



The economic background of Rizal's time

Benito J. Legarda Jr.¹

We survey economic conditions just before and during the lifetime of Jose Rizal, roughly leading to the second half of the 19th century, on three levels: that of the world, of the Spanish Empire, and of the Philippines. We show how in this period, coinciding with the first era of globalization, of discord within the Spanish Empire and of incipient prosperity in the archipelago, the economic and social foundations were laid for Rizal and his contemporaries to conceive of and demand greater autonomy and, ultimately, independence.

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This article is not about the economic ideas of our preeminent national hero, Dr. Jose Rizal, whose 150th birth anniversary we celebrate this year, but about the economic background of his time.

This background can be conceived of as having three levels: the world, the Spanish empire, and the Philippines.

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1. The world background

At the world level the dominant theme would be globalization. The first age of globalization is identified as 1815-1914, from Waterloo to Sarajevo.

Whatever globalization may mean in other fields, in economics it has a fairly precise meaning: the convergence of price levels and the integration of economies. Obviously these cannot be achieved unless there is a fairly ample scope for the functioning of market forces.

Different countries will proceed at different speeds in achieving the outcomes of globalization, whether consciously or not. There will be early entrants, usually those that first had their industrial revolutions and liberalized trade (Great Britain), and those that came later (Central Europe, Russia, and Japan).

In general what occurred was an expansion of markets and the spread of specialization. As with all changes, there were winners and losers as between countries, productive sectors, and social classes. There were leaders and laggards, sunrise and sunset industries.

Did these circumstances affect economic thinking? Of course they did, but Schumpeter has argued that different policies can emanate from the same theoretical basis—Ricardo and Marx from the same theory of ground rent arrived at completely contrary judgments on landlords and corn laws, while on the same theoretical basis Carey was a protectionist and Bastiat a free trader [Schumpeter 1954:84-85]. In short, economic policy does not always emanate from economic theory. But one important concept comes from Friedrich List, namely, “his conception of the national economy in the setting of its historical sources as the embodiment of historically unique circumstances ...” [Schumpeter 1954:100].

Another characteristic of the 19th century was the shift of trade from low-bulk high-priced commodities like spices to bulky goods of low unit-value like sugar, coffee, fibers, and oil seeds, as pointed out by Pelzer [1950:109]. This shift would have profound effects on Philippine economic and social life.

Within that century, one event in the monetary field deserves mention, namely, the adoption of the gold standard in the 1870s. With decreased demand for silver specie and an increased supply from the new finds in Nevada (the fabled Comstock Lode), the price of silver fell, affecting silver-using countries like the Philippines.

2. The diminished empire

At the level of the Spanish Empire, the dominant theme is sounded by the economic historian Jaime Vicens Vives [1970:552], who said that intolerance, dogmatism, pride, and sectarianism produced a continuous atmosphere of civil war, which from 1808 to 1876 consumed Spain itself and paralyzed its economic development. The Carlist wars and almost constant civil dissension during much of the 19th century reduced Spain's already limited ability to buy Philippine exports and also severely limited its capacity to participate in the Philippine import trade until fairly late in the century [Legarda 1999:101].

This level starts, for the sake of convenience, in 1808 with Napoleon's invasion of Spain and the captivity of its successive monarchs.

The Cortes Generales (or Spanish legislative assembly) met in Cadiz (one of the few Spanish cities not under French occupation), rejected Napoleon's rule (through his brother Joseph), assumed national sovereignty, and declared Ferdinand VII the only legitimate monarch.

It was composed of serious men of varied points of view, and was infused with the liberal spirit of the 18th-century Enlightenment, including a rejection of Charles IV's dictatorial prime minister, Godoy. From the start, it was agreed to have representatives from America and the Philippines, considered overseas provinces. The Philippine delegate was the Manila merchant Ventura de los Reyes, a septuagenarian who traveled to Spain with his large family and was sworn into office on December 8, 1811 [Montero 1894:400].

The Cortes of Cadiz were of great historical importance, but for this survey we must limit ourselves to two items of Philippine relevance.

The first was the suppression of the galleon trade, pushed by de los Reyes until its approval on 14 September 1813. He also presented three proposals for the benefit of agriculture, commerce, and navigation in the Philippines [Montero 1894:411-413].

The suppression of the galleon trade, which took effect when the last galleon returned to Manila in 1815, was not the end of trade with Mexico but rather marked its privatization. Cargoes would now be carried to the ports of Acapulco and San Blas, or Sonsonate in Central America, on private vessels, not the state galleon. This manifested the increasing confidence and assertiveness of a small but growing class of private businessmen.

