sup> It should be clear that there were parallel state formations in the American colonial Philippines, one civil and one military.

technocrats. These technocrats could thus, through specialized knowledge, make necessary interventions into social and political conditions without being corrupted by local politics.

The central concerns of Paul Kramer's chapter "Reflex Actions" touches upon both the question of imperial consequences to "domestic" American politics as well as the connection between Progressive-era reforms to the Philippine colonial state.<sup>42</sup> Most salient for this work is his argument that technocratic notions of rationality and efficiency became the dominant motor of anti-corruption reforms in the colonial civil service. Indeed, according to Kramer, reformers were less concerned that corruption in the colonies could contaminate the republican virtues of the metropole. Instead, reformers had become obsessed with how corruption indicated that certain aspects of the colonial state were badly managed and needed to be run more efficiently. In other words, in the early twentieth century, the desire to forge an incorruptible colonial civil service, manned by Americans, was no longer grounded in a moral or political critique of the corruptive possibility of imperial connections, but rather based in an obsession that technocratic management was essential in transforming society and the individual.<sup>43</sup>

From the above I argue that Kemmerer's identification with Progressivism in 1913 cannot be limited to simple affinity with a particular party platform. Rather Kemmerer's view of the complex relationship between American organized politics, social reforms, and state intervention in the wake of industrial capitalism, has to be considered as being constituted by events and relations occurring far beyond "domestic" American politics. Indeed, as both Kramer and Abinales illustrate, Progressivism must be seen as an imperial constellation of ideologies struggling over institutional reform in both the colony and the metropole. At the same time,

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<sup>42</sup> Paul Kramer, "Reflex Actions: Colonialism, Corruption and the Politics of Technocracy in the Early Twentieth Century United States," in *Challenging US Foreign Policy: America and the World in the Long Twentieth Century*, eds. Bevan Sewell and Scott Lucas (New York, NY: Palgrave Macmillan, 2011), 14 – 17.

<sup>43</sup> Kramer, "Reflex Actions," 21 – 24.

however, we must keep in mind that the projections of racial capacities of colonial subjects were crucial in setting the conditions of possibility for these imperial reforms. The next historical examples, namely the Agricultural Bank and the Postal Savings Bank, give us a more in-depth look at how imperial Progressive reforms gained traction, were troubled, or were out-right stifled when faced by racial and cultural conditions in the colony.

### **Agricultural Bank: Domesticating Unregulated Creditors through Centralizing Authority**

On April 13, 1903 the Philippine Commission passed a resolution to establish an agricultural bank in the colony. In June 1904, after overseeing most of the difficult aspects of implementing currency reforms in the colony, as the Chief of the Division of Currency, Kemmerer was tasked by the Treasurer to design an agricultural bank.<sup>44</sup> His first step was to assess the local modes of agricultural production of the Philippine colony, including natural conditions as well as local social institutions and economic practices. Drawing much of his information from the 1903 *Census of the Philippine Islands*, Kemmerer's assessment was noticeably informed by racial conceptions of the native's labor capacities, social and cultural institutions, and economic practices. Kemmerer began his report by saying that the Philippines were "preeminently an agricultural country[.]" As such he was troubled by the fact that despite agricultural products accounting for ninety four percent of the colony's exports, less than half of land dedicated to agriculture was currently being cultivated.<sup>45</sup>

Immediate conditions were exceptionally dire due to the destruction of the Philippine American War. Officially ending in 1902, the war had disastrous effects on agricultural exports. Making sure to blame the anti-colonial armed resistance of the *Katipunan*, Kemmerer

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<sup>44</sup> I will deal more in detail with this process of currency reform overseen by Kemmerer in Chapter Five of "Monetary Authorities."

<sup>45</sup> Edwin W. Kemmerer, "An Agricultural Bank for the Philippines," *The Yale Review* 16 (1907): 261.

highlighted how infrastructure and technology were especially hard hit with “fences torn down” and “farm buildings burned[.]” In addition, the political destabilization caused by war led to monumental natural disasters such as “locusts and floods” and epidemics such as “rinderpest and other cattle diseases” to run rampant, even allowing “thousands of acres of rich soil” to be “reclaimed by the tropical jungle.” Yet, adding to the apparently uncontrollable violence of nature and war which constituted the current Philippines’ “backward condition” was the “niggardliness of the American Congress[.]” Indeed, Congress appeared to be “under the influence of a few representatives of American sugar and tobacco interests in the United States Senate” who, afraid of the competition, had cast Philippine agricultural producers in a type of limbo by denying them access to both American and Spanish markets. For Kemmerer, despite the pacification of both the “civilized parts of the islands” and the natural disasters and destructive diseases by the colonial state, “economic progress” in the Islands was threatened by the “absence of good markets” and “adequate transportation facilities[.]”<sup>46</sup>

Exacerbating these dismal conditions was the Philippines’ inadequate banking and credit infrastructure. There were two interrelated reasons for this: the lack of banks and the proliferation of usurers. First, at the time of American occupation, three of the four major banks were British owned, mostly involved in foreign exchange, and two in particular were explicitly prohibited by their articles of association from making loans on real estate.<sup>47</sup> The major commercial houses, also dominated by Europeans, with the exception of a few located in sugar-production provinces, were also reluctant to make loans on landed property. Additionally, the occasional agricultural loans given by commercial houses were limited to owners of large estates. Thus, despite “how good the land or how perfect the title” for “many parts of the

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<sup>46</sup> Kemmerer, “An Agricultural Bank for the Philippines,” 263.

<sup>47</sup> Kemmerer, 263.

Philippines money cannot be borrowed at any rate of interest[.]”<sup>48</sup> As a consequence, there existed a credit market for small-scale real estate, troublingly ruled by large landowners and unregulated and informal usurers.

In his analysis, Kemmerer included brief excerpts from various provincial treasurers on conditions of agricultural production. Clearly surprised, he listed interest rates on credit ranging from twenty-five to one hundred percent. Since money was in short supply in most of the agriculturally based provinces, small landowning farmers or tenant farmers were forced to put up not only their land, but in addition mortgage their yearly crops in order to meet their immediate expenses. Indeed, rare was the case in which money was used for the improvement of land or for purchasing farming tools or supplies. Rather, borrowed money was used to pay for the year’s basic living necessities. Moreover, crop prices at the end of the season, were oftentimes determined by creditors (or those colluding with creditors) thus leaving the debtor farmer in a precarious position. One report from Cagayan claimed that tobacco grown by debtors were usually classified at “one class lower than where it rightfully belong[ed]” affecting the price from “25 to 50 per cent.” Although diverse in moral tones, the different excerpts provided by Kemmerer construct an image of a world of unequal relations in which the small farmer was forever stripped of any autonomy and bound to those with access to money. One report from Pampanga, illustrated this by acerbically describing these loaning practices as rendering the small farmer into a position of practical “bondage” and “slavery.”<sup>49</sup>

Race clearly shaped Kemmerer’s analysis in almost all of the local exploitative credit practices. There was no blame put on Americans or Europeans. Instead, all the exploitative practices were instituted and maintained by rich natives or predatory Chinese moneylenders.

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<sup>48</sup> Ibid, 264.

<sup>49</sup> Ibid, 266.

Indeed, there existed an economic vacuum because the dominant British and American commercial banks showed little interest in making available smaller agricultural loans. If there was any connection to Europe or the United States, it was only through the loans intermittently doled out by European merchant houses and banks to large landowning natives. These wealthier natives then went ahead and converted regulated capital into unregulated credit dispersed informally to small landowning farmers or landless peasants, thus making profit by simply being mediators between the money supply and the agricultural worker. In other areas, Chinese moneylenders were known to accrue surplus value by merely mediating between the labor of small farmers and landless peasants and the capital provided by merchant houses.<sup>50</sup> This credit system had emerged and hardened under the Spanish colonial regime in the mid to late nineteenth century, and thus it is conceivable that Americans were genuinely bewildered by these exploitative and unjust systems.<sup>51</sup> However, the racialization of such immoral and predatory practices as part of the Spanish legacy of a corruption and bossism, a legacy frequently referred to as “caciquism,” fit perfectly into a larger American racist critique of Philippine political institutions and economic practices in general.<sup>52</sup>

Looking at this report through race then, perhaps what troubled Kemmerer and other provincial treasurers, was less that this kind of exploitation existed, but rather that wealthy natives and Chinese seemed to rule this particular credit market without any regulation by the

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<sup>50</sup> Ibid, 266. This sentiment of Chinese as usurer should be seen as part of a longer history of the racialization of Chinese as middleman or parasite to colonial economy. See in particular chapter one of “Monetary Authorities.”

<sup>51</sup> For a detailed and rigorous analysis of the formation of this agriculturally based economic system see Josep Fradera, “The Historical Origins of the Philippine Economy: A Survey of Recent Research of the Spanish Colonial Era,” *Australian Economic History Review* 44 3 (2004); and Jonathan Fast and Jim Richardson, *Roots of Dependency: Political and Economic Revolution in 19<sup>th</sup> Century Philippines*, (Quezon City: Foundation for Nationalist Studies, 1979).

<sup>52</sup> The most famous critical analysis of the historical emergence of the “cacique” is Ben Anderson, “Cacique Democracy in the Philippines” in *The Spectre of Comparisons: Nationalism, Southeast Asia, and The World*, (London and New York: Verso, 1998). Another interesting analysis of the “cacique” within Philippine politics can be found in John T. Sidel, “Philippine Politics in Town, District, and Province: Bossism in Cavite and Cebu,” *The Journal of Asian Studies*, 56 4 (1997). Finally Kramer illustrates how reformists took obsessive aim at “caciques” in “Reflex Action.”

American colonial state. Moreover, it was not only that natives and Chinese seemed to dominate, and thus hold authority, over particular credit practices, but that these practices appeared to Americans as strangely foreign and without any recognizable order. For example, the Pampanga treasurer report described a myriad of possible iterations of credit relationships that all fit under what he labeled a “share system.” Practiced “almost universally[,]” the share system was a general term that described an informal contractual relationship between a wealthy landowner and a tenant farmer or landless worker. In some cases the tenant borrowed credit to work one set parcel of land or in exchange for credit, the tenant promised to sell a proportion of crop at a set price at the end of the year. In another instance, the tenant simply provided labor while the creditor provided land, equipment, and seed. In addition to these “gradations” of arrangements, the treasurer troublingly reported that there were “infinite others” which positioned the small farmer at the bottom of this hierarchy.<sup>53</sup> In the eyes of Kemmerer, these “infinite” iterations of an unrecognizable order, which seemed to bypass American authority and instead bind the vast population of small farmers to the authority of wealthy elites or Chinese usurers, intensified the necessity for American intervention.

In response, Kemmerer explored two possible solutions. In his initial assessment he noted that on one hand there were no signs indicating that a privately backed agricultural bank was forthcoming from the native population. For one, wealthy natives would most likely not release their control of such a lucrative economic system and in addition, the poorer natives would be unable to break free from such a social order, due to the assumed deep affective obligations that could potentially be transformed into unquestioned political allegiances.<sup>54</sup> Finally, the assumed

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<sup>53</sup> Kemmerer, “An Agricultural Bank for the Philippines,” 265.

<sup>54</sup> There is a long historiography dedicated to analyzing Philippine politics as being determined by this social order, which is often referred to as “patron-client” relations. See Sidel’s “Philippine Politics in Town, District, and

racial capacity of Filipinos shaped his assessment that the “the Filipino people[,]” were not only unwilling, but “not yet prepared to conduct successfully cooperative land credit associations[.]”<sup>55</sup>

On the other hand, a government-backed agricultural bank would be ill advised for two specific reasons. First, Kemmerer argued that a government-administered bank could encourage the “proclivity of the native population to depend upon the government for financial aid and support.” Likening Filipinos to children, the government bank would thus be “looked upon as a sort of paternal institution, possessing an unlimited amount of wealth upon which it placed little value[.]” Simultaneously discouraging and encouraging the child-father metaphor, an agricultural bank, like the American colonial state, should dedicate itself to educating Filipinos of the correct system of valuation, rather than devaluing money by rendering it “easily obtainable.” In this imagined scenario Kemmerer dreaded the potential of the government being held hostage by Filipino borrowers. Because Filipinos believed the government bank was “under obligation to loan to the people” this would create a culture of irresponsible borrowers, who looked to the government bank as an unlimited source of welfare rather than a steward of capital circulation. In addition, if the government decided to foreclose mortgages of natives due to non-payment, it could have the disastrous consequence of arousing “popular opposition” and suspected for expropriating even more “property to increase its already extensive domains.”<sup>56</sup>

The second reason why a government backed bank could prove disastrous for the American colonial state was that it would pile on more work and responsibilities on the already overstretched provisional treasurer. Indeed, as Kemmerer pointed out, an increase in tedium and work foreign to his official position, such as investigations “into the private affairs of the people

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Province,” 947 – 949; and Ben J. Kerkvliet’s *The Huk Rebellion: A Study of Peasant Revolt in the Philippines*, (Quezon City: New Day Publishers, 1979), 7 – 9.

<sup>55</sup> Kemmerer, “An Agricultural Bank for the Philippines,” 269.

<sup>56</sup> Kemmerer, 269.

of his province[,]” would be “detrimental” to the colonial civil servant’s “efficient performance.” Moreover, much like the first concern over arousing popular suspicion and opposition, having a colonial state representative “granting [...] some applications for loans and rejecting [...] others would put the government in a delicate position.”<sup>57</sup> In both potential outcomes of a state-backed agricultural bank, Kemmerer positioned the native akin to a spoiled child, who would become ever more dependent upon a welfare state that provided easy money. Moreover, like an immature child, the native was quick-tempered and could at any instant violently target the state for any loan decision the native decided unfair. The native, in this scenario, would horrifyingly be the authority on what was just or unjust, not the American colonial state. In the end, for Kemmerer, an agricultural bank had to be simultaneously a site of imperial education for the native population as well as a mechanism to strengthen American political authority.

With colonial education in mind, Kemmerer looked toward Great Britain for an answer. Considered by many white Americans as their imperial big brother, frequent collaborator, and primary rival, the British Empire was consistently looked to by American policy advisors for the Empire’s innovative interventions into the monetary and financial systems of its colonies.<sup>58</sup> In 1895 the British colonial state, under the guidance of eventual British Consul-General Lord Cromer, established a program to provide small loans to Egyptian peasant farmers, also referred to as *fellaheen*. After being incorporated into the National Bank of Egypt, agricultural loans were separated into the 1902 founding of the Agricultural Bank of Egypt. As a final task after his

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<sup>57</sup> Ibid, 269.

<sup>58</sup> See for example Stuart Anderson, *Race and Rapprochement, Anglo-Saxonism and Anglo-American Relations, 1895 – 1904*, (Rutherford, NJ: Fairleigh Dickinson University, 1981). In addition there has been a recent slew of comparative work between U.S. and British imperial formations such as Josep M. Fradera, “Reading Imperial Transitions: Spanish Contraction, British Expansion, and American Irruption,” in *Colonial Crucible: Empire in the Making of the Modern American State*, (Madison, WI: University of Wisconsin Press, 2009); Julian Go, *Patterns of Empire: The British and American Empires, 1688 to the Present*, (New York: Cambridge University Press, 2011); and Paul Kramer, “Empires, Exceptions, and Anglo-Saxons: Race and Rule between the British and United States Empires, 1880 – 1910,” *Journal of American History* 88 4 (2002).

temporary position as Chief of Division of Currency had been dissolved, Kemmerer, while traveling back to the United States was asked to stay in Egypt for two weeks to assess, evaluate, and report back to the Philippine Commission and the U.S. Secretary of War on the possibilities of a similar institution to be created in the Philippine colony.<sup>59</sup>

Kemmerer's report opens with an excerpt by Viscount Milner as to what forced the British government to intervene. The conditions which gave birth to rampant usury were shaped by the arbitrary nature of authority under native Egyptian government. Inefficiently, the native government bestowed the authority to collect taxes to mediating agents, who remained unregulated. As stated by Milner:

The fellah had for years past been driven to borrowing, and to borrowing on ruinous conditions, by the government itself. The tax gatherer had paved the way for the usurer. It was not the amount of taxation [...] It was above all the irregular, cruel, and arbitrary manner in which the taxes were collected. [...] Called upon to find needed money while his crops were still in the ground, he was simply driven into the arms of the money lender.<sup>60</sup>

Thus the fellah was pinned in to a situation in which he would have to pay both the tax collector and the usurer. In addition, the farmer had no recourse to local authorities, which were, according to Milner, in many instances in collusion with both the usurers and the tax collectors. The "peasant" would thus be forced to mortgage more land, cattle, or crops on "more ruinous terms." In the end, the fellah was "entirely at the mercy of the lender."<sup>61</sup>

For Kemmerer the Egyptian situation was uncannily similar to the Philippines. Again, the authority of the mediating agent, the tax collector and the moneylender in the Egyptian case, was uncontrolled, corrupt, and exploitative. Moreover, both the tax collectors and the moneylenders'

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<sup>59</sup> Kemmerer would later feel disrespected and used in this scenario, since he traveled on his own funds and subsequently struggled to be re-compensated by the Philippine colonial State. Kemmerer to Benjamin Wright; September 2, 1906; Edwin W. Kemmerer Papers, 200 1; and Kemmerer to Jeremiah Jenks, October 23, 1905; Edwin W. Kemmerer Papers, 199 8.

<sup>60</sup> *Report on the Agricultural Bank of Egypt to the Secretary of War and the Philippine Commission*, (Washington D.C.: Government Printing Office, 1906), 2.

<sup>61</sup> *Report on the Agricultural Bank of Egypt*, 2.

authority were deployed arbitrarily against the peasant farmer and thus had effects that were potentially impossible to regulate by the state. However, there were some specific differences between Philippine and Egyptian conditions that made him question the appositeness of simply reproducing the British agricultural bank model in the American colony. Specific conditions in both countries were characterized by a complex of differences made up by environment, property laws, and most prominently race. Indeed, there was an obsession with the racial capacity of both Egyptian and Filipino natives to recognize, and subsequently submit to, the proper authority. Moreover, this racial capacity, or incapacity, to recognize authority was inherently tied to the ability of how disciplined the peasant was with his labor and consuming habits.

Kemmerer claimed that the Filipino and the Egyptian, although “possessing some characteristics in common” belonged to two “entirely different races[.]” There were two “important differences” that Kemmerer highlighted in particular. On one hand, the Egyptian was described as “industrious and docile.” The footnote to this statement referred to a statement by Milner, who asserted that the fellaheen were

industrious after their own fashion, extraordinarily conservative in their habits and traditions, prone to obedience, devoid of initiative, good-humored, and pacific. [...] The docile and pacific disposition of the race, their ignorance, and their lack of independence increase enormously the responsibility resting on their governors.<sup>62</sup>

Milner’s characterization of the figure of the Egyptian farmers seemed to match similar late nineteenth and early twentieth century British imperial tropes which positioned colonial peasant farmers as premodern and unchanged by time, unfit to carry out any dynamic social or political change.<sup>63</sup> Indeed, Marx believed this of the peasant class, famously remarking: “They cannot

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<sup>62</sup> Ibid, 23.

<sup>63</sup> Although there is a vast literature, particularly in colonial and postcolonial studies, which deal with the unmodern figure of the peasant, two of the ones that have shaped my approach are: Dipesh Chakrabarty, *Provincializing Europe: Postcolonial Thought and Historical Difference*, (Princeton, N.J.: Princeton University Press, 2000); and Timothy Mitchell, *Rule of Experts: Egypt, Techno-Politics, Modernity*, (Berkeley and Los Angeles: University of

represent themselves, they must be represented.”<sup>64</sup> In the Egyptian case, the fellah’s “ignorance” and “lack of independence” required excessive “responsibility” of “their governors” who had to constantly politically account for and represent the peasant.<sup>65</sup> Unfortunately, because the native Egyptian government was corrupt, allowing unchecked mediating agents such as usurious moneylenders to exploit the peasant, the native state was unfit and unable to adequately represent the peasant’s economic interests. British authority was thus necessary to ensure that the economic interests of the Egyptian peasant were adequately and responsibly represented in the face of a corrupt native government and the native despotic hierarchy.

From the above reports, Kemmerer concluded that these very same “qualities that make him a productive laborer” meant that the fellah was a “man easily controlled.” The capacity to be controlled, a result of having no political representation as well as specific racial traits, were of “paramount importance for the debtors of an agricultural bank to have.” Filipinos, on the other hand, were not described through any particular positive traits by Kemmerer, but instead presented merely as negations of the Egyptian. The Filipino peasant differed from the Egyptian fellah for “industry and docility” were “qualities which his warmest admirers do not claim to particularly characterize him.” As a result of his non-industrious nature, the Filipino peasant would more likely be less prompt in loan payments as compared to the Egyptian fellah. Moreover, because the Filipino could not be considered as docile as the fellah, a government-backed agricultural bank “would experience greater difficulties in enforcing the collection of delinquencies.” The Filipino peasant, therefore, was both a potentially toxic debtor as well as a

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California Press, 2002).

<sup>64</sup> Marx continues: “Their representative must at the same time appear as their master, as an authority over them[.]” Karl Marx, “The Eighteenth Brumaire of Louis Bonaparte,” in *The Marx-Engels Reader*, ed. Robert C. Tucker, (New York and London: W.W. Norton and Company, 1978), 608. Gayatri Spivak would go on to famously critique this notion of representation in “Can the Subaltern Speak” in *Marxism and the Interpretation of Culture*, eds Cary Nelson and Lawrence Grossberg, (Urbana and Chicago: University of Illinois Press, 1988).

<sup>65</sup> *Report on the Agricultural Bank of Egypt*, 23.

figure resistant to domestication by the government. As a result of these racial characteristics, Kemmerer shied away from an outright copy of the strict state-run British imperial agricultural bank in Egypt and instead opted to suggest a bank under the authority of private U.S. companies.<sup>66</sup>

Still, a privately run agricultural bank would necessitate state intervention. In this occasion, the state would not intervene in the agricultural market, however, which was the domain of banks and corporations. Rather the colonial state would have to intervene in the conditions of the market. Indeed, seeing that one of the largest non-market factors blocking credit distribution and regulation in Egypt was the tenuous state of property rights, Kemmerer suggested strengthening the Philippine land registration act in order to enable more efficient selection of mortgage customers.<sup>67</sup> Clearly, having more informed and efficient selections of mortgage agreements would protect the agricultural bank by decreasing the chance of default and reduce the possible antagonism if a debtor did happen to default. Another consequence, however, of the increased state surveillance of Philippine land titles was the hope of projecting security to small landowning farmers. In particular, Kemmerer believed that by providing secure and orderly political and legal conditions, the Filipino farmer would improve in industry and “learn that if he accumulates a little store of wealth he will not be robbed of it by government officers under the guise of law.” Thus through a combination of disbursing credit through private means, guaranteeing property through increased surveillance, and ending corruption through the removal of informal and unregulated mediators, an agricultural bank would ideally increase consent of the vast population of Philippine colonial subjects to American political authority. Confident that if

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<sup>66</sup> *Report on the Agricultural Bank of Egypt*, 24.

<sup>67</sup> *Ibid*, 24.

the Philippines followed the route taken by the British in Egypt, Philippine native peasants would, like the fellah “become noticeably more industrious and thrifty[.]”<sup>68</sup>

After submitting his proposal, Kemmerer’s report was met with overall support in the Philippine public sphere.<sup>69</sup> Some, however, like the *Manila Daily Bulletin* for example was skeptical of any plan that would “entangle the government in the banking business.” Decrying the rampant “paternalism” coursing through local and provincial government, the *Bulletin* argued that a government-backed agricultural bank would have disastrous effects, for it would place the thought in the native’s head that he would not have to work for money. Asserting that “[n]o government can by legislation make a people rich[.]” the *Bulletin* made the case that native farmers must first “prove that they are capable of handling it [capital] to the advantage of themselves and the men trusting to their ability” before they should be considered for such credit.<sup>70</sup> Until natives could understand how to labor industriously as well as be responsible of making timely payments, argued the *Bulletin*, “the supply of capital must come naturally” to the archipelago, rather than forced by the colonial state.<sup>71</sup>

In March 1907, with intentions of adopting Kemmerer’s plan of a privately run bank, the U.S. Congress approved the Agricultural Bank Act. By mid-year, however, the Philippine colonial state still had failed to attract American private capital. This was due to the limited business that the owners of the agricultural bank would be allowed to pursue. Indeed, envisioned as a strict agricultural credit lending institution, the company running the bank would not be allowed to engage in foreign exchange markets or gain special privileges, such as long-term

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<sup>68</sup> Ibid, 26.

<sup>69</sup> Manila Times, “Need of a Farmers’ Credit Institutions,” October 27 1905; Edwin W. Kemmerer Papers; 203 3; and Manila Cablenews, “Agricultural Banks in the Islands,” October 25, 1905; Edwin W. Kemmerer Papers; 203 3;

<sup>70</sup> Manila Daily Bulletin, “Agricultural Banks,” March 8, 1905; Edwin W. Kemmerer Papers; 203 3.

<sup>71</sup> Manila Daily Bulletin, “Agricultural Banks,” March 8, 1905.

government guarantees on private capital.<sup>72</sup> As a result, facing mounting pressure from local agri-business blocs, various commercial houses, and sectors of the banking community, the Philippine colonial Legislature was compelled to pass plans for a state owned and backed agricultural bank in June of 1908.<sup>73</sup> The start-up capital for the bank, one million pesos, was appropriated from government revenues.<sup>74</sup> As we know, the four decade long history of the American colonial government in the Philippines, but for one three million dollar payment of post-Philippine-American War recuperation, was funded completely by the revenues secured through colonial taxation.<sup>75</sup> In other words, the capital that was to be distributed as loans with interest to Philippine peasants were in most cases expropriated from them through colonial taxation in the first place.

In 1916, the Agricultural Bank of the Philippine Government would be merged into the Philippine National Bank. In its brief eight-year life, hardly any credit was extended to the native small landowning farmer, but instead found itself in the possession of large landowning Filipinos. Indeed, instead of stamping out the informal and unregulated mediating authority of the moneylender, the American colonial state merely appropriated the mediating role into its bureaucracy. As Yoshiko Nagano shows, the 1908 Agricultural Bank Act empowered the Insular Treasurer to authorize provincial and municipal treasurers to act as agents of the bank. Indeed, rather than moneylenders acting as unregulated local agents of the capitalist market, the state successfully displaced Chinese and native moneylenders and replaced them with a local treasurer under the authority of the American colonial state. Unanticipated by American authority,

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<sup>72</sup> Yoshiko Nagano, "The Agricultural Bank of the Philippine Government, 1908-1916," *Journal of Southeast Asian Studies*, 28 2 (1997): 313.