The other effect of Cadiz on the Philippines was the Sarrat revolt of 1815. The Cadiz constitution of 1812, published in the Philippines in 1814, led some to believe (despite official explanations to the contrary) that they were now exempted from paying tribute and rendering statute labor. In Ilocos they demanded that, like the aristocracy (*principales*), the ordinary people be relieved of statute labor. The revolt was suppressed because the people of the other towns did not join the rebellion and remained under the control of the *principales* (Montero [1894:421-427]; Nieto [1898:3-10]).

The incident is remarkable because it was not an uprising against Spanish rule—the rebels even asked the Augustinian parish priest for his blessing—but against the local aristocracy. The Cadiz constitution would continue to affect the whole Spanish empire for many more years despite its being overridden by royal mandates.

For the ungrateful Ferdinand VII, once he was restored to the throne with Napoleon's downfall, nullified all the actions of the Cortes of Cadiz, and there followed a long period of struggle between constitutional and absolutist elements.

In the meantime, the Spanish empire in the continental Americas had crumbled. From the Grito de Dolores in Mexico in 1810 to the great final battle at Ayacucho in Peru in 1824, the independence movement had been led by Creoles, ethnic Europeans born in the colonies who resented peninsular officials. Only the island possessions were retained by Spain.

The Creole efforts in the Americas resonated in the Philippines. In 1821 the Bayot conspiracy in Manila was uncovered, and Governor Folgueras immediately sent to Spain for peninsular officers to replace the Creoles and Mexicans who until then formed a majority of the officers. (For example, the governor of the Fort of Zamboanga, Juan de San Martin, was a brother of the liberator of Argentina.)

Discontent among the troops led to the mutiny by Captain Andrés Novales, a Creole or Mexican, on July 1, 1823. They killed outgoing Governor Folgueras but missed the new one, Martínez Alcovendas y Varela, who organized a counterattack with loyal Pampango troops. Novales, imitating Iturbide in Mexico, was proclaimed "Emperor of the Philippines." He was executed at the end of the one-day revolt.

Previous Philippine uprisings had arisen largely from local grievances and lacked any clear idea of nationalism or independence. Bayot and Novales were the first rebels, according to Mexican historian Rafael Bernal, to be motivated by the notion of Philippine independence. There is a small street in Intramuros today that bears the name of Novales who led what

was arguably the last of the Latin American revolutions. The Creoles were too few to prevail, but once the idea of independence had been launched it would take 50-70 years to develop a national consciousness. The line led through Pedro Pelaez and Jose Burgos to Rizal (and, one might add, Bonifacio and Aguinaldo). It would go against the current of colonialism that characterized the 19th century, particularly in Africa, Asia, and Oceania. Like the Cuban revolution it was really a logical but belated sequel to Mexican independence [Bernal 1967:55-56].

In Spain itself, liberal army officers forced a return to constitutional government, with the Philippines again represented in the new Cortes of 1820. But this ended in 1823 with the intervention by a French army that restored Ferdinand VII's absolute power. Conservative elements in the north that believed in local *fueros* or rights, and where the peasants enjoyed a relative independence, began to gather in the Carlist movement around Ferdinand's brother Carlos, who was expected to succeed him. But a daughter, Isabel, was born to Ferdinand in 1830 and became queen upon his death in 1833, under the regency of her mother, Maria Cristina.

The first Carlist war broke out in the north, while ferocious anticlericalism burst out in the major cities stemming from obscure popular resentments and demagogic propaganda by radical liberals (including a rumor that a cholera epidemic was caused by friars poisoning the water). In 1834 and 1835 many convents were burned and sacked, their occupants persecuted and even killed (80 on a hot day in July) [Dessola 1963:349].

A liberal government was formed under the Royal Statute of 1834, which had the support of the wealthy middle class. From this period, two events have Philippine relevance.

One was the convocation of the Cortes that drafted the constitution of 1837. Rizal's senior friend, the brilliant theorist Francisco Pi y Margall (born 1824, a translator of the French socialist Proudhon), regarded this as a retrogression from the Enlightenment-inspired Cadiz constitution of 1812. It provided for a bicameral legislature and gave the power of absolute veto to the monarch. Worse, the overseas territories in America and Asia, considered provinces whose inhabitants enjoyed the rights of Spanish citizenship equally with those of the Peninsula, were deprived of their representation in the Cortes and were to be governed by special laws. From overseas provinces they became colonies.

Representation depended on population, and in the earlier Cortes the Philippines had been entitled to between 32 and 34 delegates, although only between two and four had actually served. In the 1830s this was calculated

at 60, and the question raised was whether that many qualified delegates could be found and if travel and other costs were affordable. Rizal and his colleagues in the Propaganda Movement, particularly Marcelo H. del Pilar, would try vainly to have Philippine representation in the Cortes restored [Schumacher 1973:178-185]. Pí y Margall and Pí y Arsuaga [1902:50] ruefully record that this retrogression was agreed to by the liberals in the vain hope of winning concessions from the opposition.

The other event of Philippine relevance was the *exclaustración* by Prime Minister José Álvarez Mendizábal in 1836, providing for the suppression of religious orders and the confiscation of their properties by the state for sale to private parties.

It was not really an agrarian reform project but a fiscal measure. The government had expenditures of 894 million *reales* and revenues of only 759 reales, or a deficit of about 135 million reales, which had to be covered. Anticlerical ideas plus fiscal necessity led to the confiscation of monastic properties [EUIEA n.d. :607-608].

Payment could be made by installments in cash or in government debt paper whose value had fallen markedly. Speculators had acquired this depreciated paper, and they, together with other wealthy parties, were the biggest beneficiaries of the move, some of them reselling their acquisitions at much higher prices. Forty percent of the properties were acquired by only 4 percent of the buyers. Conservatives who had acquired some of the properties now were bound by their own interests to the liberal cause of Isabel II.

It was not the first confiscation of church property in Spanish history, nor would it be the last, but it stands out above the others. Its financial success is still a matter of some doubt as there is a lack of in-depth studies. One impression is that initially less money was raised than anticipated, but later this increased.

For the Spanish church, University of the Philippines scholar G. Forés-Ganzon finds it to have been the beginning of its degeneration. Cutting it off from the land threw it into the arms of the politically powerful wealthy, with whom it formed a permanent alliance in order to recover its influence but in so doing gradually ceased to concern itself with pastoral duties and to be interested in the people [Forés-Ganzon 1952:329].

The Philippines was more directly affected in heretofore little noticed ways. Governor Pedro Antonio Salazar on 26 January 1837 earnestly recommended that advantage be taken of the dissolution of monasteries in Spain to send 200 friars to the Philippines so as to avoid giving parishes to

local priests. On November 17 of that year, American businessman William W. Wood wrote that Manila “is now the refuge of swarms of friars who have been expelled [from] the mother country” (Montero [1894:542-543]; Legarda [1999:304]). Were the “swarms of friars” mentioned by Wood a response to Governor Salazar’s earnest recommendation?

It was a historical irony that an anticlerical government in Spain should substantially augment the number of friars in the Philippines, where the religious orders could not be suppressed because, as Augustinian Fr. Antonio Giménez wrote a friend in Spain on January 25, 1839, “we are still judged to be necessary.” He also claimed the friars enjoyed great prestige with the local population, who would defend them to the point of bloodshed [Camba 1839:43].

Perhaps more important than quantity (the number of friars) was the quality of the persons involved. Previously there was some selectivity, as those who were sent overseas were those who showed some dedication to and aptitude for mission work. With the wholesale and indiscriminate dumping of homeless friars on the Philippines, the selectivity was gone. They all went whether they were fit for mission work or not.

The point is brought up to reconcile disparate historical facts. There were many worthy men of the cloth: Benavides, the founder of Asia’s oldest university; Blanco the botanist, the philologists who wrote the grammars of 17 indigenous languages; Fr. Julián Bermejo who organized the defense of Boljoon in Cebu against Moro slave raiders [Montero 1894:407-408]; Fr. Pedro Espallaraga who invented the blade for stripping abaca [Owen 1984:32]; and numerous others.

As against them we have the despicable Salví and the overbearing Dámaso in Rizal’s novels. They may have been fictional, but nobody has claimed them to be unrealistic. In the William Howard Taft papers in the Library of Congress in Washington, DC, there is a communication from Filipino sources giving the names of some erring friars and their women.

How does one reconcile the historical Benavides and Blanco with the fictional but realistic Salví and Dámaso? The effects of the Mendizábal measures may give us a clue. I put forward this point with some diffidence as it is outside my own field of specialization, but it is something I find that can credibly bridge this disconnect in our history.

Spain’s domestic instability was obvious in the half-century between the accession of Ferdinand VII and the dethronement of Isabel II in 1868. There were four *pronunciamientos* (military interventions), five constitutions, and several dozen ministries or changes of government [Dessola 1963:353].

Peasants demonstrated against the lot imposed on them by unscrupulous capitalists who had acquired the former monastic lands. Breaking up common lands (something like the enclosure movement in England before the Industrial Revolution) doubled the area under cultivation and assured sufficient food supplies but did nothing to improve the standard of living or the social position of the peasants.