<sup>73</sup> Nagano, "The Agricultural Bank of the Philippine Government, 1908-1916," 314.

<sup>74</sup> Act No. 1865, "An Act creating a government agriculture bank of the Philippine Islands and appropriating for funds thereof the sum of one million pesos," *Annual Reports of the Philippine Commission*, (Washington D.C.: Government Printing Office, 1909), 100.

<sup>75</sup> Vicente Angel S. Ybiernas, "The Philippine Commonwealth Government: In Search of a Budgetary Surplus," *Philippine Studies*, 51 1 (2003): 100.

however, was the rapid Filipinization of most sectors of the colonial state. Although in the beginning of the century, all provincial treasurers were Americans, in a little over a decade, they numbered less than sixty percent.<sup>76</sup>

As a result, at least in the provincial and municipal level of the agricultural bank structure, we see a reversal of American intentions. Rather than an increase in American authority and the weakening of local forms of authority derived from mediation, we see the successful appropriation of colonial state power by Filipino bureaucrats. In other words, the wish to stamp out the unregulated mediating power of non-Americans in the provinces, unintentionally led to state legitimization of local and native authority. Thus, through the use of the colonial state banking and financial circuitry and apparatus, already wealthy natives, local treasurers, and foreign companies were able to greatly accelerate the expropriation of the remaining real estate of small landowners and greater exploitation the labor of Filipino peasants.<sup>77</sup> In the next section we look at how the state intervened in the saving habits of natives, both as a way to educate natives to trust the authority of the colonial state as the primary agent which guaranteed the wealth of the general population as well as the apposite tutor in teaching the Filipinos to put off desires for political independence in favor of economic and racial progress.

### **The Postal Savings Bank I: Learning to Labor Toward a Capitalist Future**

The Postal Savings Bank (PSB) system was founded in 1906 and in less than a year had mushroomed to 233 branch offices across the colony. The initial seeds of the PSB, however, began with Kemmerer's proposal in 1904, even before his work on agricultural banks had begun

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<sup>76</sup> Nagano, "The Agricultural Bank of the Philippine Government, 1908-1916," 319.

<sup>77</sup> Nagano, 320 – 322.

and coterminous with his work on currency reforms. For inspiration, Kemmerer admitted to looking toward the British Empire, in particular the empire's postal savings banks throughout its colonies.<sup>78</sup> The PSB system's structure was highly centralized for two particular reasons. First, centralization would ideally cut down on corruption. After all, Kemmerer reasoned, "it would be obviously impracticable to impose great money responsibility upon the 500 or more native postmasters scattered in the rural communities throughout the islands." Second, illustrating the lingering effects of war and the anxious policing of resistance, centralization would allow the depositor to deposit and withdraw funds through any postal savings bank, aiding those who led "a more or less nomadic life" such as "soldiers" and "members of the Philippine constabulary."<sup>79</sup>

Still, the PSB failed to gain traction before Kemmerer left the colony. As a result, the PSB plan had lain dormant until it was taken up again as a pet project of Bureau of Commerce and Police secretary, and eventual Governor-General, William Cameron Forbes. Although having some initial curiosity in the PSB when he first arrived to the colony in late 1904, his interests were reignited in his hopes to impress William Howard Taft after the Secretary of War's Philippine visit in 1905. After doing some initial research on other postal banking systems in England, France, and Japan, Forbes in May 1906 wrote in his journal that the PSB legislation, drawn up by Kemmerer, was an "admirable document" which he "defended stoutly[.]"<sup>80</sup> Indeed, despite having to endure "lively discussions" to get the legislation passed, Forbes still declared the PSB law an "important and vital measure[.]" declaring the session a "[r]ed letter day" in his legislative work.<sup>81</sup> In a later entry he would write, "I think we've got a simple and excellent bill,

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<sup>78</sup> Edwin W. Kemmerer "The Philippine Postal Savings Bank," *Annals of the American Academy of Political and Social Science*, 30 (1907): 46.

<sup>79</sup> Kemmerer, "The Philippine Postal Savings Bank," 47.

<sup>80</sup> William Cameron Forbes, Journal, Vol. 2; "May 23, 1906," **MS Am 1365**, Houghton Library, Harvard University: 12 – 13.

<sup>81</sup> William Cameron Forbes, Journal, Vol. 2; "May 25, 1906," **MS Am 1365**, Houghton Library, Harvard University: 14.

and that it will be a great boon.” For Forbes, the PSB was a boon for it was another institution of education, to teach individual natives how to properly manage their money.

Many of the people here save their money and bury it. Many would invest if there were anywhere to put it; hence they gamble. This new law puts an opportunity to invest within the reach of everybody. Children, by a simple system of buying stamps and pasting them on a card can lay by five centavos at a time, and deposit them when it reaches a peso. It is going to be real good and incalculable in its advantages and results.<sup>82</sup>

Thus, rather than bury their money in small hoards or gamble away their earnings, natives would learn to invest their money in banks. Through accruing interest by storing their savings in a government-backed institution, they simultaneously recognized the authority of the colonial state to properly manage their wealth and at the same time, through investing money in the circulation of finance capital, made money from money. The PSB would thus teach natives two lessons: to recognize the American colonial state’s authority in managing the wealth of every one of its subjects and at the same time to invest in the growth and future of the global finance capitalist market.

Although native women were thought of as “thrifty” and having more potential than adult native men to “learn to save,” Forbes’ overall impression of Filipinos, especially the native laborer, was not as optimistic.<sup>83</sup> As a result, he believed that the PSB would not only create savers, but also help transform native laborers into better economic individuals. In order to do so, saving through the PSB could draw new and important connections between capital and labor in the minds of the native. Forbes thought this important, believing that the colony was deficient in both capital and labor. The colony was deficient because first, the native did “not work more than enough to exist” and thus were left with “nothing to store;” and second, the native did not

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<sup>82</sup> Forbes, “May 25, 1906,” 15.

<sup>83</sup> Forbes, 13.

have capital because “they have never done so in the past.”<sup>84</sup> Native labor, in his view, was crippled by both race and history, never working in excess of his immediate needs or daily sustenance. He asserted that the Filipino, as an economic individual, remained stagnant due to the fact that even if they did labor in excess and did have surplus wealth, they could not invest it “in useful and remunerative ways because they have not sufficient confidence to be willing to put their money into any organization now existing that would pay any return.”<sup>85</sup>

In response, through the PSB, American colonial rule would transform the native into proper economic subjects by providing him with a choice to simultaneously be a more efficient laborer and a potential capitalist. Freedom therefore became essential in this type of colonial government, for as Forbes argued:

[I]f opportunity were given to laborers to invest their money, and education were given to them to demonstrate the wisdom of such investment, and by wise and cautious handling their confidence were gained, we should at one time provide the two great needs of the Islands namely labor and capital. Labor because we provide the incentive to work to people who have not had it; capital because part of that labor can be stored up in that shape through investment of savings.<sup>86</sup>

In the mind of Forbes, the PSB offered an alternative future for the native Filipino, a world where labor would be oriented toward more than mere existence and instead replaced by a world where surplus labor could be converted into capital necessary to develop the country overall. Simultaneously, the native would also be transformed, from a creature laboring for mere existence into an industrious laborer and a potential capitalist.<sup>87</sup>

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<sup>84</sup> William Cameron Forbes to Leonard Wood, “December 16, 1904,” bMS Am 1364.4 4; Houghton Library, Harvard University: 1.

<sup>85</sup> Forbes to Wood, “December 16, 1904,” 1.

<sup>86</sup> Forbes to Wood, “December 16, 1904,” 2.

<sup>87</sup> Forbes, in a typical imperial American and white supremacist fashion, in order to prove his point disavowed the long nineteenth century’s transformation of both modes of labor and production of capital in the Spanish Philippines. See for example, Benito J. Legarda, *After the Galleons: Foreign trade, economic change & entrepreneurship in the nineteenth century Philippines*, (Quezon City: Ateneo de Manila University Press, 1999) and Josep Fradera, “The Historical Origins of the Philippine Economy: A Survey of Recent Research of the Spanish Colonial Era,” *Australian Economic History Review* 44 3, (2004).

In the end, however, children became the most heavily targeted by these savings lessons. The postal savings card, for instance, that one attached stamps on (for example in unit values of 5, 10, 20 centavos) were colorful and attractive. Each card was simultaneously a technology of surveillance and a tutelary device. The section on the back of cards was designated for identification, not only by writing a name and address, but a square for a thumbprint. Moreover, like a page from a schoolbook, each card contained a message promoting thrift. One for example read, "It is what you save, not what you earn, that makes you rich." While another stated:

When you have a media peseta that you do not need buy a stamp with it and place it here. Some day you will need it. Saving is a habit that grows, and the more it grows, the easier it gets.<sup>88</sup>

Although under the authority of the Bureau of Posts, the PSB in 1910, hoping to affect the Filipino generation educated under an American colonial regime, began collaborative work with the Bureau of Education to launch a massive promotional campaign. One strategy involved the Bureau of Education offering prizes and awards for those students who could deposit and save the most money.<sup>89</sup> The plan to bind savings to education could be considered a success, with over 54,000 depositors in 1915, and over 90,000 by 1920. According to Daniel Doeppers, at its peak, the PSB system had approximately 983 branches and 337,000 depositors. Almost ninety seven percent of PSB depositors were Filipinos, and half of the Filipino depositors were students.<sup>90</sup> Filipino participation was drastically different from the initial figures put up by Kemmerer in his public assessment of the PSB's initial years.

For example, in December of its first year, the PSB had only 621 depositors. Of these depositors, Americans accounted for eighty two percent, while the rest were assumed to be

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<sup>88</sup> Examples of cards surfaced throughout different collections, but the ones in best condition were unsurprisingly contained in the Kemmerer collections. See specifically: Edwin W. Kemmerer Papers, 204 2.

<sup>89</sup> William Cameron Forbes, Journal, "May 25, 1906," 15. See Footnote 72.

<sup>90</sup> Daniel F. Doeppers, "Mortgage Loans and Lending Institutions in Pre-War Manila," *Philippine Studies* 31 3 (1983): 192.

Filipinos. Kemmerer then broke down the occupations of depositors, revealing that the principal occupations belonged to the more technically skilled and urban classes. Moreover, there were less than two dozen students and children listed as depositors.<sup>91</sup> The substantial growth of the PSB, jumpstarted in 1910, was thus a consequence of a successful collaboration between multiple bureaus and illustrated how crucial savings and education were to multiple bureaucrats throughout the colonial state. Still, as Kemmerer revealed in his initial draft of the PSB bill in 1904, economic tutelage had always been the intention of a Philippine savings bank, which he believed would be crucial in “educating the natives” of the values of “thrift and economy.”<sup>92</sup> In an even more blatant statement, he later publicly claimed in 1907 that the bank was “preeminently an educational institution.”<sup>93</sup>

If, however, the bank was envisioned primarily as a state apparatus to educate natives, what indeed was to be learned? For Kemmerer, the educational institution of a savings bank was intended to battle two primary and interrelated vices: hoarding and extravagance. Kemmerer was clear to distinguish these vices as belonging especially to the native, and not those he racially designated as Chinese. Kemmerer’s view of the Chinese, as those who naturally possessed virtues in “frugality and thrift” undoubtedly comes from the racialized common sense notion of Chinese as cunning entrepreneurs, or at least always already parasitic entrepreneurs-to-be.<sup>94</sup> In contradistinction to the Chinese, the Filipino native was deficient in frugality and thrift. Kemmerer speculated various reasons as to why: perhaps it was the “Malay stock” which was known “throughout the Orient for thriftlessness,” or the “tropical climate in which he lives,” or

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<sup>91</sup> Kemmerer, “the Philippine Postal Savings Bank,” 50 - 51.

<sup>92</sup> “Bill Providing for the Establishment of Postal Savings Banks in the Philippines Islands” July 13, 1904, Kemmerer Papers, 199 4.: 1.

<sup>93</sup> Kemmerer, *The American Review of Reviews*, 470.

<sup>94</sup> Kemmerer, “The Philippine Postal Savings bank,” 45. I also examine the racialized common sense notion of Chinese as entrepreneurs or always already entrepreneurs-to-be in the third chapter of “Monetary Authorities.”

the long history of “insecurity of property” under the Spanish. Brushing away any of the historical or cultural factors, Kemmerer hones in on the common sense assumption that the Filipino race “never developed the saving habit.” Instead, they remained underdeveloped, unable to properly grasp one of the most basic concepts of the modern age: abstract linear time.

Filipinos as a people have never developed the saving habit, and are deficient in foresight, the capacity to anticipate the future, and in self-control, the capacity to deny themselves the pleasures of the present for the more enduring ones for the future.<sup>95</sup>

Indeed, unlike more modern and developed races, especially white Anglo Americans, as stated in his the initial draft of the PSB bill, Filipinos were purely “creatures of the present.”<sup>96</sup> As creatures of the present, rather than pursue “substantial advantages arising from an accumulated reserve[,]” Filipinos submitted to the “momentary pleasures of the cockpits, the gambling table, of cheap jewelry, and of the holidays without number.”<sup>97</sup>

Indeed, unlike during the rupture of the Philippine Revolution in 1896, when shared pleasures of social events such as gambling and holidays could be a revolutionary realization of true hospitality, fraternity, and communal freedom, Kemmerer believed that satiating pleasure in the present indicated selfishness and lack of self-control.<sup>98</sup> As slaves to their desires, Filipinos were forever seeking to immediately satiate any of their numerous wishes. Even if the Filipino’s wants did “extend far into the future[,]” he did not, according to Kemmerer, “possess the capacity of sacrificing the trifling pleasure of the moment in order to satisfy them.”<sup>99</sup> Thus, if one was Filipino, one did not possess money. Rather, one seemed to be possessed by money, to be

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<sup>95</sup> Kemmerer, “The Philippine Postal Savings Bank,” 45.

<sup>96</sup> “Bill Providing for the Establishment of Postal Savings Banks in the Philippines Islands,” 1.

<sup>97</sup> Kemmerer, “The Philippine Postal Savings Bank,” 45.

<sup>98</sup> For a reading of the possibilities of unconditional hospitality and a welcoming of justice in the memoirs of revolutionary Santiago Alvarez see Vicente Rafael, “Welcoming What Comes: Sovereignty and Revolution in the Colonial Philippines,” *Comparative Studies in Society and History*, 52 1 (2010). For my own analysis of the connection between money and sociality during the Revolution see the second chapter of “Monetary Authorities,” 11 - 14.

<sup>99</sup> Kemmerer, “The Philippine Postal Savings Bank,” 45.

animated and governed by all the desires that money could buy. The inability of the Filipino to govern oneself in the face of money troubled Kemmerer. For him, the Filipino's failure to self-govern was rooted in his failure to conceive of the future, and in particular labor for this future. After all, for many American colonial bureaucrats, such as Kemmerer, one of the most frustrating aspects of the postwar decade was the native's consistent and broad resistance to laboring for American capitalized projects.<sup>100</sup> Indeed, for Kemmerer, the Filipino's "lack of foresight" and "inability to feel future wants" determined his "honesty," "industry," his "entire character as a man" and "his efficiency as a laborer[.]"<sup>101</sup> Laboring, and specifically efficient laboring for the future, therefore, was thus critically bound to the ability to govern oneself.

One could thus read Kemmerer's linking of future-oriented labor to self-government as an attempt to discipline the native colonial subject into a more efficient agricultural laborer and potential capitalist. Self-government, which supposedly demonstrated that one was in possession of oneself and not under the possession of others or desires, was intimately bound to the capacity to labor industriously and with self-control.<sup>102</sup> This disciplined labor had to simultaneously be oriented toward the future, particularly an undetermined future time in which capitalism grew infinitely. For Kemmerer, to "anticipate" and have "foresight" for this ever-expanding capitalist future, meant that the Filipino had to not only be willing to exchange his labor for money, but also to deposit his money into a bank. The Filipino thus did not simply submit to the capitalist

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<sup>100</sup> Indeed, the first decade of the *Annual Reports of the Philippine Commission* are saturated with anxieties over native labor and the agony of possibly importing migrant "coolie" labor from China and Japan. I also trace how currency reforms at the turn of the century reveal American imperial anxieties over native labor in the colonial Philippines in "Monetary Authorities" chapter three, 31 – 36.

<sup>101</sup> "Bill Providing for the Establishment of Postal Savings Banks in the Philippines Islands," 1.

<sup>102</sup> By using the terms disciplinary power and governmentality I draw from a long and rich literature that began with Foucault's *Discipline and Punish*. Still, I think the most striking remark Foucault made on the inextricable link between governmentality and the capitalist mode of production is in "Governmentality" where he states that labor division and exploitation is constituted in the "political investment in the self." Michel Foucault, "Governmentality" in *The Foucault Effect: Studies in Governmentality*, eds. Graham Burchell et. al., (Hemel Hempstead: Harvester Wheatsheaf, 1991), 92.

mode of production which entailed the alienation and abstraction of labor into quantifiable units known as monetary wages, but had to also invest into the future reproduction of the capitalist market through depositing his alienated labor (his wages) into a savings account. By extending one's alienated self into an indefinite future, the Filipino, ideally could invest into a potentially infinite capitalist system by earning interest from one's savings.

The Filipino thus, to be fit for self-government, had to think and practice one of the most fundamental premises of capitalism: making money from money. Indeed, the point was not simply to accumulate wealth like a hoarder who, just like the spendthrift, satiated immediate desires by surrounding oneself with what one fetishized. Rather, the point was to allow one's wages to circulate throughout the capitalist system, and thus to re-socialize one's alienated self. Still, this re-socialization came with a catch. The kind of re-socialization that the American colonial state presented was conditional, in which one's alienated self would only be recognizable as part of a social body under American imperial authority. After all, in order for the capitalist market to exist and grow into an unending future, the Filipino must also help stabilize and strengthen the social and political system which undergirded the market.

The notion of re-socializing one's alienated labor through the state-backed banking system echoes what Gustav Peebles calls the "set of rhetorical claims and institutional practices that long sought to denigrate and abolish individual hoarding practices." Emerging in the nineteenth century, these anti-hoarding discourses, which called for "institutional forms of saving money[,]” coincided with "Europe's and Euro-America's climb to world dominance." Peebles argues that these new techniques of saving were part of a "democratization of banking" that "encouraged the replacement of the individual hoard with a socialized one." At the same time, referring to Knut Wicksell, these new savings banks were also part and parcel of the

“democratization of capitalism” allowing individuals, no matter how rich or poor, to become “embroiled in the giant, swirling system of economic investment.” Transforming the relationship between states and subjects, new savings techniques disciplined individuals to no longer pay attention to the flows and fluctuations of the precious metals market. Rather subjects, now citizens, had contracted that task to the state. Indeed, according to Peebles, the citizens’ “personal economic wealth was now tallied in a unit of value that was related to how well the state managed its own finances[.]”<sup>103</sup>

Individuals were also transformed in this process. Turning to Deleuze and Guatarri, Peebles highlights that the social hoard informed a more general transformation on the individual level which branded people “with an object that forced them to strain toward a *particular* future and *particular* spatial borders.” These transformations demonstrate to Peebles that in the modern-era, the state had not only proved itself as “a colonizer both of the past and of physical territory” but also proved “itself adept at colonizing the future.” Seen from a different angle, the state had attempted to domesticate the rampant and disorderly individualization that was occurring through the capitalist process of alienation and abstraction, by re-socializing individual and highly “cosmopolitan” wealth into state social hoards. Put differently, the state, through savings, once again attempted to gain authority over the unanticipated social and political consequences of global capitalism.<sup>104</sup>

Simultaneously, as we see in the colonial Philippines, as state-backed savings techniques forced colonial subjects to adopt savings or face marginalization in an American imperial and

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<sup>103</sup> Gustav Peebles, “Inverting the Panopticon: Money and the Nationalization of the Future,” *Public Culture* 20 2 (2008): 235 - 237.

<sup>104</sup> Peebles, 237. Peebles draws many of his conclusions on imperial spaces from Keynes’ work in British India, but does not necessarily look at the troubling of borders between metropole and colony, or the ways race appears to cause unintended wrinkles in banking policies. Although in agreement with most of Peebles’ general conclusions, he has not accounted for the particular ways race and empire shaped the history of modern savings. Looking at the institution of savings in the American colonial Philippines, I argue, offers an even more complex history of the relationship between the modern state and the capitalist market.

capitalist future, the expropriation of individual hoards into state controlled hoards amplified and diversified the production of capital in the archipelago. Indeed, although the dominant generator of capital formation in the American colonial Philippines would be large scale agri-business, specifically export commodities for U.S. markets, during times of downturn it would be public infrastructure and urban residential construction that would found new sites of capital growth through the 1920s. The PNB was thus part of an assemblage of American-era banking and credit institutions that constantly sought new forms of capital production through infrastructure and construction.<sup>105</sup>

This role, as a primary state mechanism to generate capital, was always part of the plan. The money deposited into the PSB, according to Forbes in 1904, would ideally be invested into a mix of government bonds and a diverse set of mortgage loans of local agricultural real estate.<sup>106</sup> Although the eventual board of the PSB decided to follow some of Forbes' advice and strengthen imperial bonds through investing in government bonds, most notably into U.S. "Liberty Loans" bonds during the Great War, most of the funds for the next two decades were actually invested in real estate mortgage credits not agri-business.<sup>107</sup> Indeed, rather than simply discipline provincial natives to be more efficient agricultural laborers and to trust the authority of a colonial-state institution, the PSB inadvertently invested into urban housing and infrastructure, thus attracting and strengthening a new generation of American-educated and professionalized bourgeois Filipinos. As a result, unanticipated by economic experts such as Kemmerer, Jenks, and Conant, the PSB financially augmented and sped up the emergence of an urbane and American-oriented cosmopolitan Filipino social world.

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<sup>105</sup> Doeppers, 189 – 191.

<sup>106</sup> Forbes to Wood, "December 16, 1904," 4.

<sup>107</sup> Doeppers, 194 – 195. To read more on the emergence of an American-oriented urban Filipino professional class in Manila, see: Daniel Doeppers, *Manila, 1900 – 1941: Social Change in a Late Colonial Metropolis*, (New Haven, CT: Yale University Southeast Asian Studies, 1984).

## **The Postal Savings Bank II: Fearing a Politics of the Present**

Linking future-oriented labor to self-government additionally had political purposes. Indeed, in addition to disciplining the native as a more efficient and responsible economic subject, the PSB was intended to educate natives as future responsible citizens capable of efficiently running a state. Put differently, political authority, both on an individual level as well as the state level, would crucially depend upon one's individual authority over one's immediate desires. As the universal equivalent, money could potentially satiate any immediate desire, leaving both the individual and the state susceptible to corruption, graft, and irresponsible legislation. For Kemmerer, and for many supporters of an indefinite American colonial state, authority over money was crucial in gauging whether the Philippine native was capable of self-government. As mentioned above, the PSB's founding coincided with the lead-up to the first popularly elected house of the Philippine colonial state legislature, the Philippine Assembly. Kemmerer thus captured this anxious moment when he argued that Filipinos were not ready for self-government exactly because of their incapacity to make economic decisions with foresight.

In a piece appearing a mere nine months after his article assessing the progress of the Postal Savings Bank, Kemmerer wrote a scathing critique of the native's ability to practice representative democracy. In the article, Kemmerer attempted to summarize for the reader the political history of the Philippines from pre-Spanish times to the elections of July 30, 1907. In doing so, he wished to prove that the historical progress toward self-government of the Philippines was incomplete, consequently delegitimizing the authority of both the members of the Philippine Assembly and the native voters who elected them. Two particular factors, in his view, stunted the political development of Filipinos. First, they continued to be hampered by

their Malay racial traits, which included idleness, untrustworthiness, and recklessness. In fact, Kemmerer was struck by how similar the “mental characteristics” of the primitive Malay was with the present-day Filipino.<sup>108</sup> The second factor was the debilitating presence of Spanish culture and backward governance. Because, Spanish intention in the Philippines was “neither commercial nor political, but religious[,]” Kemmerer reasoned, Filipinos were heavily deformed by a culture which had no intention to develop native political life properly. Moreover, by arguing that colonial administration remained solely in the hands of irresponsible and unaccountable Catholic religious authorities, he implicitly questioned Spanish civilizational progress in general.<sup>109</sup> Thus, in the eyes of Kemmerer, the tragic combination of Malay racial limitations and the poor political tutelage of an inferior European culture produced a native population vastly incapable of self-government.

According to Kemmerer, therefore, race and culture constrained the native’s ability to practice self-government: both in the individual act of voting and in the collective practice of state governance. Although always tinged with yearnings for a true American republicanism, Kemmerer’s critique of native self-government was ultimately founded on an economic basis. Unsurprisingly similar to his assessment of native capacities in his economic policies, especially the Agricultural Bank and PSB writings, Kemmerer pointed out that the root cause of native unpreparedness for self-government lay in the native’s constant satiation of immediate desires. He gives, as an example, local municipal governments. For the most part, completely Filipinized, according to Kemmerer, local governments were inefficiently run and contaminated by corruption. In this case, Spanish political culture was to blame.

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<sup>108</sup> Edwin W. Kemmerer, “The Progress of the Filipino People Toward Self-Government,” *Political Science Quarterly*, 23 1 (1908): 48 – 49.

<sup>109</sup> Kemmerer, “The Progress of the Filipino People Toward Self-Government,” 50 – 51.

The Spanish administration of the islands during the greater part of the nineteenth century was corrupt, from the central government in Manila to the local government in the municipalities, and the Filipinos were for generations given such lessons in political corruption that it is exceedingly difficult for the average native to believe that a government official can be free from graft. In fact he is altogether too liable to look upon graft in office as the normal and expected thing.

Because “graft in office” was a “normal and expected thing” the state was supposedly seen as a mechanism or instrument in which to exploit the poor and uneducated for profit. In other words, the native looked to the state as an instrument and strategy to make money as quickly and immorally as possible. A native-run state would thus quickly collapse, for it would always sacrifice the future collective good for the desires and wealth of the individual politician. In the end, it would be the poorer and uneducated laboring population who would suffer the most under the exploitation of greedy Filipino state authorities.<sup>110</sup>

Not only did the native’s lack of foresight limit his ability to run the state, but it also constrained his ability as a responsible voter. Suffrage, like in the United States, was of course not universal in the Philippine colony. Although Kemmerer asserted that the “rights of suffrage” had “been rapidly extended[,]” the colonial state, like the state in the metropole, conditioned voting rights by age, race, class, gender, and literacy. In the Philippine case, suffrage was limited to property owning or tax-paying men over twenty-three years of age, who could speak, read and write English or Spanish. Moreover, those who were former office-holders or held rank in the Spanish regime could vote.<sup>111</sup> According to Kemmerer one to one and a half percent of the seven million inhabitants could fit this criteria.<sup>112</sup> Despite this small and select electorate shaped and vetted by American colonial standards, Kemmerer believed that native racial and cultural inability to domesticate individual desires for the future common good, would again hamper the

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<sup>110</sup> Kemmerer, 66.