Nascent industrialization gave rise to an urban proletariat, and the ideas of Marx and Bakunin began to circulate. But the working class movement was split between statist and anti-statist, and fragmented into anarchists, socialists, and syndicalists [Dessola 1963:363-367].

Spain experimented amid widespread disorders with democratic government after Isabel II, first with a provisional government under Juan Prim, then a two-year monarchy under Amadeo of Savoy, and then the first Spanish Republic of 1873-1874. In its 11 months of existence, it had four presidents, among them Francisco Pí y Margall for five weeks.

A military coup destroyed the republic, and a formula was found for a legitimate monarchy with a broad constitutional government under the Bourbon Restoration (Isabel II's son Alfonso XII). This was credited to Antonio Cánovas del Castillo, regarded by some as the greatest Spanish statesman of the late 19th century. But for Filipinos his hands would be stained with Rizal's blood when he rejected Pí y Margall's plea to spare the hero's life. Fate exacted its price the following year when Cánovas was felled by a bullet from an assassin who invoked, at least in part, the memory of Rizal.

Vicens Vives observes that with the Bourbon Restoration the Spanish state adopted a neutral stance towards the citizenry. Since 1808 the state had been belligerent towards individuals, who had been purified, cleansed, confiscated, etc., be they Carlists or liberals, progressives or socialists. The state founded in 1876 ended this and adopted a neutral stance. It was an act of faith in domestic coexistence. This permitted establishing a stable peace, avoiding excessive government expenditures, favoring foreign investment, and (despite some stumbles stemming from corruption) giving an unprecedented impulse to the economy. This enabled the country to push forward economically and surmount the disaster of 1898 (Vicens Vives [1967:558-559]; Vicens Vives [1970:136]). By the time Rizal arrived in Spain, the former violent dissension had simmered down to more mundane politics.

Perhaps one thing that can be noted from this period as affecting the Philippine economy was the swing of economic policy from protectionism to liberalism with the political changes of 1868-1869, and the return to protectionism thereafter.

3. An autonomous economy

At the country level, the economic theme is that sounded by Professor Pierre Chaunu [1960:21]: “the great period 1820-1898 ... all things considered, constitutes in the history of the Philippines down to the present the only moment of real near-independence.” This meant independence from its North American metropole: Mexico before 1821 and the United States after 1898.

Most colonies in the 19th century had a metropole that was the same politically and economically. Government and trade were both dominated by the mother country. Not so with the Philippines. Spanish efforts since the Bourbon revival of the late 18th century to forge closer economic links with the Philippines were failures, owing to Spain’s economic weakness and later its domestic turmoil, and mistakes in project design. The Philippines was governed with what might be termed spasmodic inattention.

Mexican independence was accompanied by Iturbide’s confiscation of the proceeds of the then-dominant Acapulco trade, which ruined Manila’s merchant class and threw leadership in the foreign trade sector to foreign merchants, mostly British and Americans. By 1879 Spanish writer Carlos Recur ruefully wrote that “from the commercial point of view the Philippines is an Anglo-Chinese colony with a Spanish flag” [Legarda 1999:93].

The Philippines, with its large area of fallow land, rode the wave of bulk commodity trading that, as earlier indicated, characterized 19th-century commerce. Exports rose from one million pesos in 1825 to 36.6 million pesos in 1895; imports from 1.85 million pesos to 25.4 million pesos in the same years [Legarda 1999:107-109].

The British and American merchants made both spot purchases and crop advances and even stimulated some development, as the Americans did with abaca. Also facilitating Philippine entry into world trade was the absence of slavery, for which it could thank its early colonial rulers like Legazpi. Britain, which had just emancipated the slaves in the West Indies, sent a consul to Manila in the 1830s to certify that Philippine exports were not produced by slave labor.

Competition between the Anglo-Saxon traders prevented the monopolization of trade in exports, although somewhat less so in imports. The concentration of trade, or the degree of oligopoly and oligopsony, can be measured by an index devised by Dr. Albert O. Hirschman [1945:98-100]. *After the galleons* [Legarda 1999:140-145] carries my computation of this index for the 19th-century Philippines. The lowest numbers correspond to the years of lowest trade (1818-1825) but as trade volume rose, specialization took hold and the index also rose.

Hirschman's dividing line between low and high concentration is 40, with low concentration below that and high concentration above. Most years hover above that number but not by very much, indicating an only moderate degree of concentration. The modal index numbers in the upper 40s and low 50s are, as Dr. Amado A. Castro wrote in his review of my book, "not worrisome figures."

This fairly moderate concentration enabled the country to weather the hazards of globalization. When Britain started promoting its beet sugar industry and cut imports from the Philippines after 1881, sales to Asian markets maintained overall export levels but with a shift to lower grades [Legarda 1999:335].

Hirschman [1945:101] observed in the 20th century that the export index was generally higher (more concentrated) than the import index. This was not true of the 19th-century Philippines, the export index peaking at 57.1 in 1876 and 1877, and the import index at 71 in 1861. The main reasons were British dominance in the import trade and Anglo-American competition in the export trade.

The course of foreign trade was consistently upward throughout the century. Richard Hooley writes: "To the extent that the data can be relied upon, the period prior to 1850 was one of explosive growth for Philippine trade." His table 1 gives an annual growth rate of 10.3 percent for the years 1831-1844. After 1850 the annual growth rate of the trade volume was about 4 percent, and from 1885 about 3 percent [Hooley 1996:262].

There was some correlation between geographic concentration and commodity concentration. The top four exports—sugar, abaca, tobacco, and coffee—made up between 56 percent and 95 percent of total exports. For imports, textiles made up 30-60 percent of the imports.

On the export side, the top four were the winners. The losers were led by indigo, which peaked around 1830 and then fell in the face of chemical substitutes. Cotton, number two in 1825, had disappeared by 1867. Rice

was number two in 1836 and number four from 1846 to 1865. The Spanish authorities tried to maintain moderate prices by banning exports when prices reached certain levels. Then from 1873 it turned around and became an import.

Ken De Bevoise perceives two adverse effects from such imports. One was the progressive dependence on a Chinese mercantile network guided more by profit than by need. The other was beri-beri arising from a thiamine deficiency in the predominant import variety, Saigon rice. He singles out infantile beri-beri as “the hidden tragedy of Philippine cash cropping” [Legarda 1999:355, fn. 59].

On the import side the losers were the domestic weaving industry and cotton culture. As demand for local finished textiles fell, so did the derived demand for cotton. Paoay, prosperous in 1807 with a population of 18,000 engaged in a combination of rice and cotton growing and textile weaving, was down to 10,503 inhabitants in 1870. Ilocos Norte’s population diminished from 157,559 in 1850 to 150,947 in 1870 [Legarda 1999:173-176].

The basis for rural prosperity in the Philippines was a combination of full land use (dual cropping—in this case, rice alternating with cotton on the same land) and supplemental nonagricultural income (in this case, from textile weaving). That formula probably still holds in the present, adjusting for changes in modern conditions.

The island of Negros, on the other hand, saw its population increase from 30,000 in 1850 to 200,000 in 1880 and 320,606 in 1893. Production expanded apace between 1850 and 1893: sugar, from 3,000 piculs to 1.8 million piculs; rice (palay), from 10,000 cavans to 430,000 cavans; and maize, from 2,000 cavans to 200,000 cavans [Echaz 1894:33-37]. The deindustrialization of the textile industry in Panay set off a migration to Negros. Former women textile weavers had to become retailers or field workers. Capital and entrepreneurship also migrated from textile weaving to sugar production [Legarda 1999:178-179, 287].

For the whole Philippines, cane sugar production rose from 6,000 tons in 1810 to 233,000 tons in 1894 [Bulbeck et al. 1998:123-125].

There were actually Philippine textile exports, rising from 54,706 pesos in 1818 to 157,278 pesos in 1864, at which time textile imports were 3.6 million pesos. But there was a sudden collapse to only 36,666 pesos in 1867, and by 1890 their value was only 10,455 pesos. A part of this collapse was the decline in exports of distinctively Philippine textiles like *piña*, *jusi*,

and *sinamay*. Their mid-1840s export values of between 22,000 and 28,000 pesos fell to only between one-sixth and one-ninth of those levels in the next two decades, and after 1873 sank into insignificance. By then textile imports were up to nearly 5.5 million pesos. British Vice-Consul Shelmerdine in Iloilo in 1867 categorically attributed the decline of the native textile industry to “the importation of cotton goods to take the place of the native manufactures” [Legarda 1999:152-154].

In his comments on Morga, Rizal notes the decline of the textile industry but, as Maria Isabel Ongpin has written, some historical distance is necessary for the proper appraisal of an event, and Rizal was too close in time to the phenomenon for a full appreciation of the trend. There has also since been considerable monographic work.

These were some of the horizontal or geographical effects. The vertical or social effects were equally significant. The trade in domestically grown crops meant that the effects of international commerce reached far into the countryside and drew new participants into the money economy. The former galleon trade had attracted the Spaniards to itself and distracted them from forming large landed estates. Testimony from both Spanish and foreign writers—Martínez de Zúñiga, Jagor, Manuel Azcárraga, William Gifford Palgrave—is that the Philippines was a country of small landholders (apart from the friar lands). An incongruity—tenancy—was noted in 1864 by a French writer, Charles de Montblanc, with apparent experience in the country. Why was there tenancy when fallow land was available nearby? His answer: lack of capital. This lack was filled by Chinese mestizo moneylenders who foreclosed on defaulting borrowers and began to form larger holdings [Azcárraga 1871:26].