<sup>111</sup> Ibid, 65.

<sup>112</sup> Ibid, 72. Ruby Parades corroborates this statistic in Ruby Paredes, “Origins of National Politics,” in *Philippine Colonial Democracy*, ed. Ruby Paredes, (New Haven, CT: Yale University Southeast Asian Studies, 1988), 44.

election of responsible representatives to govern properly. Instead of electing those who were knowledgeable and could efficiently run the government, natives would elect those who they believed would benefit their immediate individual desires. Kemmerer traced this to the caciques, which he painted as analogous to the patronage relations of machine politics.

Much like Progressive-led reforms in the United States, Kemmerer claimed that Philippine politics were “largely controlled by bosses known as caciques.” Describing the cacique as an “old Malay institution” Kemmerer drew from other supposed expert definitions, such as former superintendent of colonial education David Barrows and former attorney general Lebbeus R. Wilfley. According to these experts, caciques ruled by “reason of natural cleverness, or by reason of local religious or political conditions[.]” and thus were “one of the most prolific sources of oppression, discontent and disorder in the islands[.]” The notion of the cacique reminded Kemmerer of the informal patronage, feudal logic, and highly dispersed and localized authority that made up big-boss politics in the United States. At the same time, the definitions reveal Kemmerer’s anxiety over a political institution that remained unrecognizable to a technocrat who privileged rational order and state efficiency. Indeed, speaking of Filipinos as a race that “lends itself naturally and without protest” to caciques, Kemmerer was troubled by a people swayed by reasons of “natural cleverness” or “local religious or political conditions” rather than by a recognizable order founded on scientific reason.<sup>113</sup> In other words, for Kemmerer, representational democracy in the colony would not lead to informed and knowledgeable voting. Instead, because the native was racially bound to the institutions of caciques, an independent Philippine government would be determined by primitive logics, feudal orders, and a constituency enslaved to immediate desires.

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<sup>113</sup> Kemmerer, 72.

In contradistinction to this cacique democracy, Kemmerer posited a picture of an efficient bureaucratic state managed by Filipino technocrats.<sup>114</sup> According to Kemmerer, because of American benevolence, Filipinization had occurred throughout most bureaucratic facets of the colonial state. Although in actuality the Filipinization of the bureaus was most likely due to the lack of applications of skilled Americans, Kemmerer still wished to highlight how “the more important Filipino officials in the executive and judicial department of the central government, as well as the Filipino members of the Commission” were “honest and capable men who hold the respect of the entire community.” These Filipino government officials were not, however, “proof of the political capacity of the Filipino people[.]” Instead, for Kemmerer, these state bureaucrats were exceptions to the rule for three reasons: “(1) they are very few in number, (2) they have been appointed and not elected, (3) a large proportion of them are not of pure Filipino blood.”<sup>115</sup>

In the eyes of Kemmerer, therefore, a more efficient and legitimate Philippine state would have to consist of men recognized by American authority. Simultaneously these qualifications of appointment were clearly determined by race, for what had enabled these “honest and capable men” chosen by American authority was the fact that most of them were supposedly of mixed and contaminated blood. The key, therefore for Kemmerer, was to overcome the racial incapacities of the Malay blood, by continuing the process of contamination. This was, however, not to be done through miscegenation, but instead through the benevolent lessons of American culture. Indeed, this was not strictly a republican critique of individual shortcomings. Rather Kemmerer believed that racial incapacities could be altered through artificial means. Shaped by social Darwinist conceptions of race, he asserted that political

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<sup>114</sup> See Benedict Anderson’s take on how American political innovations created a “cacique democracy” proving that this institution was not as ancient or natural as imperialists such as Kemmerer would like to believe. Benedict Anderson, “Cacique Democracy in the Philippines,” 200 – 202.

<sup>115</sup> Kemmerer, “The Progress of the Filipino People Toward Self-Government,” 71.

progress was analogous to biological evolution. Thus “the progress of political evolution” could be “greatly expedited and to a large extent directed by the creation of a favorable environment and by the mechanism of artificial selection.”<sup>116</sup> In order to provide a favorable environment and the knowledge to make such artificial selections, the continuance of American colonial authority into an indeterminable future was necessary.

The popular elections of 1907, however, undermined Kemmerer’s ideal of a patient and artificially managed political evolution under the American colonial authority. Describing the “masses of the Filipino people” as not yet having adequately learned the “lessons of political honesty, of thrift, and self-reliance;” Kemmerer used the results of the elections and the event of the elections themselves, as illustrative of how far Filipinos must still go to realize an “efficient self-government.”<sup>117</sup> His assessment of the event was met with a diverse array of support and enmity among the public. On one hand, *The Manila Times*, for instance, unsurprisingly agreed. Although, like Kemmerer, the *Times* admitted that the men elected to the Philippine Assembly had a “good education” this did not, however, mean that they were “fit to govern their people[.]” Indeed, political knowledge did not come from books but instead came from experience. Thus, in order to “survive the ruling passion of self-interest[.]” time under American authority would be necessary to inculcate Filipinos with the lessons of “honesty, sober industry, self-reliance and [...] a fitting sense of public obligation.”<sup>118</sup>

On the other hand, there were many who opposed Kemmerer’s evaluation of Philippine politics. Indeed, after delivering a speech at Cornell University based on the same article,

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<sup>116</sup> Kemmerer, 74.

<sup>117</sup> Ibid, 74.

<sup>118</sup> “Morality and Not Intellectuality the Standard of Self-Government,” *The Manila Times*, December 12, 1906; Edwin W. Kemmerer Papers, 203 3.

Kemmerer was met with a “storm of protests” by Filipino students studying at Cornell.<sup>119</sup> Also, in an article laced with irony, the *Philadelphia Record* made the connection between Kemmerer’s PSB writings and assessment of the Philippine elections in order to question Kemmerer’s logic of gradual progress under American rule. Questioning the notion of benevolent empire, the *Record* asked: how can a people reduced to “great impoverishment” by war and faced with “hostile legislation of Congress upon their trade” hope to ever “make deposits of money[?]” Indeed, the *Record* seemed to question the logic that Filipinos had to evolve under a system of political inequality and economic exploitation in order to realize true self-government. The *Record* sarcastically stated: “Many of these natives who have no money to deposit in postal banks are actually so perverse as to earnestly desire a free government of their own.”<sup>120</sup>

The *Record*’s critique underlines how Kemmerer assessment of the native’s political and economic progress placed the native in a double bind. On one hand, Kemmerer argued that natives, as a collective, were not fit for self-government because as individuals they were ruled by selfish passions and the need to instantly gratify such desires. To prove their political capacity to govern themselves, they had to remain under the watchful authority of the American colonial state for an indefinite amount of time. On the other hand, as the Agricultural Bank writings show, Kemmerer thought Filipinos were lazy, idle, and ultimately dependent upon the American colonial state. He, and others like him in the Philippine Commission, hoped to wean the native away from the support of the state and transform the native into a self-sufficient industrious laborer and potential capitalist. In other words, they wanted Filipinos to prove their independence, but only through the domain of the capitalist market.

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<sup>119</sup> “Filipino Students Jump on Kemmerer,” *The Manila Times*, May 4, 1907; Edwin W. Kemmerer Papers; 203 3.

<sup>120</sup> “Ungrateful Filipinos,” *Philadelphia Record*, April 23 1907; Edwin W. Kemmerer Papers, 203 3.

With this contradictory situation in mind, it is easy to see just why Kemmerer would be terrified of the elections of 1907. Clearly still haunted by the spirits of the Revolution, Kemmerer described the election as “for the moment” fanning “the smouldering embers of the insurrection.” Indeed, with the parties calling for independence winning a convincing number of seats, Kemmerer described how some Filipinos “lost their heads, publicly paraded the *Katipunan*, the flag of the insurrection, and insulted the American flag.” Trespassing over both economic and political boundaries, these and “other similar excesses” which poured out of Filipinos during the elections, according to Kemmerer, “aroused the better classes of Americans throughout the islands.” In response, the Philippine Commission acted quickly to strengthen the sedition law and added an amendment which outlawed insurrection symbols, flags, and paraphernalia.<sup>121</sup>

These remainders of the Revolution help us understand further why Kemmerer, and others like him, would be so obsessed to connect, on one hand, the racial capacity of the native to labor for the future; and on the other, the political progress of the Filipino toward self-government. In these brief moments in which people “lost their heads” over the promise of independence, we see, the revolutionary impulse for anti-imperial and anti-colonial freedom unleashed. These revolutionary demands for freedom would not come in some undetermined future, but in the immediate present. Similar to the spendthrift and the excessive native laborer targeted by banking and credit policies, who stymied the formation of capitalism, the Filipino who demanded immediate independence in turn troubled a future of political progress under American authority. Consequently we see how this obsession in transforming the native into a

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<sup>121</sup> Kemmerer, “The Progress of the Filipino People Toward Self-Government,” 72. For more on the intricacies of the party politics and the elections of 1907, see Peter Stanley, *A Nation in the Making*; Bonifacio S. Salamanca, *Filipino Reaction to American Rule, 1901-1913*; (Hamden, CT: The Shoe String Press, 1968); Michael Cullinane “Playing the Game: The Rise of Sergio Osmena, 1898 – 1907” in *Philippine Colonial Democracy*, ed. Ruby R. Paredes, (New Haven, CT: Yale University Southeast Asian Studies, 1988); Frank Jenista, Jr. “Conflict in the Philippine Legislature: The Commission and the Assembly from 1907 to 1913,” in *Compadre Colonialism: Studies on the Philippines Under American Rule*, ed. Norman G. Owen, (Ann Arbor, MI: University of Michigan, 1971).

future-oriented laborer and potential capitalist was inextricably bound to domesticating the ghosts of the Revolution. The supposed racial incapacity to put off desires into the future, seemingly a common sense political and economic virtue, in actuality unsettled both the logic of capitalist development and political tutelage in the colonial Philippines.

### **Conclusion: The Violent Progress Toward the Future**

Both the Agricultural Bank and the Postal Savings Bank could be seen as relatively successful colonial experiments which were eventually brought back “home.” One could look at how these two institutions anticipated several larger shifts in the financial and banking infrastructure in the “domestic” United States, particularly the increased move of the Federal government to centralize and regulate the national currency and banking system by way of reforming social and political conditions. For certain, the introduction of the U.S. Postal Savings System in 1911 and the Federal Farm Loan Act in 1916 illuminates how novel colonial banking and financial policies were in comparison to “domestic” policies. For instance, the U.S. Postal Savings System’s desire to encourage immigrant European American and Black American populations to become thrifty, disciplined, and more trusting savers, resonates with obsessions over self-control seen in the Philippine colony.<sup>122</sup> These initial economic experiments could also be considered successful for it paved the way for the 1916 establishment of the closest, at the time, the Islands had ever come to having a central monetary authority: The Philippine National Bank.

Still, the attempts of American authorities to institute reforms within the banking and credit systems of the colonial Philippines also reminds us of the contingency of empire, how it

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<sup>122</sup> Edwin W. Kemmerer, “Six Years of Postal Savings in the United States,” *The American Economic Review*, 7 1 (1917), 53.

unfolds in unexpected and unanticipated ways. Through the formation of the Agricultural Bank, we see how attempts to replace informal and unregulated creditors with a more efficient state form of labor exploitation and land expropriation eventually led to unintended consequences. Indeed, the rapid appropriation of local colonial state positions by natives allowed wealthy elites to create new state legitimized networks and hierarchies through state banking and credit systems. In the case of the Postal Savings Bank, we see that attempts to transform the native from a creature of the present into a creature oriented toward the future reflected an imperial desire to alter the Filipino into a self-governed and efficient laborer and potential investor in a never ending and ever expanding capitalist future. At the same time, the obsession over the native as a creature of the present unexpectedly revealed other fears and anxieties, perhaps justified, about the native's desire for immediate political independence.

In sum, through the employment of economic experts, such as Kemmerer, U.S. empire attempted to, on one hand, deploy the colonial state to manipulate the social and political conditions of the capitalist market, while on the other hand, strengthen its imperial authority in order to position itself as the geo-political leader in a future ruled by finance capitalism. At the same time, many of these interventions reflected broader political concerns of Progressive thought, in particular the desire to educate, centralize authority, increase efficiency, and limit popular sovereignty in the political realm in favor of a government based on an unelected state technocratic bureaucracy. In the next chapter we will see how the increased centralization of a bureaucratic state was co-constitutive with the rapid appropriation of the state by native politicians. This increasingly bureaucratic colonial state, fast becoming dominated by natives, in turn would struggle to maintain authority in a world dominated by the violent convulsions of a rapidly unregulated and autonomous global financial market.

## Chapter 5:

### Shattered Speculations: Gauging The Political in the Wake of Economic Crisis, 1916 - 1929

“What is it father?” asked my brother suddenly.

“It is nothing of importance,” said my father. “The bells are ringing for the end of a decade.” Then he looked at me meaningfully, and there was a sudden surge of affection in his face. “But they are also announcing the birth of another decade.”

I did not understand what my father meant. – Carlos Bulosan, *America is in the Heart*<sup>1</sup>

In the propagandistic 1924 text, *Governor-General Wood and the Filipino Cause*, Camilo Osias, President of the National University and long time Philippine Senator, recalled the recent history of financial boom and bust in the Philippine colony and the role the Philippine National Bank (PNB) had played in mediating such a massive business cycle. He described how the PNB “helped the Philippines attain “unprecedented prosperity[.]” to such extent that the country had become “drunk with prosperity[.]” Like all celebrations, however, this particular moment could not last. “We have suffered somewhat” Osias lamented, the “natural headache which is the aftermath of any sort of drunkenness.” What made this business cycle so significant, however, was the historic participation of Filipinos in the economic realm of the Philippine colony. Much like the Filipinization of the colonial state, through the aid of the PNB, there was an increased Filipinization of business and finance. Large scale financial and business transactions in the Philippine colony after all, was for the most part dominated by British and American banks and merchant houses. This particular history of foreign hegemony led Osias to remark, “the Filipino may be said to have” just now “entered the corporation stage of their economic development.”<sup>2</sup>

Picturing this local financial history as a marker of a specific stage of capitalist modernity, Osias proudly argued that because of the PNB, “Filipinos organized large corporations” and “undertook business and economic enterprises wherein the Filipinos not only

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<sup>1</sup> Carlos Bulosan, *America is in the Heart*, (Seattle: University of Washington Press, 1973), 65.

<sup>2</sup> Camilo Osias, “The Historic National Issue,” in *Governor-General Wood and the Filipino Cause*, eds. Manuel Quezon et. al., (Manila: Manila Book Co, 1924), 194.

had participation but had controlling interests.” The result of this greater economic inclusion into the world market economy was represented in the growth of the PNB. By 1919 the Bank was, according to Osias, “the largest bank west of Chicago.” Thus, not only were Filipinos part of the great universal history of capitalist modernity, but they were also now pulling their weight as colonial capitalist members in an American imperial financial web expanding across the Pacific.<sup>3</sup>

All this would come to a crashing halt as the Great War, and all its inflated wartime commodity prices, came to a sudden end. Osias admitted that the PNB, because of “inefficiency, criminal negligence, and wild speculation,” failed to protect Philippine colonial social life from the devastating effects of crisis.<sup>4</sup> Still, he reasoned, “the administration of justice” had “taken care of our countrymen who had been guilty,” and that they were “now serving their terms in the penitentiary.”<sup>5</sup> Despite these criminal acts, however, Osias emphasized that all of humanity was pulled into the postwar global capitalist crisis, Filipinos, Americans, and Europeans alike. The PNB crashed because “the war stopped at a time which no human being could have foreseen[.]” Osias reasoned, causing great losses indiscriminately to all financial systems across the United States and the world.<sup>6</sup> Because of the unpredictability of the Great War and its consequences, even the most knowledgeable and experienced “leaders in world finance” could not fully curb its devastating effects and consequences.

Citing the common sense notion that financial and banking institutions were equally an educational apparatus for colonized natives, Osias argued that if the bank were closed, Filipinos would be denied “an opportunity to experience” the “financial administration of our affairs so necessary to our economic life.” Because economic progress was commonly understood as

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<sup>3</sup> Osias, “The Historic National Issue,” 194.

<sup>4</sup> Osias, 195.

<sup>5</sup> Ibid, 194.

<sup>6</sup> Ibid, 195.

following a linear trajectory of civilizational stages, the experience and tutelage made available through the PNB, was crucial for Filipinos to gain recognition as a rapidly modernizing race within the history of global capitalism. Moreover, the management of economic apparatuses such as the PNB, Osias underscored, not only demonstrated the Filipino's racial capacity for autonomous self-rule, by providing "a check in the manipulation and control of loans and exchange[,]” but was also one of the “greatest instrumentalities for national defense in war or in peace” within the savage world of capitalist markets and rival imperial powers. “Close the bank and the Filipinos,” warned Osias, would “be denied one of the greatest means of effecting our economic salvation.”<sup>7</sup>

The PNB's continued existence was of immense importance for it not only enabled Filipinos to become—as entrepreneurial capitalists rather than merely filling the ranks of management or labor—theoretically equal with white Westerners within the speculative game of finance capitalism. At the same time, the PNB also symbolized the Filipino's evolved capacity to manage and navigate the violent realm of the world market. Indeed, for Osias, the stakes were much larger than mere access to government funds as start-up capital for local corporations. Instead, the PNB was important for what it signified: the fitness of the Filipino to mediate and instrumentalize the force of capitalism for the growth and benefit of the nation's social life. The PNB, therefore, was simultaneously an apparatus for defense against other economic imperial powers and the fluctuations of the capitalist market and perhaps, it was a metonymy of the last sphere of colonial life kept so blatantly out of Filipino hands by American imperial sovereignty.

Although a work of conservative propaganda, this chapter takes seriously Osias' passionate defense of the PNB, and its subsequent government bailout, by seeing the economic realm it represented as a critical territory in which battles over autonomy, authority, and

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<sup>7</sup> Ibid, 196.

sovereignty could be acted out. On one hand, after the period from 1913 – 1917 known as the “New Era” in which all echelons of the colonial state were rapidly Filipinized, it seemed that elite Christian Filipinos were well on their way to wresting control of the archipelago from American imperial sovereignty. In the name of the Philippine Republic, Christian politicians mainly from lowland Luzon and the Visayan Islands had mastered the art of congressional politics, making their demands for national independence a more tangible possibility. After the financial and fiscal crisis of 1919, however, the economic realm was seen by pro-imperialists as totally foreign and too unwieldy for untrained and naïve Filipinos. Furthermore, the sphere of finance and money appeared to be dangerously encroached upon by eager and undisciplined Filipino politicians who sacrificed efficiency in favor of irresponsible personal and political obligations. As a result, American imperialists, seeking to restrain Filipinization and retain sovereignty in the archipelago, sought to cordon off the economic realm from Filipinos. By defending the economy, American imperial officials argued that the Filipino culture of politicization dangerously corrupted economic decisions. These decisions, thus, should be guided by efficiency and grounded in expert knowledge of the capitalist market, not politics.

On the other hand, elite Christian Filipino politicians also understood the crucial significance of the economic realm. As Timothy Mitchell has shown, it was in this interwar period that the “economy” emerged as a self-contained naturalized object (and thus artificially “fixable”) made comprehensible only through the category of the nation-state.<sup>8</sup> Seen in this light, the last sphere of colonial life in which Filipinos appeared to be making little headway was the economic terrain. The economy began to appear, at least through a nationalist optic, as an object

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<sup>8</sup> Timothy Mitchell, “Fixing the Economy,” *Cultural Studies*, 12 1 (1998): 82-101. Mitchell, of course, expands the thought of Michel Foucault on the historical relation between the market and the state under Western modernity. Michel Foucault, *The Birth of Biopolitics: Lectures at the College de France*, ed. Michel Senellart, (New York: Palgrave Macmillan, 2008).

that not only rightfully belonged to Filipinos, but was also being held hostage by American imperial authority. As a result, Filipino politicians engaged American claims to economic authority through the same logic of fiscal efficiency and financial knowledge. Thus, Filipino politicians did not strictly challenge American imperial sovereignty through the political or juridical language of rights or justice, but through the economic logic of efficiency and utility. Indeed, this chapter explores how a new question emerged unintentionally from the economic logic captured by American experts: was American imperialism advancing Philippine economic life or impeding it?

Both American imperialists and elite Filipino nationalists therefore claimed to be the proper authority to mediate between the force of the global capitalist market and colonial social life. Authority, through the optic of economic advancement especially, was grounded not on sovereignty but principally on knowledge of the truths of the capitalist market. Expert knowledge of the market armed governing agents with the proper instruments and strategies to efficiently manage and administer the economic life of the colony. Economic expertise thus not only played a critical role in measuring the fitness of Filipino and American political decisions over economic life. It also constructed the very gauge with which to measure Filipino fitness. This chapter explores how race radically informed the gauge of efficiency through expert claims that economic knowledge could only be attained through the experience of, and proximity to, the large volumes and rapid movements of finance capital. As a result, many of these expert critiques of the financial crisis in the Philippine colony hinged upon the temporal difference of civilizational progress between Filipinos and more advanced White races from the North Atlantic. Racial difference, in turn, was qualitatively expressed through historical experience with, and knowledge of, the market. Moreover, racial progress also meant understanding that

politics fundamentally impeded the growth of capitalism. Thus, the Wood regime became famous for its vow to ensure that government “keep out of business.”<sup>9</sup>

The crisis also created conditions for a myriad of heterogeneous militant associations and organizations. Emerging especially at the tail end of the Great War and gaining speed and complexity throughout the 1920s, radical movements consisting of poor agricultural and factory workers paralleled the contractions and expansions of the local and global capitalist market. Although these movements may not have directly used the same language of experts, the connections and impulses were certainly created out of conditions inextricably linked to financial crisis. Unfettered land expropriation by the colonial state; intensified extralegal capital accumulation by landed agricultural capitalists; and exploitative interest rates on loans made by local moneylenders: these were the violent interlocking economic circumstances which these movements were simultaneously born from and in opposition to. The growing violence between the colonial state and capitalists on one side, and radical militant movements on the other, caused massive displacement within and without the archipelago. The resulting migration, born from mass displacement in the Islands, coincided with intensified labor recruitment from “domestic” American agribusiness in the continental United States. Another unintended consequence of the crisis, this chapter therefore gestures toward, was the beginning of the first great migration of Philippine laborers across the imperial Pacific to the metropole.

### **The PNB, Postwar Crisis, and Anxieties Over the Filipinization of the Economy**

The Philippine National Bank (PNB) represented the first successful attempt to truly centralize American colonial control over the different state financial and banking apparatuses in

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<sup>9</sup> Leonard Wood and Cameron Forbes, *Report of the Special Mission on Investigation to the Philippine Islands of the Secretary of War* [from hereon *Wood-Forbes Report*], (Washington, D.C.: Government Printing Office, 1921), 42.

the archipelago. As the reformulation of political authority loomed with the passage of the 1916 Jones Act,<sup>10</sup> and the slow erosion of American personnel as a result of Governor General Francis Burton Harrison's Filipinization of the bureaucracy, the PNB also represented one of the last sites in which Americans could wield full authority. After being approved by the Insular (Philippine) Legislature on February 6, 1916, the PNB was quickly incorporated and opened for operation a mere four months later on July 24, 1916. The PNB consolidated many of the distinct state banking and credit institutions that had emerged throughout the almost two decades of American colonial occupation. Indeed, despite its seeming rapid construction, the PNB had a rather long embryonic life formed through struggles between American colonial officials, Filipino politicians, American experts, and agricultural capitalists and small landowning farmers.

From 1912 through 1915, because of the intensified efforts of the colonial state to strengthen the land title system, applications for loans from the Agricultural Bank exponentially increased.<sup>11</sup> Straining under the weight of all the accumulation of outstanding loans, as early as 1914 the Agricultural Bank's capital had been severely overstretched. This demand for credit was most likely due to the Great War agribusiness boom. Beginning in 1914, Philippine exports of raw commodities such as copra, hemp, coconut oil, tobacco, and sugar exploded. By 1915 tensions grew as angry farmers, who either owned smaller parcels of land or who did not have

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<sup>10</sup> The 1916 Jones Act, otherwise known as the Philippine Autonomy Act, came into effect in 1917. The Act was a new constitution of the Philippine possession, replacing the Philippine Organic Act of 1902. Several unprecedented legal milestones were enacted through this legislation. First, the Act formally declared, for the first time, the commitment of the United States to grant Philippine independence. Second, the Act replaced the Philippine Assembly with the House of Representatives, establishing a bicameral Congress. Both the lower house and the upper house of the Philippine government would be electable, thus limiting American control of local colonial government to the executive branch.

<sup>11</sup> For more on the relationship between agricultural loans and land titles and how this simultaneously shored up government surveillance as well as a political order dependent on individual property rights, see Chapter 4 of "Monetary Authorities."

state-approved land titles, demanded equal access to government backed agricultural credit.<sup>12</sup> At the same time the American colonial state felt that its dominance over the economic boom was severely limited, as various multinational commercial banks, in particular British owned banks greatly profited off of booming export agricultural sales.<sup>13</sup> In the minds of many Americans who saw the British as imperial rivals, therefore, the Philippine agricultural export market was a site through which to chip away at British financial hegemony.

Seeing conditions ripe for a political opportunity, Harrison and the vice-Governor General Henderson Martin, made plans to create a government-owned “Insular Bank.” The chief of the Bureau of Insular (BIA) Affairs Frank McIntyre, however, cautioned against increased intervention into the economic realm.<sup>14</sup> He instead suggested withdrawing the colonial state entirely from the banking and credit business to allow American-owned private capital banks to take over in the Philippine colony. Both the Philippine business bloc and Philippine politicians were split over the issue. Although both groups desired another state apparatus to do the heavy lifting of attracting capital to the colony, the potential authority that Americans would preserve nevertheless troubled both. In response, Manuel Quezon and Sergio Osmeña, the two most politically powerful Filipinos in the archipelago, reached out to banking and financial expert Henry Parker Willis for advice.<sup>15</sup> A renowned financial expert, Willis was instrumental in drafting what eventually became the Federal Reserve Act of 1913. He would go on to be appointed as the first secretary of the Federal Reserve Board and serve on several congressional

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<sup>12</sup> Emilio Aguinaldo, “For Agricultural Loan Bank” Aug. 28, 1915, 6769a-1, Bureau of Insular Affairs (BIA), Record Group (RG) 350, National Archives, College Park, MD.