Norman Owen calculates that towards the end of the 19th century, in the abaca-growing province of Albay (which then included Sorsogon), the principales forming one-third of the families owned half the land, and each one had less than 20 hectares and a nipa house plus some livestock, while the rest of the people, who owned the other half of the land, averaged about one-sixth of that, although some had holdings of comparable size [Owen 1984:83, 214].

Owen goes on to estimate that abaca growers in Bicol received one-half to three-fourths of the Manila export price, with the laborers stripping the abaca getting one-half of the provincial price as their wages. The margin between Manila and provincial prices was kept narrow by competition among the exporting firms, and one estimate put the trading margin at 12 percent [Owen 1984:300].

Pardo de Tavera describes how the new rich were labeled “brutes loaded with gold.” Displaying their intelligence and aspirations, they sent their sons to study in Manila and later abroad, and acquired furniture and other articles of luxury for their personal use.

They went to Manila to make their purchases from the leading merchants, who welcomed their patronage. They visited the governor-general, who received them in a manner befitting their wealth, and got to know the justices of the Supreme Court (*Real Audiencia*) and the provincials of the religious orders. They returned to their provinces carrying within their hearts the seeds of ideas considered subversive and, later, separatism (*filibusterismo*) (Legarda [2002:132]; Legarda [1999:213]).

They even got to entertain ranking foreign notables. Sir John Bowring, a former governor of Hong Kong, was received in 1859 in Biñan by none other than the English-speaking Spanish-decorated “rich [Chinese] mestizo,” Don Jose Alberto—Rizal’s uncle, after whom he was named [Bowring 1859:41-42].

American businessman Joseph Earle Stevens talks of meeting on small Camiguin island a rich Indian who, although possessing 400,000 dollars, lived in a common little nipa house [Stevens 1899:158].

Did Rizal portray the self-assured nouveau riche? Consider Doña Victorina de Espadaña, regarded by National Artist Nick Joaquin as one of the great comic creations in all literature. “She may ape the Westerner and wear preposterous costumes and false curls, but she is *not* slavish. She does not cringe—not before the genuine Europeans, not before the friars, and not even before the captain general. It is her poor devil of a Spanish husband who does the cringing—at her feet” [Joaquin 1951:18].

On the negative side of the social effects was the rise in morbidity and mortality rates in the late 19th century (the highest in the world in 1883-1903, according to Ken De Bevoise), particularly among the peasantry, connected with the spread of commercial agriculture and the substitution of locally consumed food crops by export crops. This commercialization eroded traditional landholding arrangements. It was not exports that followed the formation of estates, but the estates that followed the rise of exports [Legarda 1999:177-178].

While in Europe Rizal’s letters occasionally mention the monetary remittances from home. The fall in the price of silver could have affected them, but actual exchange rates reflecting London bill rates varied little between 1883 and 1890 [Legarda 1999:270-271].

In the second half of the 19th century, which encompassed Rizal's life, there was an accumulation of advances in communications, finance, and infrastructure from both public and private, and domestic and foreign investment. It was a period of growth and diversification.

Steam navigation, introduced in 1848, put an end to Moro slave raiding and facilitated economic activity in the Visayas. Monthly mail service with Hong Kong was started in 1854. The first commercial bank was opened in 1851, partly with funds from the *obras pias* of galleon trade days, followed by two British bank branches in 1872 and 1875, and by a savings bank cum pawnshop in 1882 (also with *obras pias* funds).

In January 1852 a private company inaugurated the landmark suspension bridge, the Puente Colgante (where Quezon Bridge now stands), offering Manileños a second bridge across the Pasig, and collecting tolls from its users: carriages, riders, and pedestrians. It was built under the supervision of a French engineer, with the metal parts imported from England [Gienzo 1859:45].

The opening of the Suez Canal in 1869 cut the travel time to Europe from three months to one month, and direct steamship service to Spain was inaugurated in 1873.

The extension of the international cable to Hong Kong in 1871 brought up-to-date news from western markets only a short steamer trip away. Telegraph service was established between Manila and Cavite in 1872, and later extended north to Ilocos and south to Bicol. Cable service was opened to Hong Kong in 1880, permitting instant communication and revealing the regional demand for the services of the Jesuit-run Manila Observatory, making Manila the center for weather information for the whole region. Rizal's teacher, Fr. Federico Faura, had since 1867 directed the observatory, which became his lifelong obsession. He visited Rizal in his death cell but did not have the strength to accompany him to his execution and died less than a month later [Peypoch 1930:6, 12].