<sup>13</sup> H. Parker Willis, “The Philippine National Bank,” *The Journal of Political Economy*, 25 5 (1917): 417.

<sup>14</sup> The Bureau of Insular Affairs (BIA) was a division of the War Department of the U.S. Federal Government that administered U.S. colonial territories and insular possessions during most of the first half of the twentieth century. The BIA acted as the chief mediator between the insular government in the Philippines and the U.S. Federal Government in Washington, D.C.

<sup>15</sup> Henderson Martin, “The Insular bank of the Philippines,” Sept. 14, 1915, 6769a-4, BIA, RG 350, National Archives, College Park, MD.

committees dedicated to banking and currency. Willis additionally held several professorial positions, most notably at Washington and Lee University and Columbia University.

Intriguingly, Quezon's letter was not the first time Willis' career trajectory intersected with the Philippines. Working as a young economic journalist in 1903, Willis was privately hired by American anti-imperialists to investigate and critique the political and economic conditions after the Philippine American War.<sup>16</sup> Because of his early anti-imperial work, he eventually became a sporadic contributor to Quezon's nationalist magazine, *The Filipino People*. Despite, or perhaps because of, his past anti-imperialist stance, however, Willis was more than eager to lend his authoritative knowledge to the creation of a rapidly Filipinizing state bank. Putting aside Martin's bank proposal, Willis created his own version. He emphasized two elements that he felt would truly advance the economic life of the Islands: investment into agriculture and eventually other natural resources; and commercial development through securities, deposits, and foreign credit markets.<sup>17</sup> Willis thus proposed that the PNB should be made up of two divisions: the Division of Investment and the Division of Discount.<sup>18</sup>

After a relatively arduous legislative journey, the policy was transformed into an institution that had a composite of heterogeneous functions such as agricultural development, investment and credit loaning, note and bond issuance, and caretaker of various government funds. Furthermore, the Philippine government's decision to allow 49.5 percent private ownership of the PNB's initial 20 million pesos further blurred the boundaries between a private

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<sup>16</sup> There are frequent allusions to the freelance investigative work by H. Parker Willis in the correspondences between Kemmerer and Jenks from August to October 1904. For example see July 19, 1904; Jenks to Kemmerer 1904; Edwin W. Kemmerer Papers, 199 4; Public Policy Papers, Department of Rare Books and Special Collections, Princeton University Library. And for an example of Willis' early work on the economic conditions of the Philippine colony see "Economic Situation in the Philippines," *Journal of Political Economy*, 13.2 1905: 145-172; and *Our Philippine Problem: A Study of American Colonial Policy*, (New York: Henry Holt and Company, 1905).

<sup>17</sup> H. Parker Willis, "The Philippine National Bank," *The Journal of Political Economy*, 25 5 (1917): 416 – 417.

<sup>18</sup> H. Parker Willis, "Plan for Insular bank of the Philippines," Dec. 14, 1915, 6769-128, BIA, RG 350, National Archives, College Park, MD.

and public entity. This blurring was also due to a number of banking regulations being removed by the legislature, including: the lack of clear distinction between types of investment and commercial accounts; the PNB president and vice-president's capacity to decide on loans unilaterally; and the maximum size of loans was raised above what was thought safe by American experts.<sup>19</sup> Despite what should have been major red flags in its creation, the PNB was nevertheless established with Willis appointed as the first bank president. Willis, in later reports, was often described as a shrewd conservative technocrat who desired to eventually link the PNB to the Federal Reserve System in order to strengthen the influence of the United States dollar throughout the Pacific.<sup>20</sup> In other words, the PNB was envisioned by Willis as key in eating away at other imperial economic powers in Asia, specifically British hegemony of trade and finance.<sup>21</sup>

Filipino politicians and capitalists, however, saw the importance of the PNB for different reasons. Quezon and Osmeña, for example, saw in the PNB an apparatus that could involve itself in multiple economic sites, particularly the recently established developmental agencies and institutions such as the Sugar Central Board, the National Coal Company and the Coconut Products Board.<sup>22</sup> With its flexible authority over multiple aspects of the colonial economy, Quezon possibly saw the difficulties of establishing the bank without an American in a position of leadership. This attention to the political ramifications of a quasi-central bank run by a native was especially salient considering that Quezon and other Philippine politicians were scrambling

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<sup>19</sup> Peter Stanley, *A Nation in the Making: The Philippines and the United States, 1899 - 1921*, (Cambridge, MA: Harvard University Press, 1974), 236 – 237.

<sup>20</sup> Francis Coates, "Coates Report," March 3, 1921, 6769 – 585a, BIA, RG 350, National Archives, College Park, MD, 79 – 80.

<sup>21</sup> Stanley, *A Nation in the Making*, 239.

<sup>22</sup> Patricio Abinales and Donna Amoroso make this argument concerning Quezon's and Osmeña's desires to wield government institutions for personal gain in *State in Society*. Patricio Abinales and Donna Amoroso, *State and Society in the Philippines*. New York and Oxford: Roman and Littlefield, 2005, 141- 142. Abinales and Amoroso draw their argument concerning the PNB as a device to extract largesse from the analyses of Frank Golay and Peter Stanley. Frank Golay, *Face of Empire: United States – Philippine Relations, 1898 – 1946*, (Quezon City: Ateneo de Manila University Press, 1998), 220; and Peter Stanley, *A Nation in the Making*, 236 – 237.

to create what would eventually be the Jones Law of 1916. Writing to Harrison on March 23, 1916, Quezon stated that in terms of “handling our finances” the Philippines needed non-Filipino guidance. Admitting “it is well known that we have no experts on this subject[,]” Quezon ensured Harrison that “Dr. Willis will be of great help to us in this regard.”<sup>23</sup>

Almost immediately, Willis fell out of favor in the Philippines. According to most official reports, this alienation was due to the rapid Filipinization under Harrison, in which even the bureaucracy had been deeply politicized.<sup>24</sup> Blocked from hiring additional American banking experts, Willis quickly found himself being outmaneuvered by the Filipino dominated banking board. Without much political support, after less than a year, Willis resigned in February 1917 leaving the presidency to Samuel Ferguson. Ferguson, a non-economic expert, gained the position through his political proximity to Harrison and proved an inconsistent president due to chronic illness. Ferguson would not serve long, eventually passing away and replaced by the staunch nationalist Venancio Concepción in March 1918. A former general in the Philippine American War, Concepción had once saved Osmeña’s life, thus ingratiating himself with the powerful Speaker of the Philippine House.<sup>25</sup> Described as an anti-intellectual, Concepción was, according to many later observers, the complete opposite of Willis.<sup>26</sup> By the end of the Philippine financial crisis of the early 1920s, it would be Concepción’s term that would receive the most scrutiny from the global public.

The most damning report concerning Concepción’s presidency would be the 1921 *Report of the Special Mission on Investigation to the Philippine Islands to the Secretary of War*, or later popularly referred to as the *Wood-Forbes Report*. Named after the main leaders of the fact-

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<sup>23</sup> Quote is contained in Stanley, *A Nation in the Making*, 239.

<sup>24</sup> Coates, “Coates Report,” 100.

<sup>25</sup> Coates, “Coates Report,” 88. See also Stanley, *A Nation in the Making*, 240.

<sup>26</sup> Stanley, *A Nation in the Making*, 240.

finding mission, General Leonard Wood and former Governor General William Cameron Forbes, the *Wood-Forbes Report* would dedicate a full section of its slim forty-six pages to the alleged mismanagement of the Philippine National Bank. The fact-finding mission was a response by the newly elected United States President, Warren G. Harding and the Secretary of War, John Weeks, to the question of Philippine independence. As Republicans, both Harding and Weeks had serious doubts about former Democrat president, Woodrow Wilson's assertion that the Philippines had successfully demonstrated its capacity for self-government.<sup>27</sup>

With this in mind, Weeks placed emphasis on the financial and economic conditions of the Islands, and how drastic economic relations between the Philippines and the United States would affect the people of the archipelago. The government of the Philippines, which at that point was supposedly run completely by Filipinos, was therefore to be judged on whether it could take care of the entirety of its population.<sup>28</sup> Moreover, Weeks expressed his anxieties over whether Filipinos could not only effectively develop their natural resources, but ensure that these “unused land and resources may not continually be a source of temptation to their less fortunate but probably stronger neighbors[.]”<sup>29</sup> As a result of this concern over the economic progress of the colonial population, the *Wood-Forbes Report* focused on the effects of the post-Great War world economic crisis from 1920 to 1921.

Because of its geo-political distance from the primary sites of the Great War, production of commodities in the Philippine colony for the war remained unaffected. As a result, capital formation in the Islands dramatically intensified as prices for Philippine commodities, such as sugar and coconut oil, exponentially increased, consequently fueling feverish speculation on

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<sup>27</sup> *Wood-Forbes Report*, 8.

<sup>28</sup> The Mission was to take very careful account of the welfare of marginalized groups, most notably the “backward people of the islands—Christian, Moro, and Pagan.” *Wood-Forbes Report*, 9.

<sup>29</sup> *Wood-Forbes Report*, 10.

enterprises involving war commodities. When the demands from the War ended, however, the pricing bubble of Philippine commodities burst, leaving in its wake a local economic crisis that mirrored the overall global post-War crisis.<sup>30</sup> The global 1920-1921 crisis, which was marked by extreme deflation and sharp declines in employment and commodity and stock prices, was due to: the increased surplus of labor as a result of troops returning from war, the increasing of rates by the Federal Reserve, and the failure of the gold exchange standard to stabilize prices on its own.<sup>31</sup>

The Philippine crisis was then, according to Wood and Forbes, greatly exacerbated by the mismanagement of the PNB. According to the findings of the *Wood-Forbes Report*, the PNB's support of mass speculation during this wartime boom in prices, through the investment of capital into uninformed and unsound securities, led to "one of the most unfortunate and darkest pages in Philippine history."<sup>32</sup> Dripping with disdain, Wood and Forbes related the narrative of the PNB caused crisis in the *Wood-Forbes Report* as follows.

A man presumed to be experienced in banking was brought from the United States and took the first presidency, which he had held a short time. An American inexperienced in banking was then put in charge, and upon his death a Filipino, also without banking experience became president. The result of all this has been a series of banking losses, estimated by the insular auditor to reach the severe total of \$22,500,000.<sup>33</sup>

Quoting from a report made by experts from the accounting firm hired by the BIA to audit the PNB and other economic apparatuses of the Philippine colonial state, Haskins and Sells, the

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<sup>30</sup> Ibid, 34.

<sup>31</sup> The literature on the Post-WWI crisis is vast. A brief history of the construction of a new monetary world order in the wake of crisis is covered in the Epilogue of "Monetary Authorities." For more on the crisis see: Steven V. O. Clarke, *Central Bank Cooperation: 1924 – 31*, (New York: Federal Reserve Bank of New York, 1967); Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919 – 1939*, (New York: Oxford University Press, 1992); R. Glenn Hubbard, ed., *Financial Markets and Financial Crises*, (Chicago and London: The University of Chicago Press, 1991); Allan Meltzer, *A History of the Federal Reserve*, (Chicago: University of Chicago Press, 2003); Melchior Palyi, *The Twilight of Gold, 1914 – 1936*, (Chicago: Henry Regency Company, 1972); Murray Rothbard, *History of Money and Banking in the United States: The Colonial Era to World War II*, (Auburn, AL: Ludwig Von Mises Institute, 2002).

<sup>32</sup> *Wood-Forbes Report*, 38.

<sup>33</sup> Ibid, 38.

*Wood-Forbes Report* claimed that prior to the most recent president, all management had been in violation of “prudence, intelligence [...] even honesty[.]” To underscore the criminality of the managerial practice of the PNB, the *Wood-Forbes Report* mentioned the recent arrest and charges filed against Concepción.<sup>34</sup>

The *Wood-Forbes Report* then dedicated the rest of the section on the PNB to explaining not only how it had been taken to the brink of insolvency, but also the consequences of such a precarious financial situation. The main cause, according to the *Wood-Forbes Report* of the financial crisis, was that a shocking amount of the PNB’s assets were loaned in “excessive amounts” to sugar centrals and coconut oil factories. These speculative loans were made during the time of the Great War inflation in commodity prices and were released without a proper assessment of the true valuation of collateral, mostly properties and securities, put up for the loan. As a result, the collateral put up for loans were worth barely the amount owed, and the amount owed was too great for even the most successful business to ideally pay back within a reasonable timeframe. The PNB, which had most of its assets tied up in rapidly devaluing properties and securities, also overreached in its loaning practices, allowing its reserves to go well below what was required by banking law. In addition, before auditing reports had been made, the PNB had been secretly begging other banks, mostly foreign-owned banks located in Shanghai, not to redeem its banknotes and to put off calling in payment obligations. The PNB, thus, had attained an extremely negative perception in the eyes of the financial world.<sup>35</sup> Moreover, the *Wood-Forbes Report* mentioned that criminal mismanagement had not only occurred in Manila, but was also systemic, claiming that “[o]f the four branches in which

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<sup>34</sup> Ibid, 38.

<sup>35</sup> Ibid, 38-40.

examinations have been completed criminal charges have been preferred against the managers of each one.”<sup>36</sup>

Clearly, the *Wood-Forbes Report*'s account of the discouraging consequences had much to do with local and international public perceptions of the stability of the PNB. What was left out of the *Wood-Forbes Report*, however, was that the public came to know of all these troubles through a leak released by Weeks, even before the wrap-up of the Wood-Forbes fact-finding mission. Weeks, after receiving a confidential cablegram from Wood on June 17, 1921, concerning the financial situation of the PNB and its entanglement with the treasury, decided to release the cable almost in entirety to the press. The public response in the United States, especially, was rapid and politicized, with many claiming that Filipinos, squandering their increased autonomy, had driven the Philippine government to the brink of bankruptcy. Weeks most likely released this information to the public, in hopes of swaying Congress to double the Philippine government's legal debt to \$30 million.<sup>37</sup> After eventually being approved, the BIA was able to use the increased loan from Congress to bailout the PNB and appear to the public as saviors of the Philippine financial system.

As these machinations occurred in Washington D.C., the Wood-Forbes expedition continued its fact-finding mission throughout the rest of the summer of 1921, bearing witness to the on-the-ground effects of the global public perception on the Philippine financial system. Consequently, in the fall of 1921, upon its release, the *Wood-Forbes Report*'s perspective was notably optimistic. Likening the instance of financial panic as a teaching moment, the *Wood-Forbes Report* asserted that, because of the United States bailout, the Philippine government was now on the right path toward economic stability and progress.

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<sup>36</sup> Ibid, 40.

<sup>37</sup> Frederick Gilman Hoyt, "The Wood-Forbes Mission to the Philippines, 1921," (PhD diss. Claremont Graduate School and University Center, 1963), 301 - 304.

In view of good earnings, moderate expenses, inherent wealth, a small public debt, and backed by the credit of the United States, the problem of rehabilitating the credit of the Philippine Islands should be an easy one. The lesson has been a bitter one for the Filipinos and the gravity of the mistake is generally appreciated.<sup>38</sup>

The bailout, however, would not be a singular act, and instead illustrated to the Wood-Forbes mission that continued American supervision would be necessary to protect the Philippine people, not only from outside forces, but also from themselves. This supervision would involve increased tutelage in military defense and economic organization. In particular the injection of “proper training” to return the state to an efficient technocratic bureaucracy, rather than one marked by “deterioration due to the injection of politics.”<sup>39</sup>

### **Dominant Narratives and Imperial Secrets**

The argument that rapid Filipinization led to the formation of a “political bureaucracy” would remain the longest lasting legacy from the *Wood-Forbes Report*’s narrative of the PNB and the general post-Great War Philippine financial crisis.<sup>40</sup> Historian Peter Stanley, who would write one of the most influential and definitive political economic histories of the Harrison and Wood eras in Philippine historiography, does not deviate from the narrative spun by the *Wood-Forbes Report* and the skillful manipulation of public information by Weeks. For certain, Stanley focuses much of his ire on the figure of Concepción, the criminalized and shamed former PNB president which served as the representation of not only what is now popularly called patronage politics in Philippine historiography, but also as the disastrous excesses of Filipinization under the Harrison era.

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<sup>38</sup> *Wood-Forbes Report*, 40.

<sup>39</sup> *Wood-Forbes Report*, 45.

<sup>40</sup> The phrase “political bureaucracy” is taken from the beginning assessment of the *Wood-Forbes Report* which set this type of state in opposition to a more efficient technocratic bureaucracy. “The period was marked, however, by a deterioration in the quality of public service by the creation of top heavy personnel, the too frequent placing of influence above efficiency, by the beginning of a political bureaucracy. In this period, taxation and expenditures were very greatly increased.” *Wood-Forbes Report*, 17.

Stanley strangely accepts patronage and exploitative practices as a natural result of the rapid Filipinization of the colonial state. Indeed, his appraisal of the PNB as a “vehicle for elitist profiteering and back-scratching, an institutional reflection of the dyadic and familial character of Philippine personal ethics[,]” would lead him to conclude that Philippine nationalism troublingly rendered “even the elementary pursuit of profit and gain a political act.”<sup>41</sup> Stanley’s sentiment, eerily echoes with the racial assumptions made by the Wood-Forbes mission that despite possessing many “fine and attractive qualities” the Philippine people nevertheless, due to their “boundless hospitality” cannot but help “to do favors for those with whom they come in contact, which amounts almost to inability to say “No” to a friend.”<sup>42</sup> Stanley thus seems to unquestioningly draw from an older dominant narrative, developed during the Harrison-era of Filipinization and Progressive critique of such Filipinization, which assumed that Philippine racial habits of caciquism and affective bonds would trump any ethical republicanism or technocratic efficient state practices.<sup>43</sup> Stanley’s historical myopia is especially evident in his effacement of any difference between the PNB and the currency crisis, an effacement that is rooted in the *Wood-Forbes Report*’s own confusion over the financial conditions of the Philippine colony.

The common sense notion that the corruption of the PNB led to the inefficient and inappropriate instrumentalization of the currency reserves was crystalized in the *Report*’s account of Philippine currency crisis.

The currency resources have been depleted [...] The fund for the maintenance of the parity of gold and silver is involved in these losses, [...] its principle support now is the

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<sup>41</sup> Stanley, *A Nation in the Making*, 244.

<sup>42</sup> *Wood-Forbes Report*, 17.

<sup>43</sup> See Chapter 4 of “Monetary Authorities” for more on this cacique style government and the critique of American Progressive reforms. In a different way and for different purposes, E. San Juan Jr. critiques Stanley for similar suspicions. E. San Juan, Jr., *The Philippine Temptation: Dialectics of Philippine—U.S. Literary Relations*, (Philadelphia: Temple University Press, 1996), 8 – 9.

pledge of the Philippine Government and the confidence on the part of the public that the United States will not permit these things to happen again. The currency is now practically a fiat currency.<sup>44</sup>

From the above we can see the historical narrative where Stanley draws much of his anxiety over the process of Filipinization. It is not so much that currency funds were misappropriated or even that the reserves were depleted through negligent or criminal means, though it was of great concern at the time. Instead, what defined the currency situation as a crisis was that Philippine money was “practically a fiat currency[,]” held up only by the promise of the Philippine colonial state. In other words, the value of Philippine currency was dangerously backed by nothing but the law of the state. Because of its imperial relationship, the American government was now drawn into a precarious position, having to promise to the wider world of imperial and colonial states that the Philippines would not trespass against one of the most fundamental laws of the capitalist system: that money’s value would not be determined by the sovereign, but by the global capitalist market.

According to the dominant narrative established by the *Wood-Forbes Report* and reproduced in histories like Stanley’s, the cause of this trespass was the criminal mismanagement of the PNB. In reality, however, this narrative leaves out how, through the Great War boom period and well into the financial crisis of 1920 – 1921, the currency reserves were under the watch of supposed American experts, both in the colony and the office of the BIA in Washington, D.C. As Yoshiko Nagano cogently argues, placing the blame of the postwar financial crisis solely on the unsound and negligent Filipino mismanagement of the PNB, insidiously diverted attention away from the equally unsound and negligent mismanagement of Philippine currency. Indeed, the dominant narrative of the *Wood-Forbes Report* and subsequent Americanist histories such as Stanley’s—which argued that the rapid Filipinization (and thus

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<sup>44</sup> *Wood-Forbes Report*, 40.

politicization) of the economic apparatuses of the colonial state was the ultimate cause of crisis—either downplayed, blatantly ignored, or confused the role of the currency system in the crisis.<sup>45</sup>

The currency reserve fund's problems began under the Harrison regime, when two different reserve funds established in 1903—in order to maintain parity between the peso and the dollar and stabilize the price of silver currency to the world's gold prices, the Gold Standard Fund and the Silver Certificate Fund—were being appropriated for investment purposes in hopes of taking advantage of the wartime boom.<sup>46</sup> In 1917, after being combined and renamed, the Currency Reserve Fund was deposited in PNB branches as well as branches of the Federal Reserve Bank, blurring the economic borders between the domestic metropole and the foreign colony, despite the supposed increased political separation instituted in the 1916 Jones Act. As the United States became ever more entrenched in the Great War, an alarming amount of the Currency Reserve Funds were used, not to maintain parity as it had originally been intended, but rather to purchase Liberty Loan war bonds as well as speculative investments into war commodity production. Consequently, the combination of increased speculative investment as well as wartime scarcity, exponentially inflated commodity prices.<sup>47</sup>

By 1919, due to the Great War boom, currency and credit inflated to such an extent that it threateningly drained the currency reserves. It was also around this time that despite the supposed increased political autonomy of the Philippines from the United States, its economic

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<sup>45</sup> See conclusion of forthcoming book in 2013. Yoshiko Nagano, *The Philippine National Bank: The American Colonial State and Finance, 1898 – 1941*. Ateneo de Manila University Press and NUS Press.

<sup>46</sup> Yoshiko Nagano, "The Philippine Currency System During the American Colonial Period: Transformation from the Gold Exchange Standard to the Dollar Exchange Standard," *International Journal of Asian Studies*, 7 1 (2010): 31 - 34.

<sup>47</sup> Nagano, "The Philippine Currency System," 35 – 42.

proximity became evermore intimate.<sup>48</sup> The year 1920 saw the inflationary wartime bubble burst, forcing the Philippine peso to undergo rapid depreciation, revealing that a majority of speculative loans given out by state institutions were all on the brink of default. The *Wood-Forbes Report* traced the root of the currency crisis, and the economic crisis in general, to the mismanagement of the PNB. As the dominant narrative asserts, the bulk of the Currency Reserve Fund in 1919 (approximately eighty four percent of \$38 million) was housed in the PNB's New York agent, the Irving National Bank.<sup>49</sup> A majority of the Currency Reserve Fund was subsequently appropriated by the PNB to dole out speculative loans and credit for the production of export agricultural commodities during wartime. When commodity prices collapsed, the PNB, unable to call in its myriad loans and incapacitated by the amount of its currency notes still in circulation, suddenly faced a severe currency reserve shortage. Despite what should have been a policy of deflation to combat currency depreciation, at least according to the dominant narrative, the state found itself held hostage fiscally by the reckless actions of the PNB.

While the *Wood-Forbes Report* wanted to make it appear as if the crisis came as a shocking surprise, in reality the BIA had been sponsoring investigations of the fiscal and financial conditions of the colony since 1919. Three separate investigations by different examining agents, in total, had been or were being conducted before the publication of the *Wood-Forbes Report*: the first by Francis Coates Jr. in November 1919; the second by Haskins & Sells in May 1921; and the third by former Postal Savings Bank president and special bank examiner for the PNB, Ben F. Wright, who independently took it upon himself to investigate the

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<sup>48</sup> Indeed, by 1920 approximately eighty five percent of Philippine exports were directed toward the United States, while almost sixty percent of Philippine imports came from the United States. O. D. Corpuz, *An Economic History of the Philippines*, (Quezon City: University of the Philippines Press, 1997), 243.

<sup>49</sup> George F. Luthringer, "The Gold Exchange Standard in the Philippines," (PhD Diss.: Princeton University, 1934), 114.

PNB beginning in December, 1920.<sup>50</sup> Despite having differing perspectives as to the causes and the subsequent solutions to the financial and monetary conditions of the colony, all three investigations identified exploitative loopholes in the currency reserve system.<sup>51</sup> As such, the roots of the crisis were more systemic and not strictly a result of mismanagement of the PNB. As already mentioned, the PNB was not a central bank, and thus the currency reserves were firmly under the responsibility of the Philippine Department of Finance and Justice's Bureau of Treasury. Thus, many of the outside expert reports hired by the BIA were in fact very critical of Americans running the Bureau of Treasury.<sup>52</sup>

Although the *Wood-Forbes Report* made use of findings by experts, these economic assessments simultaneously and unexpectedly exceeded the limits of any imperial propaganda. One seemingly neutral gauge in particular, "efficiency," provided unanticipated consequences. Experts intended the gauge of efficiency as a measure of the Filipino's racial capacity to understand the truths of the market and make sound economic decisions from this knowledge. Efficiency, however, had the unintended potential to be expanded beyond measuring the soundness of colonial state decisions to imperial governance in general. Indeed, the danger of this supposedly scientifically based, and hence neutral, economic critique, was that it produced a gauge that could measure not only Filipino racial progress but also American imperial sovereignty.

### **Gauge of Efficiency I: Racial Capacities and Knowledge of the Market**

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<sup>50</sup> Wright, Coates, Haskins and Sells

<sup>51</sup> Nagano meticulously uncovers the repeated warnings by examiners and the consistent disavowal of American negligence in the forthcoming *The Philippine National Bank*, Chapter 5 (I do not have access to final pagination at this point and so can only identify chapters for now).

<sup>52</sup> Nagano, *The Philippine National Bank*, Chapter 5.

On March 31, 1921, Francis Coates, after having some minor setbacks due to illness, was finally able to submit his report on the currency reserve funds and the Philippine National Bank to the Secretary of War in Washington D.C. On November 30, 1919, Coates was hired by the Bureau of Insular Affairs (BIA) to assess the financial apparatuses of the Philippine colonial state. During his five month residence, Coates and his staff were limited to Manila, and were therefore reliant upon external reports of provincial PNB branches and particular factories and companies that had received PNB loans. Despite all this, Coates believed that he was still able to produce what he stated was a “ground-work and structure” for a “re-organization of the Bank.”<sup>53</sup> Through a combination of archived data and correspondences, Coates was able to create a narrative through which he could attempt to make sense to the reader how both the PNB and the Treasury brought the Philippine colonial economy to crisis.

The beginning of this narrative, although foreshadowing many of the eventual disasters that lay ahead, pictured a moment of unlimited possibility for the PNB. Coates painted the first bank president and the main architect of the PNB legislation, H. P. Willis, as a conservative expert, who emphasized efficient management, sound practices, and the employment of knowledgeable personnel.<sup>54</sup> Coates constantly highlighted Willis’s warnings, that once he and his staff left, that there were no “purely local men” who could act as replacements, due to their susceptibility to “political or personal influence[.]”<sup>55</sup>

Through Willis’ warnings, Coates marked a stark binary that would determine his analysis of the data, the contours of the narrative, and eventually the logic which would reveal to the reader the common sense source of crisis. On one side of this binary was the white American expert, trained with the knowledge of the market, and professionally distant from political and

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<sup>53</sup> Coates, “Coates Report,” 3.

<sup>54</sup> Coates, 13.

<sup>55</sup> Coates, 14.

personal ties in order to make informed and rational decisions. On the other side of this binary was the native Filipino, untrained and unfamiliar with large-scale capital, and susceptible to corruption due to political obligations or personal desires. From this binary logic, we can see how the term “political” in actuality delegitimized authority on the basis of racial capacity, nationalist desires, and lack of formal expert knowledge. In other words, the political trespassed upon the truths of the market, and this political impulse to trespass was grounded in racial habits and national characteristics. Political desires, grounded in racial impulses, therefore, were valued by Filipinos over efficient practices, rational decisions, and technical expertise necessary in managing and running such a crucial financial institution as the PNB. From this logic we thus see how Filipino authority over the economic realm could be quickly delegitimized.

What troubled Coates ultimately, however, wasn’t that laws or ethics were being broken due to political desires, but rather the breaking of laws and unethical decisions resulted in inefficient production of more capital. In other words, Coates offered a radical critique of the crisis. He did not see it as a trespass against sovereign law, but instead saw it as working against the logic of the market, determining the PNB’s history of mismanagement through the optic of utility.<sup>56</sup> We can see this logic in Coates’ decision to use the following July 1919 quote of acting Governor-General Yeater in regards to the threat of PNB insolvency.

In my judgment, the National Bank may be summarized as drifting with an undisciplined crew, without rudder, compass or Captain. The last American leaves this month. The Bank needs a Manager and heads of Departments with banking experience and financial instinct. Stock has declined to 40. Believe bank is solvent, but merely on faith, without seeing and knowing general information.<sup>57</sup>

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<sup>56</sup> I take this notion of a “radical” critique based on the utility of government from Michel Foucault’s genealogy of English radicalism in *The Birth of Biopolitics*. Foucault differentiates between the “revolutionary approach” and the “radical utilitarian approach.” Where the former argued that the law was derived from juridical rights and the collective will to cede such rights, the latter asserted that individuals exchanged liberty for the attainment of rights. Michel Foucault, *The Birth of Biopolitics*, 40 – 42.

<sup>57</sup> Coates, “Coates Report,” 93.

Rather than offer an analogy of criminality, Coates chose the analogy of a ship rendered useless by an undisciplined personnel, lacking authority, and drifting without any real knowledge of the ship's orientation. The PNB-as-ship was thus rendered without utility because of the inefficiency on the part of leaders and labor alike, not because of any criminal acts.

At the same time, this same quote underscores the centrality of race and racial capacities in determining the grounds of inefficiency. After all, this quote reasoned, as soon as the proper authority of the white American expert left, the captain-less ship and undisciplined crew created an explosive situation. As we know from the previous chapter, without proper authority, the Filipino's racialized need to satiate immediate desires extended beyond the economic dimension into the political. Thus, one can read the critique of the inefficiency of the PNB as a metonymy of the now almost completely Filipinized Philippine colonial state. We see these threads being sewn by Coates in the rest of his report, most notably through the most public and notorious figure of the PNB crisis, Concepción.

As we saw from above, the disgraced former bank president has been cast in historiography as representative of a deep and wide historical Philippine problem of oligarchic rule, patronage politics, and corrupt elite nationalism. Although the figure of Concepción could understandably be a representative of all these things, this was not the way expert reports at the time saw Concepción. Despite containing references to unethicity, criminality, or political cronyism, these reports saw Concepción primarily as a figure of inefficiency. Moreover, he became the figure par excellence of the racial inability of Filipinos to overcome their immediate desires to achieve efficiency. In describing, for example, the inefficiency of the PNB as it attempted to navigate the tumultuous era of wartime speculation and postwar depression, Coates argued that Concepción, due to his inexperience in banking, was lost in the "financial world of

the white man[.]” Because the PNB was “manned with a crew of natives—neophytes in the details of the game of banking[.]” Coates reasoned, what else but disaster could be the result.<sup>58</sup> Coates’ logic thus asserted that because incapable natives filled the ranks of both captain and crew, the bank was adrift in the wild world of finance markets.

Expert reports also allowed for a broader critique of the government of the Philippine colony. Rather than simply gauge the capacity of an almost completely Filipinized Philippine colonial state through the optics of the ethical or the political, these combined reports opened up space to critique the state through the economic. In these reports, the Philippine government was measured, not on the simple basis of legitimacy or justice, but how efficiently it managed its wealth and the wealth of its population. In fact, the economic became a way to critique native sovereignty, not by asking whether its law was just or its rule was legitimate, but whether sovereign decisions led to an efficient or inefficient government of resources. In these reports, therefore, the economic became a means with which to critique in particular: the Filipinized state’s capacity to mediate the global capitalist market; the methods of how it dispersed and disseminated wealth throughout its population; and how it was able to manage its population’s labor into an efficient producer of wealth.

We can see the logic of this critique at work in the following indictment of the inefficiency of the Philippine colonial state by Coates. Although he admitted that the government was in no doubt intentionally left in the dark by the PNB management, it was the “inefficiency of the Examiners in the Treasury Bureau and the Bureau of Audits” which led to the continued employment of PNB leaders despite being on the brink of insolvency. Yet, Coates argued that both the employment of the management and the examiners was ultimately the responsibility of

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<sup>58</sup> Coates, 93.

the Philippine government. Thus, because the Philippine government failed to properly ensure the employment of knowledgeable experts to fill the ranks of management, personnel, and examiners, Coates reasoned that this ultimately illustrated the “inefficiency on the part of the Government[.]”<sup>59</sup>

Because of the inefficient administration of the government, Concepción, “a man who had had practically no banking training, knowledge or experience – who was known to be a politico” was promoted as PNB president. Concepción, who gained his position through political and personal ties, would go on to dismantle the supposedly scientifically sound structure built by Willis. Subsequently continuing the chain of patronage, Concepción decided to eliminate American experts in favor of “native Filipinos who were untrained and inexpert men, not familiar with banking and routine.”<sup>60</sup> The result was a bank, entrusted with a vast amount of government capital and under enormously favorable wartime conditions, brought nevertheless to the brink of insolvency. The Bank’s insolvency threatened to bankrupt the treasury and destroy the Philippine colonial currency system.

The measurement of efficiency, although appearing as neutrally scientific, was in actuality grounded in racism. As Coates reasoned, the PNB was “dominated by Filipinos” that were not “capable of manning the important, responsible positions to which they have been and are being elevated.” Identifying the category of Filipino as still being made up of fractious disparate racial tribes, Coates asserted that because they were the “brainiest and shrewdest” of

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<sup>59</sup> Coates, 101.

<sup>60</sup> Underlines were contained in the original. Coates, 100.

the Philippine tribes, the “Tagalogs” predominated the ranks of the Bank.<sup>61</sup> Despite admitting that Filipinos were “ardent students and extremely versatile[,]” he still believed that

as a race or nation they have only an elementary knowledge of financial affairs and they are seemingly lacking in the inherited keenness, resourcefulness, stability and ability that have come only through generations of training and environment to other nations, including Americans.<sup>62</sup>

Much like Kemmerer in his assessment of the Filipino’s sluggish progress in obtaining knowledge of the capitalist market, Coates asserted that experiential education under American colonial tutelage had been far too brief. Racial capacity of market knowledge, therefore, provided a constantly malleable gauge in which continued colonialism could be justified and pure autonomy and true authority over the economy would always be constantly pushed off into some distant horizon.

### **Gauge of Efficiency II: The Political as a Contaminating Threat to the Economy**

This constantly malleable gauge is evident in Coates’, characterization that Filipinos had “never been bankers commercially except in the conduct of the old Agricultural Bank.” But even that bank eventually had to be “taken over by the PNB[.]” This led him to suggest that Filipinos would remain unsuccessful in the financial realm until:

they have devoted a generation or more to intensive study, and intensive practical experience, under the best trained and experienced banking talent available, and even with this, I question whether it can be accomplished with the next generation.<sup>63</sup>

In his overall rationale as to why Filipino governance over the economy was inherently inefficient, Coates drew from the ideological constellation of Progressive racism. Like

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<sup>61</sup> Concepción, the first Filipino PNB president, and many of the upper management positions that were filled under his regime, however, most likely, like Speaker of the House Sergio Osmeña, would not have identified as being from the “Tagalog” ethno-linguistic group.

<sup>62</sup> Coates, “Coates Report,” 104.

<sup>63</sup> Coates, 105.

Kemmerer over a decade before, Coates argued that the Filipino was a creature of the present and thus was constantly obsessed with immediately satiating desires.<sup>64</sup> This led Coates to contend that Filipinos had “no thought of individual responsibility beyond the present moment or the present consideration” and was thus “fatal to their operation and advancement in the fields of Finance.”<sup>65</sup>

This compulsion to satiate desires immediately extended beyond simple selfish pleasures into a habitual obligation to appease others’ desires. According to Coates, Filipinos left in him the “most kindly feelings possible” for they had accorded him “every possible courtesy and consideration[.]” This hospitality was greatly valued by Coates and in turn elicited from him both a “deep interest in” and “extremely high admiration and appreciation” for the “sterling qualities” of the Filipino. Through hospitality—or in other words the satiation of all his immediate desires—Coates had suddenly been pulled into the world of the Filipino. In particular being drawn to:

the simplicity and congeniality of their home life; for the rapid advancement they have made and are striving hard to make in many lines; also for their happy abandon and responsiveness in their pleasures, recreations and entertainments both as individuals and as a people.<sup>66</sup>

Hospitality, in this light, appeared not only as a racial characteristic of the Filipino, but also a necessary condition of realizing what it meant to be Filipino.<sup>67</sup> Through satisfying desires of their guests, hospitality allowed for an opening up beyond the personal into a whole community of others. For Coates, and others like him, hospitality was a trait to admire. Yet, at the same time,

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<sup>64</sup> For more on Kemmerer’s wish to inculcate the habit of savings into the Filipino to transform him from a creature of the present to a creature oriented toward the future, see Chapter 4 of “Monetary Authorities.”

<sup>65</sup> Coates, “Coates Report,” 105.

<sup>66</sup> *Ibid.*, 105

<sup>67</sup> In a different way Vicente Rafael has meditated on the possibilities of acts of hospitality as an inherently ‘Filipino’ cultural trait in Philippine history. See in particular Vicente Rafael, “Welcoming What Comes: Sovereignty and Revolution in the Colonial Philippines,” *Comparative Studies in Society and History*, 52 1 (2010): 173 – 174.

the gift of hospitality was what left Filipinos, as a race, so susceptible to corruption. Because hospitality compelled Filipinos to fulfill others' desires, this led to a system ruled by obligations rather than efficiency. Rather than operate through responsible and efficient management, decisions were shaped by the racial compulsion to please others through hospitality.<sup>68</sup>

The figure of Concepción again serves as a primary example of how Filipino hospitality weakened authority and corrupted decisions rather than increase government efficiency. According to Coates, Concepción was appointed as the first Filipino Bank president despite speaking no English or ever having been away from the Islands because he was “the ‘shadow’ of Osmeña.” Even though Concepción was provincial in terms of experience in business and banking, he was nevertheless an “astute politician” who was able to gain his position through the political hospitality of Osmeña. This network of political hospitality—or the obligation to satiate the personal desires of friends and family through politics—was extended to Concepción’s own inner circle. Coates noted that Concepción had been charged with “reaping large personal benefits” and “having amassed a fortune from interests closely allied with and borrowing from the Bank[.]”<sup>69</sup>

What especially troubled Coates was the matter in which Concepción’s political hospitality was conditioned by both racism and nationalism against Americans and the United States. In the following, Coates explained Concepción’s view of Philippine American relations.

Has had slight tolerance for Americans or American invasion of things Filipino [...] He is, I would say, an idealist in his partisanship – “The Philippines for the Filipinos” might be his slogan, and his idea of the National Bank was to build for himself, among his own

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<sup>68</sup> I take this notion of hospitality from Jacques Derrida. Although he has written of it in many other places, this notion was particularly clear to me in an interview in *Philosophy in a time of Terror* in which he speaks of true hospitality as ultimately leaving one at risk to be potentially taken hostage by the other. Giovanna Borradori, *Philosophy in a Time of Terror: Dialogues with Jürgen Habermas and Jacques Derrida*, (Chicago: University of Chicago Press, 2003), 129.

<sup>69</sup> Coates, “Coates Report,” 88.

people, a lasting monument to his friendship for and interest in them. I so translated his thoughts to him in one of our conferences, and he smilingly agreed to it.<sup>70</sup>

Coates was unsettled by not only Concepción's "reverse" racism against Americans, but the seeming unreasonableness of such racism. Unlike the type of racial assessments that Americans had been producing about Filipinos, which was grounded in supposedly more rational on-the-ground ethnographic observations, Concepción refused to learn English and conveyed no desire to visit the United States. It was as if Concepción expressed no need for Americans, and thus recognized no value in American institutions or knowledge, in particular American knowledge of the market. In this recollection, Concepción appeared to envision a kind of post-imperial future Philippine world, in which America and Whiteness were valueless. Concepción extended his conditional hospitality far into this limitless and clearly American-less future, imagining the PNB and the economic wealth it produced and disseminated as a "lasting monument" strictly to his racial and national community of Filipinos.<sup>71</sup>

Concepción's indifference and possible animus toward Americans would not have mattered if not for the enormous responsibility and the particular moment thrust upon the PNB. In fact, his inefficiency was augmented for not only was he "placed in a position for which he was not qualified or prepared" but he had gained this responsibility at a particular financial moment that "would have severely taxed the ability and resourcefulness of a thoroughly experienced and seasoned banker[.]"<sup>72</sup> In other words, the postwar global capitalist market, as that which was naturally autonomous, was bound to contract according to the internal logic of business cycles. Legitimate political authority should have recognized this natural law of the market and appointed proper and knowledgeable personnel to administer the PNB. Instead, the

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<sup>70</sup> Coates, 89.

<sup>71</sup> Ibid, 89.

<sup>72</sup> Ibid, 97.

Filipinized Philippine government, and in turn, the Filipinized PNB under Concepción, succumbed to political hospitality by excluding “seasoned veterans in the battle of Finance” in favor of untrained, provincial, and naive Filipinos. Indeed, Coates cast Concepción like a “child in the financial game” and the upper management of the PNB as juvenile, by asking: “[w]ould we blame a child for squandering money intrusted [sic] to it for spending?” Coates rhetorically answered that ultimate blame rested on the Filipinized Philippine government for allowing children to run the PNB and remain responsible for the colony’s treasury for three years.<sup>73</sup>

For Coates, the unreasonable and racist exclusion of Americans in key positions of the financial and fiscal apparatuses of the state in favor of Filipinos undermined the efficiency of the overall colonial state. Inefficiency, in turn, weakened the legitimacy of Filipino sovereignty over the Philippine colony, and indeed troubled the progress of tutelage necessary in legitimizing American imperial power. Hospitality, which led to inefficiency, was infectious and was arguably at work during what is known as the Harrison era of Filipinization. Indeed, we must remember that Coates’ assessment was conducted in the wake of Democratic control of Philippine and American governments. In addition to appointing Harrison, during his presidential term, Woodrow Wilson brought about a particular global ideological shift in terms of the language of imperialism and nationalism. In particular, under the watch of Wilson, nationalism became a way for societies under imperial rule to exert their political sovereignty through the language of self-determination.<sup>74</sup> At the same time, however, imperialism enabled a new means for North Atlantic nation-states to relate to one another. One could thus argue that the Great War was a moment in which a particular imperial form of sovereignty was receding and a

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<sup>73</sup> Ibid, 98.

<sup>74</sup> Erez Manela, *The Wilsonian Moment: Self-Determination and the International Origins of Anticolonial Nationalism*, (Oxford and New York: Oxford University Press, 2007).

new form of sovereignty (still very much tied to empire), the nation, was becoming dominant.<sup>75</sup> At the same time, as Lenin had expressed, imperial modes of governance had to be seen beyond the political dimension. Consequently, it was also around this same time that ‘imperialism,’ through the dissenting language and practices of anti-colonial movements began to be thought of as an economic encroachment upon national sovereignty not merely as a political mode of governance.<sup>76</sup>

Coates’ critique, therefore, was not only firmly aimed at the “[l]aw-making power of the Islands[,]” the Philippine legislature, but also aimed at the executive branch which allowed the Filipinization of the colonial state to occur.<sup>77</sup> Following this logic, the responsibility of Filipinization extended to the larger American “domestic” regime. Coates thus not only critiqued colonial government of the economy, but imperial sovereignty in general. At first glance, this harsh critique of colonial and imperial sovereignty during the Harrison regime could be seen as simple party politics. Because Coates was employed by the new ‘domestic’ political regime of Republican Warren Harding, to assess the financial policies and fiscal decisions by the previous Wilson-Harrison regime, one could draw the conclusion that Coates’ critique was a simple slash-and-burn strategy to delegitimize the previous administration and make the new Wood-led executive branch appear more successful and therefore legitimate.

However, whether intentional or not, Coates also appeared to be critiquing the attempt of the sovereign, the law-making power, to hold political authority over the economic realm. In the end, Coates was not concerned with bringing any specific individual to justice for breaking

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<sup>75</sup> Mark Mazower, *No Enchanted Palace: The End of Empire and the Ideological Origins of the United Nations*, (Princeton: Princeton University Press, 2009).

<sup>76</sup> Emily Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900 – 1930*, (Cambridge, MA: Harvard University Press, 1999), 130.

<sup>77</sup> Coates, 81.

Philippine banking or financial law, but instead focused all his attention on the particular condition of inefficiency produced from these contingent events.

We have left a condition, and that condition is the result of inefficiency. Inefficiency of the law- Inefficiency of their application – Inefficiency of officials in the Bank, in the Treasury, in the Bureau of Audits, in the Bureau of Justice, in the Executive Bureau – Where does the trail of this inefficiency lead to?<sup>78</sup>

Looking over the Coates report, everyone who was in proximity to the PNB was in some way ensnared in this condition of inefficiency. The Coates report, therefore, was not ultimately concerned with identifying criminal suspects or acts of corruption. Rather the Coates report was simply assessing the PNB and the Currency Reserve Funds, and more broadly the Philippine colonial government, through the category of efficiency.

Seen from the perspective of efficiency, Coates appeared to be offering a critique of political authority as it attempted to encroach upon the terrain of the economic. Coates in his final suggestions for the colonial government, returned once again to the importance of educating natives in the laws and logic of the market. Until Filipinos could be competent and experienced enough to manage financial apparatuses such as the PNB efficiently, government necessitated “the firm hand of masters [...] schoolmasters or instructors” to “induct the Filipinos into an understanding and conception of all that knowledge, thoroughness and individual responsibility[.]” American tutelage, thus, was crucial for the advancement of Filipinos economically as well as politically. After all, Filipinos, who had been undereducated in terms of finance and fiscal responsibility but overeducated in terms of politics thus “must be taught much” but equally important, had “much to unlearn.” Until that time, in the opinion of Coates, the PNB should remain under the management of American banking experts, such as E. W. Wilson, the PNB president at the time of his report. Moreover, according to Coates, the few

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<sup>78</sup>Coates, 101. Underlines are in original.

Filipino officers and employees, “who may be developed along efficient lines to higher advancement[,]” should remain “under the supervision of Mr. Wilson or some other officer trained in American standards.”<sup>79</sup> It was not necessarily political tutelage that had to be maintained in the colony, but a type of economic tutelage, based on expert knowledge.

Although BIA chief McIntyre would have some minor quibbles over some discrepancies in the report, his major disagreement was rooted in Coates’ general critique of Philippine law. McIntyre reasoned that the laws concerning the PNB and currency reserve were sound but it was the misappropriation of the funds that led to such crisis. In other words, McIntyre again sought to pin the crisis on criminal acts made by corrupt Filipino officials.<sup>80</sup> McIntyre, however, must have skimmed the Report, for Coates’s major argument had less to do with any specific laws, but the general abuse of the law-making authorities. It is understandable of course why McIntyre could not agree with Coates’ critique of the law. After all, as the chief mediating office between the Philippine colonial state and the Federal Government in Washington, if there were any faulty legislation, the BIA would be ultimately responsible. Still, perhaps McIntyre’s reluctance to engage Coates’ overall critique had more to do with the underlining message of the report: government should stay out of business.

Intriguingly this was the same message adopted by the Wood regime less than a year after the exchange between Coates and McIntyre. Wood, however, did not reach this position on his own, frequently seeking out advice from chief bank examiner Ben Wright. There was, however, much suspicion in Washington of Wright’s level of expertise. McIntyre, for instance, assessed Wright as an “incompetent” fraud who had “gotten altogether away from his appropriate functions” and had ingratiated himself with Wood and his American cabinet.

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<sup>79</sup> Coates, 107.

<sup>80</sup> Frank McIntyre, “Response to Coates by McIntyre,” April 5, 1921, 6769-585a, BIA, RG 350, National Archives, College Park, MD, 1-2.

Moreover, despite not being “a financial expert in any sense of the word[.]” according to McIntyre, Wright had managed to pass himself off as “something of an expert on currency and banking and general government finance” because of his “acquaintance with the early history of the establishment of the currency system in the Philippines[.]” Wright had especially displeased McIntyre for he had begun a feud with current PNB president Wilson, who McIntyre fully supported.<sup>81</sup>

The animosity between Wright and Wilson swirled around the question of the PNB. Wright argued that Wilson had been keeping alive the PNB in hopes of ingratiating himself with local Filipino politicians and businessmen. Wilson was making decisions that led to inefficiency and excess, according to Wright “throwing good money after bad.”<sup>82</sup> Moreover, since the PNB was bound to fail, it would in turn prolong the crisis. But what bothered Wright the most wasn’t that the PNB was a failing business. Rather, Wright was infuriated that the PNB, and the parasitic companies which owed it money, despite being “legally and morally dead for at least two years[.]” were being artificially kept alive by the Philippine colonial state. Indeed, through capital borrowed from the U.S. government, the Philippine colonial state had been forced to “inject into its [the PNB] palsied body a semblance of life[.]”<sup>83</sup> The PNB was thus akin to a zombie, whose own toxic assets, which normally would have long been driven extinct according to the logic of market competition, was instead being kept alive by feeding off the money of Philippine and American governments.

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<sup>81</sup> Frank McIntyre to Secretary of War, Feb. 28, 1923; 6769-719, BIA, RG 350, National Archives, College Park, MD, 1-2.

<sup>82</sup> Wright to Secretary of War, January 30, 1923; 6769.710-a, BIA, RG 350, National Archives, College Park, MD, 2.

<sup>83</sup> Ben F. Wright with Leo H. Martin, “Report on the Philippine national Banking: A Revaluation of the Bank’s Assets” June 30, 1922, 6769-720, BIA, RG 350, National Archives, College Park, MD, 19.

Wright concluded that to continue fostering the economic development of Filipinos, the government bailout of private enterprises must necessarily end. Wright repeatedly justified the shutdown of the PNB for three interrelated reasons. First, because the PNB was almost completely owned by the colonial state, it appeared that it played by different rules than private corporations. Consequently, since the government could bailout the PNB's loans at any time the PNB scared away private capital investment from Philippine markets, killing competition.<sup>84</sup> Second, although Wright believed that the Philippines should develop, like other nations, their own financial institution, they "must cease to lean upon a paternalistic Government[,] and achieve capitalist success through "their own initiative and ability."<sup>85</sup> Finally, Filipinos had proven themselves incapable of playing the game of more advanced Western races, the game of finance capitalism. They had, instead, "lavishly used" government funds "in feverish speculation in the marketing of products rather than in their production."<sup>86</sup> In sum, Filipinos—because of their racial incapacity to comprehend the game of finance capitalism, their inability to calculate investment through knowledge of the market, and their juvenile expectation of a bailout-ready paternalistic state—ended up gambling away, what they thought was an inexhaustible amount of government capital.

Wood, as previously mentioned, was heavily enamored by Wright's overall critique that the PNB discouraged competition in the market and because of its paternalism, slowed down Filipino economic progress. The solution was thus simple according to this logic: government had to stay out of business. As a result, in the feud between Wright and Wilson, Wood unsurprisingly backed Wright. On April 7, 1923, after over a year of animosity, and much to the chagrin of McIntyre, Wood eventually forced Wilson to resign as president of the PNB citing

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<sup>84</sup> Wright, "Report on the Philippine national Banking," 18.

<sup>85</sup> Wright, 22.

<sup>86</sup> Ibid, 11.

Wilson's failure to "carry out the policy of the Board of Directors and Board of Control[.]" Later in his confidential message to McIntyre, Wood expressed his hope that the replacement be a "capable American banker" with a view "to harmony and greater efficiency."<sup>87</sup>

These battles between American government officials and hired experts did not simply remain contained behind closed doors. Much of the animosity was very much public. As a result, the different reports on the PNB and the Currency Reserve Fund, and especially the public feuding between Wright and Wilson, provided a type of language in which criticisms could be extended beyond the Philippine colonial state and grafted onto American imperial governance. Key in this unintended critical language was the notion of efficiency. Although focus tended to remain upon the incompetence, politicization, and criminality of the Filipino, the language of efficiency inadvertently implicated American governance and supervision in general. Indeed, the Wood-Wright critique of the Harrison-era oftentimes slipped into a larger critique of the inefficient supervision and tutelage of American imperial governance. Most importantly, this critique of American empire was grounded on whether political decisions based in Washington were efficiently allowing the population of the Philippine colony to produce wealth within a global capitalist system caught in the throes of crisis and recession.