The widely welcomed abolition of the unpopular and oppressive tobacco monopoly effective in 1882 removed the last major incongruity in the functioning of a free market system, with a new company financed by French and Spanish investors at 75 million francs (the Tabacalera) entering the picture. It was a rare instance of Peninsular investment in the Philippines, most other investments coming from domestic sources or other nationalities. Its early operations were, however, hampered by the government's thoughtless and sudden dumping on the market of the large inventory of the old monopoly, sending tobacco prices down, and

forcing the government to export the remainder to Spain to avert a crisis [Exposicion de Filipinas 1887:191].

Since the tobacco monopoly had primarily been a fiscal measure, its abolition led to a restructuring of public finances. It had been the main branch of revenue accounting for about half of the total, and on the expenditure side half of the total was for Treasury expenses, including therein the costs of administering the monopoly, which commonly absorbed half or more of the gross collections.

With the impending abolition of the monopoly, new sources of revenue had to be tapped, which in the 1870s were the urban property tax and the industrial tax. In Gregorio Sancianco's view, these were inadequate because the main source of wealth, agricultural land, was not being taxed. In the 1880s the old tribute was replaced by the graduated cedula or poll tax, which was imposed on all including Spaniards.

By the end of Spanish rule the main revenue sources were customs duties (one-third), the cedula (another third), and the industrial tax (nearly 10 percent). The main expenditure items were for war and navy (nearly half), the government (one-sixth), the church and the courts (one-eighth), and public works (about 5 percent) [Legarda 1967:15, 20].

In 1882, Manila's municipal water system, financed with funds from the old galleon trade, was inaugurated.

The following year, horse-drawn tramways, financed by private domestic capital, began serving Manila, followed in 1888 by a steam tramway to Malabon.

British investment began building the Manila-Dagupan railroad in the late 1880s, with the first traffic going through in 1891 and full service in 1892. A railroad franchise to Antipolo was granted to Albert Coates in the late 1890s. Further British railroad building was projected for Mindanao but was later stopped by the Americans.

British investors also built a sugar refinery in Malabon between 1880 and 1885.

In 1890 a telephone system was installed in Manila, with Iloilo following in 1894. Also in 1890, San Miguel Brewery, said to be the first brewery in the Far East, was started, financed by domestic investors. A joint venture brought electric lighting to Manila and Iloilo in 1895.

Filipino entrepreneur Sancho Valenzuela had apparently acquired the American-built cordage factory in Santa Mesa, employing over a hundred workers. He was one of the first martyrs of the Philippine Revolution [Legarda 1999:339].

One strand of Spanish Peninsular economic policy replicated in the Philippines was the oscillation between protectionism and liberalism in tariff policy, with the peak of liberalization around 1870, in line with world economic thinking favoring free trade. An important work in Philippine economic history, Manuel Azcárraga y Palmero's *La libertad de comercio en las Islas Filipinas*, ends up as a tract for free trade invoking "the solid doctrines of Adam Smith" [Azcárraga 1871:193-211]. The subsequent swing back to protectionism culminated in the tariff of 1891, which for the first time enabled Spain to capture a substantial portion of the Philippine import trade. It may also have induced British businessmen to respond to the tariff by setting up a textile factory in 1897 in order to protect their market share. This could have been the start of modern Philippine industrialization, but was aborted by the imposition of American rule [Legarda 1999:328-333, 336-340].

At the end of the 19th century, Philippine real wage rates (for urban unskilled workers) were the highest in east and south Asia, higher even than industrial Japan. Williamson [2000:19-20] presents wage rates relative to Britain for 1899-1903:

Japan	21.19	Philippines	25.06
Burma	19.5	Taiwan	19.84
India	17.93	Thailand	14.19
Indonesia	19.94		

British wages = 100

This is consistent with the postulate of a labor-short economy. William Wood had complained of a local scarcity of labor in 1835-37 [Legarda 1999:303]. Two generations later the Census of 1903 mentioned the scarcity of labor, but marred its coverage with dubious statements, including "the natural aversion of the average Filipino to all kinds of regular or sustained effort as a laborer"—in short, indolence [Bureau of the Census 1905:427].

Partly in connection with the labor situation, immigration policy toward the Chinese became more favorable. Expelled from the country for siding with the British during the latter's occupation of Manila in 1762-1764, toward the middle of the 19th century they were again permitted more liberal entry with the twin objectives of providing plantation labor and frontier colonization. There were few plantations, however, and the Chinese

who now fanned out to the provinces, engaged in their usual commercial pursuits.