### **Nationalist Appropriations**

The language emerging out of the Wood-Forbes critique as well as the very public feud between, on one hand Wood and Wright, and on the other hand PNB president Wilson, was unforeseeably appropriated by a wide array of Philippine nationalist voices. *Bagong Lipang Kalabaw*, a left-leaning nationalist newspaper printed mainly in Tagalog, printed propagandistic

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<sup>87</sup> Leonard Wood to Frank McIntyre, April 6, 1923, 6769-723, 6769-720, BIA, RG 350, National Archives, College Park, MD.

critiques of the PNB management and political infighting amongst Americans in the wake of the 1919 crisis.<sup>88</sup> Done mostly through the art of political cartoons, most likely to visually appeal to the less literate of the urban public, *Lipang Kalabaw* nevertheless dedicated several in-depth editorials to the PNB. Although these articles did not dwell on the past criminal mismanagement of the PNB, they nevertheless focused on the unreasonable and to their mind, costly employment of non-state American experts.

In one editorial printed in Nov 1922 for instance, the writer argued that Wilson, and other technical advisors to the PNB, were receiving “extraordinary large salaries” in comparison to Filipino employees who were doing most of the work at the bank. In a later paragraph Wright’s salary was equally questioned. Referred to as a “puppet” of Wood, the bank examiner, according to the editorial, was receiving excessive compensation in addition to his hefty salary as a professor at the University of the Philippines.<sup>89</sup> Published merely a week before was a political cartoon illustrating a snaking line of American experts carrying swollen sacks of money marked by different salary amounts while a tiny tuxedoed figure labeled as the Philippine Legislature looked helplessly on.<sup>90</sup> These extraordinarily large salaries to American experts seemed to be a mark of inefficiency on the part of Wood’s governance, especially considering that these expert advisors did not seem to be increasing capital but rather simply selling off existing toxic assets at a loss.

The slow reform of the PNB subsequently kept it in the news well into the next year. On August 1923, *Lipang Kalabaw* printed a cartoon of Wood as the biblical Samson, blinded and

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<sup>88</sup> *Bagong Lipang Kalabaw* was a revival of a magazine *Lipang Kalabaw* previously published during the first decade of American rule. Both incarnations were headed by Lope K. Santos. For more see Alfredo R. Roces and Alfred W. McCoy, *Philippine Cartoons: Political Caricature of the American Era, 1900 – 1941*. (Quezon City: Vera-Reyes, 1985).

<sup>89</sup> “Ang Mga Esperto sa Bangko Nasyonal at ang Lehistura Pilipina” (The Experts at the National Bank and the Philippine Legislature), Nov. 18, 1922, *Bagong Lipang Kalabaw*, 1. All Tagalog translations are my own.

<sup>90</sup> “Mga Mangingisda sa Malabong Ilog ng Bangko Nasyonal ng Pilipinas” (The Fisherman at the Murky River of the Philippine National Bank), Nov. 11, 1922, *Bagong Lipang Kalabaw*, front cover.

haphazardly destroying the columns of an ancient Greek-inspired structure marked with the words “Philippine National Bank.”<sup>91</sup> The accompanying article argued that American leadership was inefficient due to the fact that Americans were “fools with public resources.” Seemingly sick of the prolonged threat of closing down the PNB, the writer focused on how “American imperialists” argued that “economic independence” must first be achieved by Filipinos before receiving political independence. The writer consequently pointed out the double bind faced by Filipinos, as they, on one hand, remained “fools to the guile of progress” and on the other hand, were oriented toward a “higher career of civilization” that they could never “graduate” toward.<sup>92</sup> *Kalabaw*, in sum, saw the futility of struggling to advance on an economic scale that could constantly and arbitrarily be adjusted by American imperialism.

A critique of American economic imperialism was not limited to nationalist newspapers. Even the most established Filipino politicians found inventive ways to critique economic imperialism without necessarily questioning the very racial and civilizational measurements constructed and reproduced by the American empire. Despite being splintered into factions for the last two years, elite Filipinos who controlled the Filipinized colonial state found themselves in 1924 having to reflect on and evaluate the current administration of Governor General Leonard Wood. The consequence was a supposedly unified public response by the Nacionalista party to both their main political rivals, the Democrata party and the remaining American colonial officials in the executive branch. After rapidly increased legislative powers gained from the Wilson-Harrison regime culminating in the 1917 Jones Law, Nacionalistas found many of their attempts to gain further autonomy from American imperial rule continuously foiled throughout Wood’s three-year-old administration. One of the largest factors for this

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<sup>91</sup> “Isang Bagong Samson” (A Brand New Samson), August 15, 1923, *Bagong Lipange Kalabaw*, front cover.

<sup>92</sup> “Pinipilit Igiba ang Bangko Nasyonal” (Forced Destruction of the national bank), August 15, 1923, *Bagong Lipang Kalabaw*, 1.

unexpectedly protracted political battle with the Wood administration was the supposed financial and fiscal failure of Filipinization.

In response, rather than attempt to justify the errors made by Filipinos in the administration of the PNB, Osias instead concentrated on the Wood policy of keeping “Government out of business.” While Wood, through the historic example of the mismanagement of the PNB and the Currency Reserve Fund, argued that the best policy was to keep the political and economic separate, Osias recast this decision to keep government out of business as unmodern and backward. Following the logic that the efficiency of the state depended on its success of intervening into the market and subsequently achieving capitalist accumulation for its national community, Osias argued that Wood’s policy was “not an Anglo Saxon policy, [...] European policy, and [...] not an Oriental policy.”<sup>93</sup> Indeed, after providing a myriad of successful examples of different state interventionist economic policies throughout the North Atlantic and Northeast Asia, Osias argued that keeping the Philippine government out of business would leave “the people of the Islands” to wage “an uneven and unequal, not to say, hopeless, economic fight.”<sup>94</sup> Osias thus reversed the discourse of American imperial tutelage, insisting that Wood’s economic policy was not teaching Filipinos how to economically stand on its own feet. Rather Osias seemed to be arguing that by following Wood’s policy, the United States was stripping the Philippines of its economic weaponry of self-defense in an aggressive capitalist world of rival and economically advanced nation-states. The United States, by stripping away the Philippines’ capacity for economic self-defense, was effectively reneging on its promise of racial and civilizational uplift.

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<sup>93</sup> Osias, “A Year of Governor Wood’s Administration,” *Governor-General Wood and the Filipino Cause*, edited by Manuel Quezon and Camilo Osias, (Manila: Manila Book Co, 1924), 93.

<sup>94</sup> Osias, “A Year of Governor Wood’s Administration,” 98.

Turning then to another concern of Wood, which was the debt owed by the Philippine government as a result of the bank and currency bailout, Osias honed in on the seeming U.S. myopia regarding its membership within a larger modern world.

There is no country on the face of the globe, not even America, which does not have a national debt. The per capita indebtedness of the Philippines is one of the lowest among the countries of the world. Considering our resources and our economic possibilities, we are, as a people, in a wonderfully solvent state. America, the richest country in the world, has a national debt so large that we who are accustomed to think in small sums cannot conceive.<sup>95</sup>

Osias, thus, appeared to be criticizing the exceptionalism underwriting Wood's proposed economic policy of the Philippine colony. As a natural occurrence of modernity, the successful and responsible management of national debt should be judged on whether it enabled "a country to undertake improvements and enterprises whose blessings and benefits are to accrue not alone to present day citizens but to posterity."<sup>96</sup> In other words, debt should not be merely seen negatively, but rather as an investment in both the improvement of contemporary society and the continued and indefinite reproduction and growth of future national populations.

"[A] father of vision[.]" reasoned Osias, "does not hesitate to incur obligations which he believes will benefit himself and his children." In turn, "a progressive country incurs an indebtedness efficiently to meet the problems of the present and to discharge its obligations to generations that will come after us." If debt was a necessary part of modern existence, the efficient and responsible administration of debt, therefore, was a marker of racial and civilizational progress and maturity. Responsible management of debt at the same time meant inclusion in both the global capitalist system and the modern world order of nation-states. Osias thus argued that, unlike the United States with its stubborn insistence in exceptionalism and

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<sup>95</sup> Osias, "The Historic National Issue," 197.

<sup>96</sup> *Ibid*, 197.

unilateralism during a worldwide crisis, Filipinos recognized that they were merely one nation among a world community of multiple nations.

### **Unintended Consequences of Radical Politics Both Within and Without**

If the postwar economic crisis put into perspective for elite Filipinos the fact that the Philippines was entangled in a modern financial global system under which the notion of selfish autonomy should always be questioned, how did it affect those far from the Philippine center of colonial political power? After all, the wartime boom and the postwar bust in the colony had immense consequences beyond the financial realm into the realm of agricultural labor and factory work. Seen in this light, the political struggles over the PNB and the Currency Reserve Fund had direct effects on the struggles over land, labor, and wages in such disparate places as the muddied soil of Visayan sugar plantations, the humid halls of Luzon tobacco factories, and the saltwater stained docks of Bicol ports. Indeed, the injection of new capital into the colony during the wartime boom led to massive land accumulation for the investment into agricultural based commodities such as sugar, copra, and abaca. The result of this massive and rapid land accumulation by already rich large landowners was: the shrinking and fragmenting of smaller landowning property, the rapid increase and amplification of usury and usury tactics, and greater shifts of population to tenancy farming or a landless workforce.

By the time of the postwar crisis, as agriculturally based capitalists eventually were bailed out of the loans that they had defaulted on, the land they had accumulated was nevertheless redistributed to other large landholding capitalists, not to smaller landowners, tenant farmers, or landless peasants. At the same time the crisis brought about across the board cost cutting, translating to decreased wages and massive layoffs of agricultural workers. Moreover,

colossal inflation led to skyrocketing prices of basic necessities, while at the same time a violent devaluation of cash-in-hand. The currency crisis thus put those in debt in a precarious position. Those who had put their land up as collateral for a cash loan now had less valuable money, land, and potential commodities, but still had the same amount of debt. To add another wrinkle, because of the byzantine bureaucracy of getting a bank loan, smaller loans were usually acquired through unregulated moneylenders at extremely usurious rates.<sup>97</sup> Thus, on one hand, everything the indebted small farmer owned—cash, land, commodities, and labor—had been devalued after the war. While on the other hand, the debt incurred was held to the same wartime value. The result was that those indebted owed exponentially more than what the interest rate would belie.

At the same time, these large-scale population shifts had the consequence of concentrating larger numbers of people, in new combinations, within the same space. The result was the novel imagining of social bonds and concretization of new communities with particularly cosmopolitan ideals and specific desires for the future. Alarming to colonial authorities was the content of these visions for the future. Although disparate and singular to particular localities, the new social formations most threatening to both imperial and colonial authorities took an organized and militant stance against: elite Filipino dominance of political decisions, American military and police occupation, unjust distribution and accumulation of land, and the unequal and exploitative mode of capital accumulation.

Historiography has not been kind to these movements and events, oftentimes labeling them as primitive reactionaries violently lashing out against modern forms of authority and more

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<sup>97</sup> William Pomeroy reports interest rates of up to 300% during the early 1920s. William Pomeroy, *The Philippines: Colonialism, Collaboration, and Resistance*, (New York: International Publishers, 1992), 59.

broadly, modernity.<sup>98</sup> Upon closer inspection, however, the histories of these militant and organized movements reveal that they were very much born out of modern global scale crisis in finance capitalism. Pomeroy, for instance, locates an explosion of organized peasant unions in 1919, the height of the wartime boom for the Philippines.<sup>99</sup> Agriculturally based unions, such as the *Kalipunang Pambansa ng mga Magbubukid sa Pilipinas* (National Association of Peasants in the Philippines), steadily gained strength throughout the early 1920s. By the mid-1920s, bonds between organized urban factory workers and organized agricultural plantation workers grew more intimate under the leadership of such organizers as Crisanto Evangelista and Jacinto Manahan.<sup>100</sup> Moreover, during this time, Evangelista and Manahan were in constant communication with both the Peasant wing of the Comintern, the Kresintern, and representatives from the Communist Party of the United States (CPUSA).<sup>101</sup>

Despite the belief of the Philippine colonial state and imperial authorities that the consequences of the economic crisis had been effectively domesticated, the latter half of the 1920s illustrates that the circuits established by the wartime boom and the large-scale displacement of the postwar bust in actuality conditioned new political affiliations and solidarities. For example from 1927 to 1930, various Philippine agricultural and urban worker organizations, in different ways recognized and were recognized by transnational and international unions and organizations such as the Red International of Labor Unions and the Pan-Pacific Trade Union.<sup>102</sup> Beginning in 1923, there was an explosion of secret associations

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<sup>98</sup> See Reynaldo Ileto's critique of the treatment of "peasant" movements in Philippine historiography in the first chapter of *Pasyon and Revolution: Popular Movements in the Philippines, 1840 – 1910*, (Quezon City: Ateneo de Manila University Press, 1979).

<sup>99</sup> Pomeroy, *The Philippines*, 59.

<sup>100</sup> Pomeroy, 63.

<sup>101</sup> Ibid, 65-67.

<sup>102</sup> Ibid, 66 – 67.

across the North and Central Luzon as well as millenarian fraternities across Leyte and Samar.<sup>103</sup> All of these dislocations and disposessions, new concentrations and migrations of populations, and increased militancy and subsequent violent confrontations between colonial state authorities and capitalists on one hand and militant organized labor on the other hand, rendered the provinces politically unstable. This massive violent displacement and political economic instability coincided with other effects of postwar crisis in the United States and Europe.

Beginning during the Great War and onto the postwar, displacement and dispossession in Europe led to a massive influx of European migration to the United States. Consequently, politically conservative and racial anxieties led to the Immigration Act of 1924, which severely limited immigration from those who were not from Northern Europe.<sup>104</sup> Yet the devastating effects of the Great War in Europe, particularly in agricultural production, left the United States in an ideal position. As a result, agribusiness on the American West Coast and in Hawai'i boomed. Yet previous anti-Asian immigration policies due to increased labor organization and growing militancy of Japanese and Chinese workers, combined with the disruptions to Mexican migration due to the Mexican Revolution and the 1924 Immigration Act, left California agribusiness especially hungry for labor.<sup>105</sup> The 1924 Act and desire for cheap labor in California thrust the Philippines into the spotlight, for the geo-political position of the Philippine colony as an insular possession relegated Filipinos as legally non-foreign migrants. In other words, the colonial relationship between the United States and the Philippines allowed Filipino citizens to

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<sup>103</sup> For more detail on these cross archipelago movements see David Sturtevant, *Popular Uprisings in the Philippines, 1840 – 1940*, (Ithica, NY: Cornell University Press, 1976).

<sup>104</sup> Mae Ngai, *Impossible Subjects: Illegal Aliens and the Making of Modern America*, (Princeton, NJ: Princeton University Press, 2004), 17 – 19.

<sup>105</sup> Rick Baldoz, *The Third Asiatic Invasion: Empire and Migration in Filipino America, 1898 – 1946*, (New York: New York University Press, 2011), 60.

be legally categorized as “nationals” and thus not subject to existing exclusionary immigration laws.<sup>106</sup>

The consequence of these political, legal, and economic contingencies was a rapid increase of migration of Filipinos across the Pacific from the mid to late 1920s. Made up mostly of poorer males from the provinces, many migrant laborers circulated throughout Hawai'i and the West Coast of the United States to work in plantations. This journey was captured in Carlos Bulosan's seminal *America is in the Heart*. Although many students of Asian American and American Studies alike have concentrated on Bulosan's account of violent, exploitative, and exclusionary racism in the domestic United States, few have lingered on the murky memories of his adolescence as a child of a tenant farmer in Pangasinan in the early 1920s. Indeed, it is in Part One of *America is in the Heart* that one can get a sense of the unjust conditions of land distribution and property rights in the wake of the postwar economic crisis.<sup>107</sup>

What is especially clear in Bulosan's beginning chapters was the specific ways poorer agricultural workers became trapped in a cycle of debt due to lack of access to low interest credit as well as the devaluation of their land and products resulting from post-crisis inflation. We see the frustrations felt by each of his older brothers, mother, and eventually his father as their options forever dwindle in the face of unjust property laws, devalued agricultural products, contracting money supply, and the violent conflict between the colonial state and militant organized workers. To support many of his older brothers' desires, Bulosan's father was forced to mortgage off his land piece by piece, ultimately dying in debt.<sup>108</sup> This suspicion over incurring debt to satiate immediate desires can be seen, in a different way, in another seminal work of

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<sup>106</sup> Baldoz, *The Third Asiatic Invasion*, 12.

<sup>107</sup> See Part I of Carlos Bulosan's *America is in the Heart*.

<sup>108</sup> See, in particular, chapters three through nine in Bulosan's *America is in the Heart*. Chapter eight features a particularly violent scene between local government constabularies and so-called *Colorums*.

fiction, Paz Marquez Benitez's "Dead Stars." Published in 1925, "Dead Stars" was of special proximity to the postwar economic crisis caused by wartime financial speculation. One passage in particular questioned "the desire to crowd into a moment all the enjoyment it will hold [...] sacrificing possible future fullness of ecstasy to the craving for immediate excitement." Benitez's main character passed a moral judgment on incurring debt to simply speculate on present desires, labeling this impulse as "Greed." Seeing greed as unnatural, Benitez's main character believed that the actions of "mortgaging the future" was as artificial as "forcing the hand of Time, or of Fate."<sup>109</sup> Despite the yawning gap between Benitez's and Bulosan's socio-economic biographies, the specters of debt and speculation seemed to grip, in heterogeneous ways, both of their fictional works.

Filipino migration during the 1920s, therefore, should not be seen strictly as a result of what is often referred to as "pull" factors of American immigration policies and agribusiness needs in the domestic United States. The 1920s Philippine diaspora should be equally seen, rather as being produced out of an interlocking web of histories that involved both larger global forces and local singular struggles in the archipelago. These so-called "push" factors were, on one hand, formed out of global convulsions in financial markets, the decisions of North Atlantic imperial monetary authorities in creating a new world monetary order, and American imperial and racist attempts to maintain Philippine economic life under colonial rule. On the other hand, financial and fiscal crisis in the colony rendered traditional economic relationships unstable and wrecked local markets, subsequently leading to mass displacement and dispossession of agriculturally based communities.

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<sup>109</sup> Paz Marquez Benitez, "Dead Stars," in *The Likhaan Anthology of Philippine Literature in English from 1900 to the Present*, ed. Gemino H. Abad, (Quezon City: The University of Philippines Press, 1998), 153.

The result of both global and local historical contingencies was a novel social terrain in which economic relations and political associations could emerge. Increasingly, these new movements instigated militant actions in order to realize radical political and economic change. The resulting violent clash between growing militant organizations and repressive colonial state apparatuses led to large-scale and long-term political destabilization throughout the 1920s, especially in the provinces. Many of those displaced and dispossessed, however, neither desired membership in a radical movement nor wished to uphold the status quo, therefore deciding to enter the transpacific migratory routes established earlier by imperial and capitalist networks of rapidly circulating wartime commodities. The outcome, from the perspective of American white supremacists especially, was an invasion of laboring bodies and agricultural commodities from the Philippine colony into the domestic economic territory of the imperial metropole.

### **Conclusion: After the Bailout and into the Boom**

Unable to recover from the scandal, the PNB's prominence eventually petered out in the latter half of the 1920s. For instance, in 1928 the PNB's overall assets dropped approximately 32% and its circulating notes were cut in half from its peak in 1922.<sup>110</sup> As a result of its fall from grace, the PNB's role as a central node in what Stanley and later scholars would consider a network of political and economic patronage declined.<sup>111</sup> As Nagano points out, however, perhaps the larger cause of the post-Great War crisis, the illegal mismanagement of the Currency Reserve Fund, was secretly and privately taken care of in the mid 1920s, thus allowing the dominant imperial narrative of the PNB disaster to continue unchallenged and reproduced in historiography. Indeed, beginning as early as 1923 the behind-the-scenes reform of Philippine

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<sup>110</sup> Yoshiko Nagano, "The Philippine National Bank and Sugar Centrals During the American Period," *Philippine Studies* 41 2 (1993): 222.

<sup>111</sup> See Stanley's aforementioned ninth chapter, "Nationalizing the Economy," in *A Nation in the Making*.

currency—which based the colony on a dollar-exchange standard rather than on a gold-exchange standard—would anticipate a worldwide trend away from gold as the imagined universal standard of measurement.<sup>112</sup> The result of, on one hand, behind-the-scenes reforms by Philippine state officials and, on the other hand, backroom deals between international central bankers, led to a period of exponential capitalist accumulation in the global economic system and the Philippines through the rest of the 1920s.

In the end, despite the position of keeping government out of business, Harrison-era economic policies were continued and strengthened throughout Wood's, and later after Wood's death in 1927, under Governor General Henry Stimson's administration. This so-called economic "special relation," however, was an unintended consequence of the "free market" agreement between the Philippine colony and the domestic United States. Due to the harsher protective American tariff policies for imported agricultural products, Philippine commodities encountered less and less international competition from the mid 1920s until the end of the decade. By the beginning of 1929, the economic crisis a decade earlier was but a faint memory for most of the public, as both overall imports and exports levels beat the last record set in 1920.<sup>113</sup> The government bailout of both the PNB and the currency system consequently enabled local capitalists to ride the late 1920s speculative bubble, allowing money in the Philippines to recede once again into its common sense role as unspoken and unquestioned mediator of exchange and store of value. In sum, the Filipinized colonial state appeared more efficient than ever in appositely harnessing the force of global capital for the growth and benefit of social life. All this, however, would drastically change by early 1930, as the waves of the Great Depression

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<sup>112</sup> See Nagano, "The Philippine Currency System," 44.

<sup>113</sup> Corpuz, *An Economic History of the Philippines*, 243.

would violently crash against the shores of the colony, forcing new answers to old questions over money and authority.

## Conclusion:

### Common Wealth in an Age of Depression and Decolonization, 1929 – 1942

At the heart of *Capital*, Marx points to the encounter of two “principal” elements: on one side, the deterritorialized worker who has become free and naked, having to sell his labor capacity; and on the other, decoded money that has become capital and is capable of buying it. – Gilles Deleuze and Felix Guattari, *Anti-Oedipus*.<sup>1</sup>

In November 1936, a special issue of the *Philippine Yearbook* published an article by Auditor General Jaime Hernandez titled “The Present Financial Structure of The Commonwealth Government.”<sup>2</sup> “Money,” he declared, was “the lifeblood of a nation” and “its monetary system [wa]s of prime concern to the welfare of its citizens.” Written just over a year after the Philippine Independence Act (later popularly referred to as the Tydings-McDuffie Act), which legally transformed the archipelago from an insular possession into a commonwealth of the United States, Hernandez’s article provides a glimpse of the Philippine state’s attempts to govern under conditions of political decolonization. The 1934 Tydings-McDuffie Act for the first time in the history of American colonialism in the Philippines set an official temporal limit of ten years for American imperial sovereignty in the archipelago. Until that fateful date, however, many aspects of governance—such as foreign policy and decisions over tariff, immigration, and customs—would, as previous decades before, continue under American imperial oversight.<sup>3</sup>

Despite agreeing that certain aspects of foreign policy should remain under American imperial sovereignty, Hernandez found it strange that a national currency remained out of Filipino hands. Indeed, Philippine currency still followed the founding law of the 1903 Currency Act, which pegged the value of the Philippine peso to the United States dollar at a ratio of two to

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<sup>1</sup> Gilles Deleuze and Felix Guattari, *Anti-Oedipus: Capitalism and Schizophrenia*, trans. Robert Hurley et. al. (Minneapolis, MN: University of Minnesota Press, 2003), 225.

<sup>2</sup> Jaime Hernandez, “The Present Financial Structure of The Commonwealth Government,” *Philippine Yearbook*, November 1936, 37.

<sup>3</sup> Frank Golay, *Face of Empire: United States – Philippine Relations, 1898 – 1946*, (Quezon City: Ateneo de Manila University Press, 1998), 349 – 353.

one. “If the dollar goes up in value,” he explained, “our peso also goes up in proportion; but if the dollar goes down, down also goes the value of the peso.” These variations in value would have been reasonable to Hernandez if it was based on the logics of the market, but instead, the value of the “lifeblood of the nation” appeared to be determined by political decisions made in the imperial metropole.

To further illustrate the Filipino’s lack of authority Hernandez recalled the unilateral decision made by the United States Federal Government in 1933 to go against the Gold Standard and artificially re-inflate the value of the dollar back to levels before the Great Depression. Pressured by an American bloc of agribusiness, industrialists, bankers, and other corporate interests desperate to get prices back to pre-Great Depression levels, the newly elected U.S. president Franklin Delano Roosevelt signed an executive order which enacted the following: outlawed the possession or trade of gold as money by citizens anywhere in the world, demanded that all gold be deposited in the Federal Reserve, and embargoed the exportation of gold. The following year, as an accompaniment and reinforcement of the 1933 executive order, the United States Congress required all gold and gold certificates to be deposited into the Treasury and devalued the dollar’s worth in gold through the 1934 Gold Reserve Act.<sup>4</sup> Included in the Act was a plan to put aside \$2 billion of the profits from the devaluation of the dollar into the establishment of a fund to stabilize exchange against foreign currencies.<sup>5</sup> Due to the peso’s ties to the dollar, the Filipino currency and its reserves were consequently devalued.

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<sup>4</sup> Executive Order 6102 was signed on April 3, 1933 and the subsequent Gold Reserve Act, was passed on January 30, 1934. For more on how intensely debated this legislation was, see Murray Rothbard, *A History of Money and Banking in the United States: The Colonial Era to World War II*, (Auburn, AL: Ludwig von Mises Institute, 2002), 297 – 304.

<sup>5</sup> The Treasury ended up profiting almost three billion dollars. For more on the institutional plans for anticipated profits, see the *Hearings Before the Committee on Coinage, Weights, and Measures House of Representatives: Gold Reserve Act of 1934*, (Washington D.C.: United States Government Printing Office, 1934).

Unlike the United States, however, who “profited by the devaluation of the dollar” the Philippine Treasury saw no profits, instead losing “forty seven and odd million pesos[.]”<sup>6</sup> Thus, from the perspective of Hernandez, the United States remained indebted to the Philippines. This debt, later termed the “devaluation profit,” was frequently fought over during the political debates leading to the Tydings-McDuffie Act, and payment would remain deferred throughout the Commonwealth’s life.<sup>7</sup> It would not be until the end of Japanese occupation in 1945 that the United States Congress would add the amount owed into the reparation fund for the reconstruction of the newly independent Philippine Republic.<sup>8</sup> Despite the fact that both Americans and Filipinos recognized this debt, according to Hernandez, the odds of repayment was “very problematical” and thus positioned “[a]n independent currency system” as one “of the major questions that require immediate attention and proper solution by the Commonwealth Government.”<sup>9</sup>

Hernandez was troubled by this automatic dependency of the peso to the dollar, shaped not by the logic of the market, but by political constraints. “Owing to the difference in the economic and financial conditions of the United States and the Philippine Islands,” he reasoned, “I see no valid reason for tying up the Peso to the Dollar.” Underscoring difference, Hernandez asserted that the “purposes and problems of Philippine currency” were not only “not identical with those of the United States dollar[.]” but in reality, “may be inimical[.]”<sup>10</sup> Conditions of each currency were not only different but also so unique that difference could quickly turn inimical,

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<sup>6</sup> Hernandez, “The Present Financial Structure of The Commonwealth Government,” 37.