Immigration soared. In 1847 the Chinese population had been about 5,700. By 1886 this had risen to 66,000 officially and 90,000 unofficially. In 1891, nearly 40 percent were found in the provinces [Wickberg 1965:56-64].

There were also advances in education. From the earliest days of Spanish rule, the Church had given education to both boys and girls. Public education was initiated in Spain in 1857, and was extended to the Philippines in 1863. Unlike the Americans, the Spanish did not send boatloads of teachers over but trained teachers locally. According to the late education secretary Alejandro Roces, the literacy rate was higher in the Philippines than in Spain. Swedish scholar Gunnar Myrdal wrote that the Philippines “were already ahead of most other colonies in popular education ... Philippine civilization was very much the result of the sustained educational efforts of the Catholic Church and its servants” [Myrdal 1968:1633].

For higher education, unlike many other European colonies in Asia, it was possible in the Philippines to get an education in subjects like medicine, pharmacy, law, pedagogy, theology, and fine arts. Rizal in the *Fili* has a satirical chapter on a class in physics, but at least it was being offered. Access was not limited to the well-to-do but was enjoyed through scholarships by those of peasant stock like Mabini. Filipino lawyers were appointed to the judiciary like Felipe Agoncillo and Sotero Laurel, who would become delegates to the Malolos Congress, or provincial governors in Aguinaldo’s revolutionary government like Tiburcio Hilario [Legarda 1999:338-339]. Gregorio Sancianco y Goson published the first Filipino book in Madrid in 1881, an economic treatise in a part of which he brings up the subject of the indolence of the Filipino, later discussed by Rizal [Sancianco 1881:223-237].

American labor observer Victor Clark wrote in 1905: “A period of industrial development and expansion immediately preceded the insurrection that marked the beginning of the end of Spanish rule in the Philippines” [Clark 1905:731].

Why then was there such an insurrection? Why were the men of the Propaganda Movement so critical of conditions in their time?

As Nick Joaquin [1977:85-102] has pointed out, the Philippine Revolution was a revolt of the *ilustrados*. One has only to look at its leaders and generals.

The discontent of the men of Rizal’s time was the discontent of a rising generation with rising aspirations. They had attained a certain standing and

wanted to rise higher. They aspired to be part of a European legislature, as we had once been. They compared the Philippines not to Asia but to Europe, which to them represented the best in science and culture, and which was what they aspired to. Luna and Hidalgo did not content themselves with staying home and painting for a local clientele. They went to Europe to beat the Europeans at their own game.

Europe was the model for modernization that to them showed the way to overcome backwardness perceived to stem from arbitrary colonial rule, injustice, and obscurantism. To the expatriate Filipinos looking at the modern industries and structures in Europe, the Philippines' own considerable progress appeared unimpressive. In Europe, Filipinos also enjoyed freedoms they did not enjoy at home.

Economically the Philippines had risen in a globalized world without the compulsion and plantations of other colonies mentioned by Pelzer, in a country of smallholders through a system of free labor and private enterprise responding with economic rationality to the incentives of flexible prices. Some have said that Filipinos of that time were inarticulate, but this may be true only in a bookish sense. They certainly expressed themselves loud and clear by their actions in raising economic output so substantially. This achievement was hardly a mark of "indolence."

At the end of the 19th century—Rizal's century—Philippine foreign trade, according to Hooley, accounted for 36 percent of GDP and had been growing uninterruptedly [Hooley 1996:262]. It was this sector that saw the greatest progress and innovation, and was fairly well distributed with no country being in a dominant position.

4. Conclusion

To summarize, at the world level Rizal's life fell within the first age of globalization, with a growing integration of the world economy across national lines, characterized at the time by the trade in bulk commodities and by the reduced importance of silver currency.

At the level of the empire, the civil discord that racked Spain lasted well into Rizal's teen years, constricting its ability to participate in a substantial manner in the Philippine economy, leaving the field to other countries, except towards the very last years of its rule. Successive anticlerical governments deported hundreds of friars, whether qualified for mission work or not, overseas.

At the national level, the Philippines greatly expanded its volume of foreign trade, at some cost to domestic industries like textiles, and diversified its economic structure, with the new money flows circulating far into the countryside and giving an impulse to the formation of a native middle class. Its diversity in trading partners made it relatively less vulnerable to fluctuations in the level of demand in any one particular country, and competition among the export traders ensured that most of the gains would accrue to the ultimate producers.

We return to Professor Chaunu. The period 1820-1898 was a moment of veritable near independence for the Philippines. From an objective standpoint it had the economic foundation for national independence.

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