<sup>7</sup> For the tense correspondences over the “devaluation profit” see Frank Golay, *Face of Empire*, 329 – 330. In addition see Joseph Ralston Hayden Papers, Folder 15, Box 15; and Frank Murphy Papers, Roll 100, at the Bentley Historical Library, University of Michigan.

<sup>8</sup> Golay, *Face of Empire*, 517.

<sup>9</sup> Hernandez, “The Present Financial Structure of The Commonwealth Government,” 37.

<sup>10</sup> Hernandez, 37.

rendering the difference between currencies a political relation.<sup>11</sup> Hernandez saw the politicization of money as wasteful. In its stead he proposed an independent currency that would be “more economical” and “better adapted to our present economic condition[.]”<sup>12</sup>

Hernandez proposed an independent monetary system that enabled Philippine authorities to make sound decisions informed by knowledge of the unique monetary and economic conditions of the Philippine Islands. In order to be truly autonomous, however, Hernandez suggested rejecting the “Philippine-American exchange standard” in order to adopt “an independent gold standard.”<sup>13</sup> Hernandez thus equated complete economic independence with the adoption of a universal standard of value, which all other values were measured against: the gold standard.<sup>14</sup> From Hernandez’s perspective, because the United States had seemingly turned away from this universal standard of value, its monetary system was no longer bound to the truths of the market but rather the will of political decisions. The gold standard, therefore, to Hernandez and other Filipino economic experts like him, embodied a universal truth that remained beyond the reach of any imperial sovereign.

Hernandez’s article illustrates a critique of imperialism heterogeneous to the Philippine official nationalist rhetoric expressed by such experienced and notorious figures as Sergio Osmeña and Manuel Quezon. Indeed, Hernandez articulated a type of anti-imperial critique that was neither revolutionary nor strictly nationalist. Rather, Hernandez expressed a radical anti-imperialist critique through the optic of the economic. Beginning in the early 1930s, these types

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<sup>11</sup> I take this idea of the political as an existential antagonistic relation from Carl Schmitt. Carl Schmitt, *The Concept of the Political*, (Chicago: University of Chicago Press, 1996).

<sup>12</sup> Hernandez, “The Present Financial Structure of The Commonwealth Government,” 37.

<sup>13</sup> Hernandez, 37.

<sup>14</sup> As we know from previous chapters, however, the gold standard was nostalgically remembered as a stable and unchanging value within the anarchy of the global capitalist market. We also know, however, that the value of the gold standard, which supposedly stabilized all other values within the capitalist world of circulating commodities, was in actuality determined by other values in circulation. Thus all value within the capitalist system, even the value of the gold standard, was in actuality always in flux and only determined through its market relation to other values. See introduction, and chapters 1, 3, and 5 of “Monetary Authorities.”

of economic critiques were increasingly being made by Filipinos who appeared as authorities on the truths of the capitalist market. These Filipino economic experts came of age professionally in the 1920s, a time when American economic experts were especially critical of not only the colonial state's monetary and financial policy but also the efficiency and utility of imperial sovereignty in general. Learning from this general critique, money (and the global capitalist market that it was both a part of and stood in for) became a crucial terrain in which Filipino economic experts could critique American empire without referring to the political or the ethical. Filipino experts even internalized many of the arguments of insurmountable difference espoused by American economic experts. Although American economic experts grounded this difference in race, Filipinos referred to this insurmountable difference as a result of unique and singular economic differences. For Filipino experts, therefore, knowledge of the capitalist market was not enough to have complete authority over money. Knowledge of local economic conditions was also necessary. Thus, through knowledge of essential and ineradicable difference, Filipino economic experts challenged American imperial sovereignty in order to argue for greater Philippine economic autonomy.

The above supports the central thesis of my dissertation, which contends that at the turn of the twentieth century authority over money became grounded on the supposed truths of the capitalist market, not the rule of the political sovereign. Moreover, this regime of truth, in turn, engendered a knowledge-based authority that was seen as necessary to mediate between capital and social life, but also unintentionally served as a space through which to critique the utility of the state. To end here, however, would be insufficient if not unjust. Intended as a conclusion of "Monetary Authorities," this chapter serves, for me, as evidence of the impossibility of writing a conclusion into history. Although I believe that the main thesis of this dissertation will be

sustained in this last chapter I also feel that to conclude with the history of Filipino economic experts using strategies drawn from economic expertise and capitalist modernity against American imperial sovereignty would remain inadequate. Seen in this light, this final chapter will act less like a conclusion but instead more as a threshold.

This final chapter marks a transition from one history of struggle of authority over capital into other histories of struggle over capital. Yet, rather than think of this threshold as a marker on some linear path, this chapter reveals that these histories emerge from a common web of diverse formations of modernity, empire, sovereignty, liberalism, race, nationalism, and of course, capitalism. In this last chapter I wish to conclude not with the “triumph” of the truths of capital in the face of sovereign power, but rather with the possibilities of such a historical situation. I therefore end by gesturing toward the common wealth produced out of capitalist modernity. I assert that agriculturally based workers and laborers in Central Luzon during the 1930s, like Filipino economic experts, also conceived of the wealth produced by capitalist modernity as commonly accessible through the market. Unlike experts, however, an increasing number of workers and laborers considered the wealth produced by capitalist modernity as a product of common experiences of exploitation and alienation. Collective acts of resistance, protest, organizing, and rebellions, however, were not merely reactions to this common exploitation. Rather these collective acts expressed a desire to render wealth and power common to all. I thus conclude this chapter, not with a historical conclusion, but rather with some histories of the possible.<sup>15</sup>

### **The Emergence of the Filipino Economic Expert and The Wish for Monetary Authority**

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<sup>15</sup> This theoretical approach owes much to Michael Hardt and Antonio Negri’s notion of the possibilities of common wealth. Michael Hardt and Antonio Negri, *Commonwealth*, (Cambridge, MA: Harvard University Press, 2009).

On the whole, Filipino economic experts who became more publically prominent in the 1930s were not formally educated in the discipline of economics. Like most others born in the Philippines who envisioned a future of wealth and power, many were trained as lawyers. Still, by the time these Filipino economic experts began their career within the colonial state, they quickly found themselves working less with legislation, and more with the day-to-day grind of implementing and administering state policies through bureaucratic apparatuses. Many of them became experts through the experience of working within a constantly changing colonial state, under American bureaucrats, auditors, and advisors, formerly educated in economics, business, or accounting.<sup>16</sup> The majority of these public and high-ranking experts professionally came to prominence during the post-Great War financial and fiscal crisis. Conceptions of efficiency and utility, therefore, saturated many of their economic critiques during the lead-up to, and initial years of, the Commonwealth period.

Although in agreement with much of the language of political sovereignty espoused by career politicians such as Osmeña and Quezon, these experts nevertheless spoke of a different type of autonomy that was not completely homogeneous to the political. Much of their critique tended to emphasize autonomy from both imperial and colonial political authority, striving

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<sup>16</sup> Some of the most prominent and public of these “native” economic experts include the following. Miguel Cuaderno: educated as a lawyer, served as a former assistant general manager of the Philippine National Bank and later as Secretary of Finance, would go on to receive training with bankers at the Federal Reserve in preparation to serve as first governor of the Central Bank of the Philippines. Vicente Singson Encarnacion: served as a senator of the Philippine Assembly, president of several Philippine corporations, and was instrumental in drafting budget for the Commonwealth Constitution. Jaime Hernandez: trained and educated as a lawyer and a public accounted, served as a bureau of Auditor General and later as Secretary of Finance. Rafael Corpus: trained as a lawyer, and began his career in the colonial state as director of bureau of lands then moved on to become secretary of agriculture and natural resources; he served as first Filipino president of the Philippine National Bank after the resignation of Wilson; acting manager of the Sugar Centrals Board and then eventually chairman of the Board of the Central Bank of the Philippines. Jose Avelino: educated as a lawyer; served as secretary of labor and as secretary of public works and transportation; eventually served as president of the senate in the independent Philippine Republic. Andres Castillo: one of the first Filipinos to earn a PhD in Economics; served as second governor of the Central Bank of the Philippines. Biographical information was collected from various sources including several issues of the *Philippine Yearbook*; Zoilo M. Galang, *Leaders of the Philippines: Inspiring Biographies of Successful Men and Women of the Philippines*, (Manila: National Publishing Company, 1932); Franz Weissblatt, ed., *Who's Who: A Biographical Dictionary of Notable Living Men of the Philippines, Vol. II 1940 – 1941*, (Manila: Ramon Rocas Inc, 1940).

instead for a more efficient and economical government. In this, Filipino experts appeared to have appropriated many of the strategies deployed by American experts. Continuously critiquing the excesses and corruption of Spanish and then later Filipino-run governments, American economic experts, since the very beginning of American colonial occupation, had been nervous over the Philippine colonial state's success in enabling and fostering capitalist accumulation for its population. American experts, moreover, for over three decades, grounded these economic critiques on the basis of racial capacities of colonial subjects to both labor and become entrepreneurs. At the same time, the measure of these racial capacities was a universal gauge founded on capitalist logic, a matrix of universal truths that existed autonomous of any particular nationality or empire. From this perspective, authority over the economic realm in the Philippines derived not from the laws of the sovereign, but from the truths of the capitalist market. Americans, so eager to legitimize imperial sovereignty through the rhetoric and practice of tutelage, unintentionally succeeded in their lessons of economic critique, clearing ground from which Filipinos could launch an assault on empire.

As we saw in the wake of the *Wood-Forbes Report*, certain Filipino politicians were quick to turn the tables on the Governor General and his administration by appropriating the language of American experts. Filipino politicians questioned the uneconomical and inefficient decisions of American officials such as Wood, who vowed to drastically overturn previous colonial economic policies. This shift to assess imperial sovereignty on the basis of profit and utility, rather than on justice or rights was the beginning of a radical departure from previous anti-imperialist critiques. Unlike Filipino politicians in the mid 1920s, however, "native" economic experts beginning in the early 1930s did not limit their critique to the efficiency of the colonial state. Instead, experts constructed their critique on the novel terrain of the economy, a

structure that discursively emerged and was simultaneously concretely produced during the interwar period of the twentieth century.<sup>17</sup>

What made their critique radically different, however, was not that it was simply based on the novel structure of the economy. Rather, the critique was radically different because it was based on an economy that belonged to, and was determined by, a particular race of people. In other words, the very same racial difference produced and indexed by American economic experts in their assessments of Filipino progress, came to be naturalized by Filipino experts as a yawning insurmountable difference of economic conditions between the United States and the Philippines. It is through the recognition of the essentialized difference between racialized national economies that “native” economic experts were able to cordon off their place of authority. Who else, after all, could best understand the particular economic conditions of the Philippines, if not economic experts racially native to the archipelago?

In arguing for complete economic autonomy, Filipino economic experts simultaneously wished for an authority that understood the unique and singular economic conditions of the Philippines and a mode of government that could more effectively utilize the capitalist market to benefit and develop the social life of the nation. Again, jettisoning older forms of anti-imperial rhetoric of Filipino politicians, economic experts additionally critiqued the intrusion of the Philippine state. Appropriating the language espoused by American economists and financial advisors for over three decades in the colony, Filipino economic experts believed that the political could potentially corrupt capital formation in the Philippines. With the advent of the Commonwealth, they hoped to introduce an apparatus that could stabilize economic conditions without the intrusion of politics. Through expert knowledge of the global capitalist market and

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<sup>17</sup> According to Timothy Mitchell, the economy was a novel structure that embodied a country or region’s total relations of “production, distribution, and consumption of goods and services[.]” Timothy Mitchell, “Fixing the Economy,” *Cultural Studies*, 12 1 (1998): 84.

sound decisions informed by an understanding of local economic conditions, a monetary authority particular to the Philippines, could soundly control currency and credit in order to ensure the accumulation of wealth so necessary for the growth and continuance of the Philippine population.

Arguments for national economic autonomy and a Philippine monetary authority were often situated within the language of war. In 1933, for instance, head of the economics department at National University Jose Celeste asserted that in “economic warfare, currency has been used as one of the effective weapons[.]” Entrenched in the Great Depression, Celeste argued that an economic war was being waged between nationalists and internationalists. On one side were those whose motives were “mainly their desires for national economic advantage rather than an interest in world recovery.” On the other side were those “who stress above all else the importance of a stable medium of international exchange.”<sup>18</sup> Because the peso and the Philippine economy were subject to currency manipulations made in Washington, Celeste’s critique of a selfish nationalist monetary policy was aimed directly at the United States.

Three imperial manipulations of the dollar were forced upon the peso, subsequently hindering Philippine economic recovery from the Depression. First, as mentioned previously, the gold content of the dollar value was changed to such an extent that major discrepancies with the gold content of the peso value caused mass confusion, particularly in trade and currency conversion with countries other than the United States. Second, the deflation of the dollar, the proposed solution to reflating American prices back to pre-Depression levels, caused undue hardship in the Philippines, whose local prices and purchasing power remained at the same Depression-era levels. Third, despite being nominally on a gold-exchange standard, the Philippine monetary system was nevertheless bound to the whims of the dollar’s value, again

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<sup>18</sup> Jose L. Celeste, “For a Planned Monetary System,” *The Philippines Herald Yearbook*, September 29, 1934, 123.

limiting and restricting trade possibilities with other countries and subsequent growth of new capital.

In order to argue against the uneconomical relationship between the peso and the dollar, Celeste grounded his call for an autonomous monetary system in the essentialized difference between the Philippines and the United States. “The main objective, therefore, of an independent system” and “absolute control in currency[,]” reasoned Celeste, was “to enable the country to manage it in accordance with its conception of its own needs.” Without complete authority over an autonomous monetary system, Celeste continued,

the Philippines will always be forced to follow whatever policy they have in the United States and, considering that the conditions in these two countries are different, it cannot be expected that a reform of the currency in the United States which is calculated to improve its conditions, will also bring the same result here. It is better and safer for the Islands to have an independent currency system.<sup>19</sup>

Celeste was thus not objecting to American imperial authority over the Philippine currency on the strict grounds of illegitimate sovereignty. Rather, his objection was based on the fact that Americans disavowed the radical difference between each country’s economic conditions. Successful monetary policies that accelerated recovery from the Depression, therefore, were necessarily dependent upon knowing the local and unique conditions of a country’s economy. In the eyes of Filipino experts, despite knowing and indeed producing and indexing differences between the Philippines and the United States, American imperial authority disavowed these differences in its unilateralist and nationalist pursuit of currency manipulation.

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<sup>19</sup> Celeste, “For a Planned Monetary System,” 123.

Believing that the Philippines remained on a gold exchange standard,<sup>20</sup> Celeste argued that once independent of the dollar the peso would not be subject to political manipulations but would rather follow the universal laws of the capitalist market.

As far as it could be ascertained, the Gold Exchange Standard, our present system, would still be the best for an independent Philippines. Some changes, of course, could then be made to remove some of the defects which are not inherent to the system but are forced upon it by virtue of our political relation with the United States and improvements introduced which would enable the system to promote our foreign trade.

By removing defects that were artificially attached to the Philippine monetary system by American imperial monetary authorities, the peso could be wielded to promote new trade partnership with other economies and speed up economic recovery. In response to those who claimed that, on its own, the peso was not elastic enough to supply any new types of foreign and local demands Celeste offered the solution of a central bank. Through a central bank the Philippines could redistribute currency funds away from the United States into other countries' central banks in order to advance trade and ease payments with those countries. A central bank would thus be essential in not only increasing and soundly managing the wealth of the Philippine nation, but also in cooperating with other central banks in order to knowledgeably ensure and maintain the growth of the global capitalist system. The central bank for Celeste, therefore, was not merely a symbol of independence or fitness of self-government for the Philippines, but it was also a mechanism to guarantee a cooperative economic world order that was mutually beneficial for all members.<sup>21</sup>

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<sup>20</sup> In chapter 5 of "Monetary Authorities" we see that during the mid 1920s, the Philippine monetary system shifted to a dollar exchange standard rather than a gold exchange standard. See also Yoshiko Nagano's detailed account of this shift in: Yoshiko Nagano, "The Philippine Currency System During the American Colonial Period: Transformation from the Gold Exchange Standard to the Dollar Exchange Standard," *International Journal of Asian Studies* 7 1 (2010).

<sup>21</sup> Celeste, "For a Planned Monetary System," 123.

A central bank was also seen as necessary in properly mediating between the national economy and the global capitalist system primarily through controlling a country's currency and credit supply. Former Secretary of Finance Vicente Singson Encarnacion, for instance in 1934, declared that “[h]owever good the monetary system that we have may be, if we do not have a Central Bank to safeguard its stability and integrity in the market, we shall always be confronted with economic stagnation if not absolute economic failure.”<sup>22</sup> Currency, in this instance, was seen as an instrument of the nation. As a crucial technology of the nation, currency was necessary in the continued expansion of both Philippine economic and social life. But if left exposed and unguarded to the anarchy of the global capitalist market—for example the flight of gold coins to foreign markets in the second half of the nineteenth century or the massive losses of reserves due to rampant speculative loans during the Great War—the monetary system could turn against the nation, leaving it in ruins. A Philippine central bank was therefore essential in mediating between the social needs of the nation and the inhuman laws of the capitalist system. Unlike the American imperial central bank (the Federal Reserve), however, a Philippine central bank run by “native” economic experts could be scientifically adjusted to address local conditions and needs.

In an anti-imperial stance, Encarnacion emphasized the necessary co-constitution of a centralized Philippine monetary authority and a completely sovereign Philippine government. Because political independence from empire was still contingent upon the achievement of proper representative democracy, Encarnacion argued that the central bank should be “intimately linked with the government of the nation.” With the notion of having a check on authority, he supported the belief that a democratically elected government should be empowered to appoint the central

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<sup>22</sup> Vicente Encarnacion Singson, “A Central Bank and Economic Development in the Philippines,” *The Philippines Herald Yearbook*, Sept. 29, 1934, 147.

bank's Governor and Vice-Governor, as well as maintain "rigid and constant supervision of its reserves and its operations." Still, in regards to a monetary authority, Encarnacion distrusted the state, and the political realm in general. "It is," he warned, "very dangerous for the government to have absolute control of the monetary system." Autonomy from both the American imperial and the Philippine Commonwealth state would guarantee, according to Encarnacion, that decisions concerning the national economy would be kept "far from the control and easy manipulation of politics."<sup>23</sup>

The establishment of a Philippine central bank, free from politically motivated constraints, would thus have the capacity to wield the monetary system for the continued growth of the nation's wealth. In response to imperialist doubts that the Philippines remained too "undeveloped" to soundly wield authority over money, Encarnacion pointed to several resolutions passed in international financial and economic conferences in 1920 and 1934. Rather than rely on measurements of Philippine racial capacities made by American imperialists, Encarnacion looked to an international congregation of finance and economic experts. In these conferences, international experts asserted that there was "no better medium for the development of credit in a gradual and healthy way in any country than through the establishment of a Central Bank."<sup>24</sup> Encarnacion thus used the language of an international body of experts to argue for an autonomous monetary system and central bank. Moreover, these foreign experts were not only concerned with their respective economies, but also the stabilization of the world monetary order and the global capitalist system in general. Encarnacion's support, therefore, for the establishment of a central bank was not merely a nationalist act. Instead, he believed that the Philippine central bank would not only benefit the national economy, but also through

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<sup>23</sup> Encarnacion, "A Central Bank and Economic Development in the Philippines," 148.

<sup>24</sup> These two conferences were the 1920 International Financial Conference in Brussels and the 1934 International Economic Conference in London. Encarnacion. Encarnacion, 148.

cooperation with other monetary authorities around the world, a Philippine central bank would ensure the stable ever-expanding growth of the global capitalist system as a whole.

### **The Common Experience of Global Capitalist Crisis**

The lack of international cooperation, of course, is what many students of economic history believe led to the Great Depression in the first place. Based on a gold-exchange standard, the global monetary order in the interwar period is often remembered for its failure to respond to the collapse of the speculative stock exchange bubble of the mid to late 1920s. The gold-exchange standard was adopted as a response to the tremendous amount of war debt incurred by Europeans during the Great War and the massive costs of rehabilitation and war reparations. Unlike the gold standard, in which all money in circulation could only theoretically be based upon reserves of gold housed in the vaults of the world's central banks, the gold-exchange standard greatly expanded what could be considered as a reserve. Under this new world monetary order, reserves came to include foreign accounts such as, but not limited to: time deposits, commercial bills of exchange, and current accounts. The increase in what could be considered a reserve allowed not only for a greater money supply and thus credit, but supposedly also greater controls in stabilizing exchange rates between countries.<sup>25</sup>

Both economists and historians have studied the interwar gold-exchange standard as a failure for two main reasons. On one hand, some have asserted that economically, the interwar gold-exchange standard was inherently flawed. The system was in essence a two-tier system,

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<sup>25</sup> Feliks Mlynarski, "The Reform of the Gold-Exchange Standard: Selected Documents submitted to the Gold Delegation of the Financial Committee, Sept. 8, 1930," in *Selected Documents Submitted to the Gold Delegation of the Financial Committee*, (Geneva: League of Nations, 1930); Procopio Bumagat Victoriano, *The Gold Exchange Standard of the Philippine Islands, India, the Dutch East Indies, the Straits Settlements and Some European Countries*, (MBA thesis, University of Washington, 1933); and Alan M. Taylor, Maurice Obstfeld, and Jay C. Shambaugh, "Monetary Sovereignty, Exchange Rates and Capital Controls: The Trilemma in the Inter-war Period," *IMF Staff Papers*, 51 (2004): 75 – 108.

with the core currencies pegged to gold and peripheral currencies pegged to the core. Under this situation, although core monetary authorities were limited by the system to maintain convertibility to gold, they still had authority to manipulate their currency supply to fit their own desires. Peripheral monetary authorities, however, had no recourse to regulate the decisions of core monetary authorities. If even one core currency faltered, it would drag along all of the other peripheral currencies dependent upon it. In addition, for most of the 1920s there was severe gold imbalance between the core economies, with reserves in France and the United States having a surplus while Britain suffering a deficit. This imbalance led to the massive deflation of the British pound and its peripheral currencies. At the same time, anxious over inflation, surplus countries refused to adjust their money supply or lend reserves to deficit countries. Core economies consequently operated even more autonomously. As a result of huge deficits and increased autonomy, confidence in the system diminished, leading to eventual worldwide devaluation of currencies and price declines becoming systemic globally.<sup>26</sup>

On the other hand, some have placed the political realm at the center of the interwar gold-exchange system's failure. Although varied in approach and in conclusions, studies that emphasize the political argue that the amplified participation in representative democracy as well as increased public anxiety over the economic category of "unemployment" directly impacted the policies of monetary authorities.<sup>27</sup> With sudden popular scrutiny over unemployment and wage statistical data crystalizing during the Great War, organized political dissent, mostly through the expansion of the electorate and the growth of trade unionism, forced certain postwar

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<sup>26</sup> There have been many who have looked at geo-political relations and domestic politics as the cause of the collapse of the interwar gold-exchange standard. See for instance: Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919 – 1939*, (Oxford University Press, 1992); Charles Kindleberger, *The World in Depression, 1929 – 1939*, (Berkeley, CA: University of California Press, 1976); and Peter Temin, *Lessons from the Great Depression*, (Cambridge, MA: MIT Press, 1989).

<sup>27</sup> See Eichengreen especially in regards to the rise in dominance, and perhaps the production of the modern economic category of "unemployment" during the interwar years. Eichengreen, *Golden Fetters*, 6.

monetary policymakers to either abandon or remain committed to, the gold-exchange standard.<sup>28</sup> For example, Great Britain's monetary policy in the immediate postwar years, facing rising unemployment and pressure from the labor party in parliament, made unilateral decisions to finance deficits through increasing the monetary supply leading to massive inflation. Other imperial monetary authorities, sensing this encroachment, pursued reactionary practices toward the end of the 1920s, arguing for greater protection and autonomy from politics and political entities. As a result, this reproduction and proliferation of more reactionary and unilateral decisions—regardless of domestic fiscal needs or the needs of the global monetary order—produced a system that was inherently unstable and bound for crisis.<sup>29</sup>

For both economic and political reasons, the underlying argument for the failure of the gold-exchange standard boils down to a lack of cooperation between monetary authorities. As the case of the United States shows, there was even friction between the Federal Reserve in Washington and the Wall Street driven Federal Reserve Bank system of New York.<sup>30</sup> Thus Celeste was most likely thinking of the practices of central banks during the 1920s by highlighting the antagonism between policies based on “nationalism” versus those based on “internationalism.” Both economic and political theses, moreover, also emphasize the unsoundness and inefficiency of unilateral monetary policies. The United States Federal Reserve, distrusting any imposition of an international body to regulate world currencies such as the League of Nations, chose a unilateral country-by-country approach to brokering credit with foreign countries. Rather than involve the Federal Reserve, United States foreign policy instead

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<sup>28</sup> Eichengreen, 8-9.

<sup>29</sup> Eichengreen, 9 - 10; Rothbard, *A History of Money and Banking in the United States*, see especially Part 4.

<sup>30</sup> See Rothbard, *A History of Money and Banking in the United States*, 368 – 381.

collaborated with private banks and financial experts in maintaining order in the Americas through “dollar diplomacy” during the 1920s.<sup>31</sup>

The United States, the largest lender of new credit in the post-Great War world, exemplified the global climate of distrust between monetary authorities by the time the speculative Wall Street bubble burst in 1929. Two years after the Wall Street crash, Austria and Germany’s financial structure collapsed and the haphazard attempts to stop the rippling consequences had no structural effect. Despite sporadic attempts by various combinations of international bodies, the path toward the gold standard was quickly abandoned. In 1931 the British left the gold standard, subsequently wrenching all of their peripheral economies away as well. Exacerbating the crisis, the incoming American president, Roosevelt, refused in 1932 to honor the outgoing president’s extension of the war debt moratorium, plunging the world economy further into Global Depression.<sup>32</sup>

The Philippines was no exception to the wide reach of the Great Depression. In 1932 the total for Philippine imports and exports dropped to almost half of what it had been in 1929. Although trade would gradually begin to increase throughout the 1930s, it never reached pre-Great Depression levels until after World War II.<sup>33</sup> In response to the contraction of the archipelago’s largest export market, the United States, the Philippine colonial state in those early Depression years attempted to raise tariff rates on imports from non-American countries. With the passage of the Hare-Hawes-Cutting Act by Congress in 1932, the loss of the United States market appeared close on the horizon. A result of a combination of different forces—such as the

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<sup>31</sup> Emily Rosenberg, *Financial Missionaries to the World: the politics and culture of dollar diplomacy, 1900-1930*, (Cambridge, MA: Harvard University Press, 1999), 242.

<sup>32</sup> Rosenberg, *Financial Missionaries to the World*, 243; and Rothbard, *A History of Money and Banking in the United States*, 424 – 433.

<sup>33</sup> O. D. Corpuz, *An Economic History of the Philippines*, (Quezon City: University of the Philippines Press, 1997), 243.

lobbying of agribusiness blocs (mainly beet sugar, cotton seed oil, and tobacco), anxious anti-Filipino American labor associations, and another 1932 ‘Philippine Independence’ mission led by elite Filipino politicians—the Hare-Hawes-Cutting Act guaranteed the recognition of the Philippines as a sovereign nation-state in ten years.<sup>34</sup> Although both outgoing president Herbert Hoover and the Philippine Senate eventually rejected the Hare-Hawes-Cutting Act, the Act was revived with some provisional changes in the Tydings-McDuffie Act of 1934. The following year marked, with the institution of the Commonwealth government, the official beginning of the ten-year countdown to complete independence and the end of “free trade” with the American market.

From the perspective of American empire, the rapid decolonization of the Philippines did little to aid the economy. Increased tariffs on Philippine commodities made little impact for American agribusiness throughout the rest of the 1930s. In addition, constant attempts to repatriate Filipino Americans, through exclusionary immigration legislation or extra-legal violence, failed. Filipino Americans, some having lived in the United States for most of their adult lives, rejected the continuous efforts of the federal government to force Filipino Americans to “repatriate” themselves to the Commonwealth.<sup>35</sup> From the perspective of the Commonwealth, there was little changed in terms of the economy. The peso, for instance, remained tied to the dollar at a ratio of two to one, while control over tariffs were still determined by the United States. However, the Commonwealth allowed President Quezon to launch the National Economic Council and the National Development Company, which would continue many of the

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<sup>34</sup> Corpuz, 253. In addition, Daniel Doeppers refers to Theodore Friend’s assessment that a Sugar export boom in 1933 tipped the scales for independence. Daniel Doeppers, “The Philippines in the Great Depression: A Geography of Pain,” in *Weathering the Storm: The Economies of Southeast Asia in the 1930s Depression*, eds. Peter Boomgaard et al. (Singapore: Institute of Southeast Asian Studies, Singapore, 2000), 72.

<sup>35</sup> Rick Baldoz, *The Third Asiatic Invasion: Empire and Migration in Filipino America, 1898 - 1946*, (New York: New York University Press, 2011), 189 – 191.

strategies of industrialization begun almost two decades earlier during the Harrison era. Powered by aid from the United States National Development Company, the Commonwealth was able to spawn several subsidiaries, which sought to transform the Philippines from an economy based on raw exports to manufactured goods.<sup>36</sup> Quezon and the new Commonwealth, however, were responding to more than the shifting political and economic grounds of its relation with American empire. The Commonwealth also had to contend with a rapidly antagonistic rural population and the increasingly effective militant organization of agricultural and industrial labor.

### **Political and Economic Consequences of Depression in Central Luzon**

Like most effects of any global economic crises, the Depression was unevenly felt throughout the archipelago. Often dependent upon regional markets, local economies, and ecological vicissitudes, the Depression nevertheless had diverse though deep consequences on the rural and urban poor populations of the Philippines.<sup>37</sup> The shrinking of export markets in the United States and the hoarding panic that ensued by capitalists and financiers in the colony had drastically contracted the supply and circulation of money in the early 1930s. For instance, the colony's money supply decreased from 124 million pesos in 1929 to 88 million pesos in 1932, and it would not be until 1937 that the money supply would return to pre Depression levels.<sup>38</sup> After a tour of the agricultural provinces of central Luzon, the Governor General at the time, Theodore Roosevelt Jr., asserted that although he saw no money being exchanged, he also saw no one starving. Roosevelt, most likely disavowed or misrecognized the deteriorating situation in

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<sup>36</sup> Corpuz, *An Economic History of the Philippines*, 256 – 260.

<sup>37</sup> Doeppers, "The Philippines in the Great Depression," 54.

<sup>38</sup> Smaller denominational coins, however, remained constant in local markets. W. G. Wolters, "Uneven Impact and Regional Responses: The Philippines in the 1930s Depression" in *Weathering the Storm: The Economies of Southeast Asia in the 1930s Depression*, eds. Peter Boomgaard et al. (Singapore: Institute of Southeast Asian Studies, Singapore, 2000) 89.

the rural provinces of central and northern Luzon. For, although people might not have been starving, they had most likely accrued devastating debt in order to survive.<sup>39</sup>

The disappearance of money led to unintended political consequences in the agricultural provinces, in particular Northern and Central Luzon. Although some historians have analyzed this shortage of money and the so-called return to barter as a puncture of the supposed false consciousness of peasants, the disappearance of money in actuality led to increased dispossession, eviction, and debt.<sup>40</sup> Money shortage, after all, led to many intra-region traders, retailers, moneylenders, and landowners losing access to bank loans or credit, which in turn led to a drastic tightening or discontinuing of loans to tenant farmers or landless workers.<sup>41</sup> Moneylenders or landowners, moreover, in the face of economic uncertainty panicked and either violently recalled loans or charged even more exorbitant interest rates. Unregulated and informal credit practices, frequently publically labeled as usury, proliferated.<sup>42</sup> At the same time, even if tenant farmers and landless workers found alternate ways to navigate the market without access to money, taxes and other municipal government fees forced many to enter into asymmetrical and exploitative credit agreements.

Those in the rice growing regions in central Luzon in the early 1930s were especially hard hit. Because of the historical combination of: desires to mechanize the mode of production

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<sup>39</sup> Theodore Roosevelt quote is in Doeppers, "The Philippines in the Great Depression," 68. Supposedly in Bikol, according to Norman Owen, people were surviving by switching away from abaca and growing directly food for survival, also in Doeppers, 67.

<sup>40</sup> This historical narrative consists of capitalism supposedly coming with the advent of American colonialism and thus puncturing timeless patron-client relationships. This is not to say affective economies were not in existence, but rather as chapter one of "Monetary Authorities" shows, capitalism and awareness of being entrenched in a global capitalist economy had long been in the minds of farmers. Indeed, capitalism had been part of the Spanish colony, transforming divisions of labor and relations between rich and poor long before the colonial export markets became oriented toward the American market. To view some historiography which equated capitalist modernity with United States colonialism, see: Benedict Kerkvliet, *Huk Rebellion: A Study of Peasant Revolt in the Philippines*, (Quezon City: New Day Publishers, 1979); Glenn May, *Social Engineering in the Philippines: the Aims, Execution, and Impact of American Colonial Policy, 1900-1913*, (Westport, CT: Greenwood Press, 1980), and David Sturtevant *Popular Uprisings in the Philippines, 1840 – 1940*, (Ithica and London: Cornell University Press, 1976).

<sup>41</sup> Wolters, "Uneven Impact and Regional Responses," 89.

<sup>42</sup> Several official reports had a range from 50 to 200% interest rates. Wolters, 99.

and lower wages by capitalist landowners, the tightening or shutting down of customary interest-free food credit by traders and landowners, the increased amount of migrant populations from other regions due to rampant dispossession during the 1920s, and the increased exportation of rice to other export-oriented regions; an increasing number of tenant farmers and agricultural workers found themselves caught in a seemingly hopeless economic situation of debt and dispossession.<sup>43</sup> Consequently, the provinces surrounding Manila rapidly became, at least in the mind of the urban public, a frontier populated by violent riots, spontaneous uprisings, and lawless bandits.<sup>44</sup> Certain provinces surrounding the north of Manila, like Nueva Ecija, Pangasinan, and Bulacan, at the same time, became the primary hotbeds for organized labor and social and political activism.<sup>45</sup>

Many of the worker organizations or labor unions that had existed in the 1920s, such as the *Kalipunang Pambansa ng mga Magsasaka sa Pilipinas* (KPMP; National Association of Peasants in the Philippines) saw a significant increase in membership.<sup>46</sup> One organizer from the time recalled that although many might not have officially paid the membership dues, depending on the region, most likely ten to forty percent of agricultural workers identified themselves as part of the KPMP.<sup>47</sup> In addition to well-known unions such as the KPMP, there were countless others, with varying membership numbers and diverse make-ups, but nevertheless expressing similar critiques and making analogous demands.<sup>48</sup> Growing organized militancy in the

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<sup>43</sup> Wolters, 102.

<sup>44</sup> Kerkvliet, *Huk Rebellion*, 38.

<sup>45</sup> Wolters, "Uneven Impact and Regional Responses," 104.

<sup>46</sup> Kerkvliet, *Huk Rebellion*, 29. Also historically remembered as the *Kalipunang Pambansa ng mga Magbubukid sa Pilipinas*, see Chapter five of "Monetary Authorities."

<sup>47</sup> Kerkvliet, *Huk Rebellion*, 31.

<sup>48</sup> Kerkvliet, 36.

hinterlands was anxiously scrutinized by the urban public, as illustrated by the proliferation of Manila newsprint stories concerning tenant strikes, petitions, and protests.<sup>49</sup>

Perhaps the two most threatening organizations to political elites and capitalists in Manila and American imperial officials and colonial authorities to emerge in the 1930s were the *Partido Komunista ng Pilipinas* (PKP; The Communist party of the Philippines) and the *Sakdal* (To Accuse) movement. Immediately after its founding in 1930, the PKP ran into problems from both within and without the party. From within, the PKP was plagued by an inflexible ideology, internal rivalries, and party practices that failed to gain traction in urban publics, despite the economic conditions brought upon by the Depression. From without, the PKP was constantly harassed and subsequently jailed after being outlawed by the colonial state. From 1933 to 1935 the PKP was forced underground with a few members remaining in the public and organizing nominally as a socialist party.<sup>50</sup> By 1935, the most leftist were eventually marginalized by the party as the PKP was legally allowed above ground.<sup>51</sup> In the late 1930s, the PKP and the socialist party would officially merge, thus domesticating “Marxist” praxis for the rest of the decade.<sup>52</sup>

While communists remained underground, there was great anxiety on the part of Philippine elites and American officials that the PKP could potentially ally with the largest public threat to conservative politics in Manila during the first half of the 1930s, the *Sakdal* movement.<sup>53</sup> Although founded in 1930 by Benigno Ramos, a disgruntled former Quezon supporter and civil servant, the *Sakdal* movement quickly moved in directions unintended and

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<sup>49</sup> Ibid, 29. See also the papers of Joseph Ralston Hayden. Hayden, or his office staff, meticulously collected newspaper clippings. Joseph Ralston Hayden Papers, Box 1, Folders 1 – 6.

<sup>50</sup> William Pomeroy, *The Philippines: Colonialism, Collaboration, and Resistance*, (New York: International Publishers, 1992), 74.

<sup>51</sup> Jim Richardson, *Komunista: The Genesis of the Philippine Communist Party, 1902 - 1935*, (Quezon City: Ateneo de Manila University, 2011), 1 – 2.

<sup>52</sup> Richardson, *Komunista*, 250.

<sup>53</sup> Patricio N. Abinales and Donna J. Amoroso, *State and Society in the Philippines*, (New York and Oxford: Roman and Littlefield, 2005), 149.

unforeseen by Ramos. Through the circulation of the *Sakdal* newspaper, a network of committed organizers and activists spanning Manila's agricultural hinterlands rapidly developed over the next two years. From this network emerged the *Partido Sakdalista* (Sakdal Party) on October 23, 1933, and the capture of some congressional and provincial government seats. Although some of the rhetoric of certain organizers, leaders, and activists were peppered with millenarian language, Sakdalistas demanded urgent and concrete social, political, and especially economic changes. Many of their demands, moreover, were in direct response to the uneven and unjust distribution of economic wealth in the colony, a condition augmented by the Depression.<sup>54</sup>

Increased wages for agricultural and urban workers; the abolition of taxes; land redistribution and common ownership of property: these and other demands were clear calls for radical economic reform. The demands of Sakdalistas, in addition, were inherently global. They understood that low wages, land dispossession, and ever-increasing debt, was inextricably bound to the geopolitical relation between the Philippine colonial state, American empire, and the global capitalist system.<sup>55</sup> The growing political and organizing power of increasingly militant rural workers alarmed local and colonial state authorities. In response to constant harassment and arrests by police and believing the shift to Commonwealth status as opportune political conditions, the more militant wings of the Sakdalistas organized an uprising in May 2, 1935. Lasting for a brief two days, poorly trained and equipped with rusted weapons and awaiting popular support that never came, Sakdalistas were massacred in confrontations with constabulary. Dozens were killed and wounded, while hundreds were jailed.<sup>56</sup>

Realizing that armed repression through the police apparatus could not work forever nor would it publically elicit the global recognition he desired as a fit sovereign, the newly elected

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<sup>54</sup> Abinales and Amoroso, *State and Society in the Philippines*, 148.

<sup>55</sup> Sturtevant, *Popular Uprisings in the Philippines*, 223 – 225.

<sup>56</sup> Sturtevant, 248 – 252.

first president of the Commonwealth, Quezon, launched a campaign toward what he termed “Social Justice.” The campaign was a set of promises to implement policies of land reform and access to credit, especially for agriculturally based communities.<sup>57</sup> Quezon’s rhetoric of “Social Justice” along with assessments made by Commonwealth officials and an American investigating team in the Sakdal uprising’s aftermath—which reported exorbitant rent and rampant usurious forms of loans as leading causes—underscore how money scarcity, access to credit, and unjust rent not only shaped the contours of the Sakdal movement but also its haunting afterlives. Militant organizers, activists, and union members, however, saw through Quezon’s rhetoric of “Social Justice.” And although many of them would end up joining the socialist led “United Front” reformist politics from 1939 to 1941, they remained fully aware of the potential of organizing social and economic communities outside of conventional politics.<sup>58</sup>

### **Conclusion: The Possibilities of the Common**

The two histories that have been examined in this concluding chapter—the rise of “native” economic expert critique and the explosion of organized militant movements in the provinces surrounding Manila—at first glance seem to have nothing in common. Though these two histories certainly ran parallel to one another throughout the 1930s, there appears to be no direct or prolonged interactions between agricultural workers and economic experts in Manila. Even in writings and speeches, experts, on one hand, talked more of the global capitalist system, world economic depression, and national economic autonomy, while militant activists and organizers, on the other hand, were concerned mostly about local or regional issues such as tax payments, interest rates on personal loans and credit, land distribution, or political

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<sup>57</sup> Ibid, 248 – 252.

<sup>58</sup> Ibid, 244 – 245.

marginalization. Indeed, in this historic period which saw the beginning of the Commonwealth government, the only commonality that both seemed to share was the notion of common wealth.

By “common wealth” I am motivated by Hardt and Negri’s argument that the common must not be seen as something external or coming from above. Instead, the common should be conceived as the “results of social production, such as knowledges, languages, codes, information, affects, and so forth.”<sup>59</sup> This conception of the common leads Hardt and Negri to contend that humanity’s relation cannot be one of custodian or exploiter, but humanity instead must be seen as simultaneously being constituted from the same process of production. Our notion of the common, therefore, must be focused on the “practices of interaction, care, and cohabitation in a common world[.]”<sup>60</sup> Yet, the common does not mean sacrificing singularity and difference to some larger total whole called the common. Inspired by Spinoza’s term of “common notions,” Hardt and Negri assert that the common must instead be understood as “the *production and productivity* of the common through collective social practices,” that cuts “diagonally across the opposition between the universal and the particular.”<sup>61</sup>

Filipino economic expert critique of American imperialism rested on the belief that both the Philippines and the United States existed in a common world powered by the productive capacity of the capitalist system. Modern economic knowledge produced new techniques and technologies that could wield the productive capacity of capitalism to generate wealth for the benefit and growth of social life. This knowledge was theoretically universal and thus could be accessed by anyone to ensure that capital could not only be generated but also increased indefinitely. But the capitalist system, in expert eyes, was necessarily global, and thus created wealth that did not automatically or naturally belong to any specific person or place (thus the

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<sup>59</sup> Hardt and Negri, *Commonwealth*, xviii.

<sup>60</sup> Hardt and Negri, xviii.

<sup>61</sup> Italics in original. Hardt and Negri, 121-122.

eschewing of inheritance in favor of meritocracy). Instead, to ensure the continuation of the capitalist system, capital had to be free to move anywhere, and thus capitalist wealth was commonly, though unevenly, accessible. Following a liberal ideological position, everyone benefited, though asymmetrically, from this common wealth.

Although a corrupted vision of what Hardt and Negri would consider the common, “native” economic experts nevertheless saw an opportunity in the shared history of capitalist modernity and thus offered a critique of empire radically different from elite Filipino nationalist politicians. In contradistinction to a politics of recognition, experts accused American imperial political decisions of slowing down Philippine economic recovery from the Depression and going against the laws of the global capitalist system shared commonly by everyone. Through this economic liberal critique, Filipino experts questioned the utility of American imperial sovereignty, whose history of unilateral decisions from the 1920s to the early 1930s went against international cooperative efforts toward recovery.

When, for instance, Americans ignored the ineradicable differences in economic conditions between the Philippines and the United States by unilaterally devaluing the dollar, political decisions overran economic knowledge. The result, in the eyes of “native” experts, was not only a large unpaid debt owed to Philippine society, but an act of currency manipulation defying the universal laws of the global capitalist market. In response to this political trespass upon the laws of the capitalist market, Filipino experts demanded that the Philippines have its own monetary authority that would be autonomous of both national and imperial politics. Through a Philippine monetary authority, a central bank, Filipino experts could base a politically independent monetary system on the nostalgically assumed universal measurement of value, the gold standard. By working with other central banks to strengthen and stabilize the world

monetary system, the Philippine monetary authority would not only ensure the growth of the national economy but also the common wealth of the global capitalist system.

Militant organized agricultural workers similarly thought of capital as common wealth. They most likely understood then, as we do now, that capital was, and still is, ultimately a social relation. However, in contradistinction to Filipino experts, agricultural laborers and tenant farmers saw the common wealth generated by a capitalist system as being produced by common modes of exploitation and violent divisions of labor. This common experience of exploitation and violence became especially clear when confronted by exorbitant rent, forced dispossession, inequitable land taxes, and usurious fees. This was perhaps a primary reason why land played such a central role for militant organized agricultural workers. The demand for land to be redistributed more equally or commonly held, for them, was not a reactionary wish for an idealized premodern era of a communal “tribal” land that may or may not have ever existed. Rather, they understood land as a source and generator of modern wealth, as a node within a global and hierarchical landscape of capital.

It is clear from various collective demands that agricultural workers knew that land, under a capitalist system, could produce capital through: the expropriation of taxes, as collateral asset for loan or credit, as a natural resource necessary for producing goods, a source of rent extraction, and of course the means of production for commodities. At the same time, the logic of capital, which innovated myriad ways of producing wealth from land, was utterly dependent upon a population to not only work the land, but also to labor around, live with, and exercise activities on the land. As a result, capital unintentionally brought social beings together who invented not only new communities of labor, formed through common though diverse forms of exploitation, but simultaneously produced a common awareness of their role in an exploitative

economic system. Emerging from such awareness were collective strategies not only for survival, but also for alternate economies running through circuits unintended by, and in excess of, the logic of capital.

For instance, in 1930s central Luzon, there existed a “share-the-poverty” practice, in which tenant farmers paid landless workers a percentage of the harvest before splitting the harvest with the landlord. The landless worker, in this way, received a larger share by cutting a percentage from the entire gross harvest product, not merely the net promised to the tenant. Therefore, through rerouting a larger share of the commonly produced harvest away from the capitalist landowner, both the tenant and the landless worker more equitably benefited from the products of their labor. Another common practice that developed was the “*pulot*” (to retrieve from ground) custom, which allowed first access to those in most economic need to collect discarded grain thought to be worthless to the market and thus commonly accessible.<sup>62</sup> Another instance was a strategy adopted by a community in Nueva Ecija in the late 1930s. The strategy entailed collectively purchasing a mechanical rice thresher, renting out use of the collectively owned machine for a percentage of harvest. From these rent profits, they intended to create a credit system that would serve future endeavors of the collective. Despite only lasting two years, this experiment to utilize innovative technologies and credit cooperative techniques, exemplifies how alternative economic strategies practiced by agriculturally based communities were not anti-modern but were attempting to reroute the circuitry of modernity away from a logic of private property to an ethical logic and the possibilities of communal ownership.<sup>63</sup>

Thus these communities, through commonly held experiences of exploitation, invented new solidarities, economic networks, and social bonds within and in excess of, though not

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<sup>62</sup> Kerkvliet, *Huk Rebellion*, 27.

<sup>63</sup> Kerkvliet, 31.

entirely with, the capitalist system. By understanding that local iterations of capitalist exploitation were necessarily dependent on foreign markets, global financing, and imperial policing, these new communities politically opposed the uncritical embrace of modernity that “native” experts and Filipino politicians shared. Again, this political opposition was not merely a reaction to modernity. I speculate that militant and organized agricultural workers most likely saw modernity as an assemblage of innovative technologies, knowledge, social institutions, and political rights that was produced through common experiences of exploitation on a global scale. Yet, this assemblage, like capital generated from land, was violently privatized and heavily policed. The politicization of these new communities in the 1930s was informed not merely by the notion of common exploitation by global capital and imperial modernity. Rather these communities were politicized by the awareness that economic wealth and the wealth of modernity (technologies, knowledge, and especially political rights), though generated by exploitative means, were nevertheless commonly produced and thus potentially belonged to everyone.

To illustrate this, let us close with the words of former Sakdalista, Salud Algabre. Nicknamed the “*Generalista*” (general) for her leadership under pressure, Algabre was a tenant farmer in Cabuyao, Laguna. Although born into a landowning family and educated in Manila, her family was dispossessed of land while she was attending school in the 1920s. Upon her return, Algabre and her new husband became tenant farmers regularly exploited by not only unfair credit from the landowner, but also by exorbitant fees charged by traders for seed and equipment and local state officials who demanded tenants pay taxes for land they were merely renting. After joining the Sakdal movement as a thirty-five year old, she quickly became one of the leading organizers and Sakdal proponents in Laguna. As a forty-one year old mother of five,

Algabre bucked gender hierarchies and took a leading role in one of the 1935 uprisings just south of Manila by snapping telephone and telegraph wires, supervising the cutting of trees to create a roadblock, disarming police and marines, and even storming a government office to raise the Sakdal flag.<sup>64</sup>

In an interview conducted over three decades later, Algabre was asked if poverty and abuse from local authorities was the cause of her politics. “No, it was more [...] there was a root cause behind everything[.]” she answered. “Nothing” Algabre reasoned “could solve our problem except independence[.]”<sup>65</sup> Rather than simply reacting against abuse and poverty in the reformist rhetoric of Quezon’s Social Justice, Algabre envisioned and strived toward a world where what people held in common was not merely the experience of abuse and poverty, but freedom. “With independence the leaders would cease to be powerful[.]” she envisioned, and “instead, it would be the people who were powerful.” She thus struggled toward a future world where “the people would have their freedom.”<sup>66</sup>

Freedom, of course, was not simply tied to a political or economic liberal notion of liberty, which meant individual freedom from, or individual freedom of, sovereign power. Instead, for Algabre, freedom was tied to land; and land was a means of producing wealth, the locus point of inventing new social and affective bonds, and the metaphorical symbol and concrete gathering site of radical politics. In opposition to the current conditions in which land was “the monopoly of the *proprietarias* and of the government officials[.]” she argued that through political struggle “[w]e would have our own lands[.]”<sup>67</sup> This ownership of land, moreover, would not follow the logic of private property or of the state, but instead be seen as

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<sup>64</sup> Sturtevant, *Popular Uprisings in the Philippines*, 286 – 287.

<sup>65</sup> Sturtevant, 290.

<sup>66</sup> *Ibid*, 291.

<sup>67</sup> *Ibid*, 291.

collectively owned and cared for. Land, moreover, as the means of producing common wealth, would act as the hub of collaboratively imagining new possible worlds shared in common by the people. Freedom, therefore, was neither a wish for sovereignty in a global order of nation-states, or liberty within the world capitalist market, or even a reactionary return to some pre-modern or pre-colonial past in which all desires were immediately satiated. Rather, freedom entailed creatively making what one was collectively becoming.

Expressing the collective possibilities from within the contradictions of capitalist modernity, Algabre speculatively envisioned a future world where “no one would be powerful, because the people would exercise power.”<sup>68</sup> This phrase, at first glance, appears contradictory, if not impossible. How can power be exercised if no one was powerful? Economic knowledge, after all, espoused that the wealth and power generated from the capitalist system was held in common and thus theoretically accessible to any individual. Filipino economic experts, in their critiques of imperial sovereignty and their adoration of the universal laws of the market, envisioned a similar notion of capitalist modernity’s production of common wealth. This vision of experts, however, was a corrupted notion of common wealth, for they wished to stabilize the process of production and accessibility by abstracting the common into a hierarchical order of monetary value and restricting the form into a commodity that could be privately owned, exchanged, and controlled.

In contradistinction, Algabre and I speculate that perhaps countless others like her, seemed to perceive wealth and power produced by capitalist modernity not simply as commonly created, commonly accessible, and commonly owned. In addition, they perhaps saw the common as an assemblage of social bonds, political practices, formal and informal ideas, historical experiences, and ecological parts that was collectively produced but without the process of

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<sup>68</sup> Ibid, 291.

alienation, abstraction, and privatization so necessary to the logic of capital and the laws of the sovereign. The production of the common, in this sense, did not mean creating an alienated and abstracted product that could only be accessed individually, conceived of as economic value, and captured as private property. Instead, the process of making the common was inextricably bound to remaining a part of the common as it was being made.

To be a part of the common did not mean simply losing singularity and difference in order to become a completed whole. Rather, partaking (part-taking or taking part) in the common meant maintaining ones singularity as a part of a constantly changing and growing multitude. The common was thus not generated by a group of static beings simply inhabiting the same place, but rather was engendered by a multitude of singular parts. These parts' singularity was always in a constant state of becoming, and this constant state of becoming was radically informed through common acts of creativity and innovation. One was thus not alienated from what one was becoming. Seen through this optic in which power and wealth could be collectively made, owned, and most importantly, singularly be a part of, we too, like Algabre, can envision and struggle toward a future world where power could be commonly exercised and collectively acted out; while the process of privatization and alienation which enable the powerful to capture wealth as abstracted economic value are rendered obsolete.

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