

Indolence, incentives, and institutions

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Rizal's economic ideas are among the least studied aspects of his work. A careful reading of his writing, however, particularly his 1890 essay "On the indolence of the Filipinos," suggests that Rizal's economic views were in general agreement with those of Enlightenment thinkers regarding the basis of progress, which was to be found in freedom of commerce and a government that was effective in its inherently limited sphere. The apparent absence of specific recommendations or hints of economic policy did not reflect a lacuna in Rizal's thought but a proper concern for the prior and more important issues of specifying the minimal institutional foundations of a functioning economy—namely, the maintenance of peace, security of property rights, and facilitating the free movement of people and goods. Rizal went beyond Smithian minimalism, however, since he viewed the Spanish colonization as having not only severely undermined incentives but also destroyed hitherto promising and sound informal institutions that would have supported material progress among the subject Filipinos. As a result, Rizal viewed the reform of formal institutions as a necessary but insufficient condition for promoting the country's economic progress. This was another important reason for his insistence on the need for mass education.

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1. Introduction

Rizal's famous essay "Sobre la indolencia de los Filipinos" was serialized in six issues of *La Solidaridad* from 15 July to 15 September 1890. Its immediate purpose was to disprove the long-standing and often-repeated notion among Spanish circles and other foreign observers that the natives of the Philippines were "indolent" and that this distaste for labor was the main reason for the country's underdevelopment. In the process of examining Rizal's defense, however, we confront some of the clearest statements of his ideas on economic progress and its opposite, underdevelopment.

The *indios'* supposed disdain for work was a perennial recrimination of the Spaniards living in the Philippines, an opinion eventually echoed even in the writings of occasional early visitors to the country who bothered to record it, such as the Italian Careri (1696) and the Frenchman Le Gentil (1781). For the Filipinos, however, the *locus classicus* comes from the pen of the friar Gaspar de San Agustin (1725) who, supposedly drawing on his 40-year stay in the country, prepared a sort of "field guide" to the country, which summarily described the natives as "fickle, malicious, untrustworthy, dull, and lazy ... [T]hey have little courage, on account of their cold nature, and are not disposed to work."²

By the mid- to the late 19th century, the idea of indio "indolence" had become a commonplace and a self-evident fact, partly helped along no doubt by geographical-climatic hypotheses entertained even by well-known Enlightenment intellectuals such as Montesquieu and Kant.³ Even presumably better-informed writers, such as Sinibaldo de Mas (1842), did not cast doubt on the fact that "indolence" prevailed but were at most ambivalent about the reasons for its emergence. Indeed, de Mas reproduced lengthy excerpts from San Agustin's letter to show "how little the individuals who now occupy us have changed since that time." Among other things, de Mas

²A good summary of these and related writing about the Philippines as well as Indonesia and Malaysia is provided by Alatas [1977].

³ Montesquieu propounded a geographical theory of government in his *De l'esprit des lois* (1750), while Kant's views on climate and races are to be found in *Physische Geographie* (1801).

famously disagreed with the government's prohibition of opium because he thought that developing a taste for it among Filipinos would mitigate indolence by creating a drive among them to earn to support the habit.

Later non-Spanish writers and travelers such as MacMicking and Bowring, writing in about 1851 and 1859, respectively, were no exceptions and almost routinely repeated—with only slight variations in examples and etiologies—the same observation of the Filipinos' lack of drive and ambition and their aversion to hard work.⁴ More significantly, however, even the German scholar Fedor Jagor [1873], whom Rizal esteemed, noted and was convinced of the Filipinos' easygoing ways and haphazard attitude to work. Among other casual observations, Jagor noted that the indolence (*Trägheit*) of the natives was such that they would rather let cacao berries rot on the bush than pick them; that his porters dumped the drinking water to save themselves the effort of carrying it; that his guides preferred to eat cold rice, endure thirst, and huddle in the dark because they were too lazy to build a shelter and campfire and fetch water for themselves; and that Filipinos had an indifferent attitude to technology as seen in the haphazard and uninspired quality of household utensils, oars, and means of transport they fashioned [Jagor 1873:77, 173, 177, 30-31]. In many places, Jagor contrasted the Filipinos unfavorably with other Malay peoples—Javans, Borneans, and Moluccans—to whom he attributed a greater cultural integrity; in the Philippines, on the other hand, he professed to see only “imitation or slapdash improvisation”⁵ [Jagor 1873:30]. Further below we suggest that this implicit critique from a significant scholar was a crucial impetus for Rizal's essay.

2. Motive and method

Rizal was not the first to defend his compatriots against the oft-repeated charge of “indolence.” The very first sentence of Rizal's essay is an approving

⁴ MacMicking, for example, attributed the observed condition to the tropical climate, and observed Spaniards themselves to display the same behavior. Bowring took a less generous tone, alluding to the Filipinos' inherent inferiority and dullness.

⁵ [*“Alles ist Nachahmung, oder liederlicher Nothbeihilf.”*] On the other hand, Alatas [1977] notes that native Malaysians and Indonesians were themselves objects of the same scorn and insults from their respective colonizers.

acknowledgement of Gregorio Sancianco y Goson,⁶ who had treated the matter almost a decade earlier in a book entitled *El Progreso de las Filipinas (parte economica)* [1975(1881)], which was primarily a tract on tax reform.⁷ Sancianco argued against the prevailing system that relied almost entirely on indirect taxes⁸ and instead advocated direct taxation, making the system not only more efficient at generating revenues but also less discriminatory. Indeed, Sancianco asserted that the tax system's arbitrary and racist nature was a big reason for its inefficiency.

Sancianco regarded the lack of public revenues as the principal obstacle to developing the country's physical infrastructure and education and hence also the "material, moral, and intellectual advancement of those Islands" [Sancianco 1975(1881):ix]. It was in arguing for a direct and uniform tax on rural property, however, that Sancianco had to confront the issue of "indolence." One of the objections to a land tax was the allegation that rural property was nonexistent, as could be seen in the fact that much land remained uncultivated and that the Filipinos, owing to their indolence, readily abandoned their lands or mortgaged them. In a response with an eerily modern ring to it, however, Sancianco points out that that this situation was really due to the instability of property rights of Filipino landowners, who were highly vulnerable to land usurpers with privileged access to the justice system:

⁶ Sancianco, together with Felipe Buencamino and Paciano Rizal, belonged to the first generation of Manila students who were members of La Juventud Escolar Liberal. Their activism, clandestine at times, was encouraged by their elders in the *Comite de Reformadores*, a group of Filipinos including Fr. Jose Burgos, which demanded reforms under Spain's liberal constitution of 1869 [Corpuz 1989b:5-6]. Sancianco went on to take a doctorate in laws from the University of Madrid and was probably the first Filipino to have gained some formal training in economics [de Dios 1999]. Soon after his return to the Philippines in 1884, he was arrested on trumped-up charges in connection with the Tayug incident of that same year.

⁷ In a letter dated October 1882, Rizal writes his brother Paciano to inform him that Sancianco, "the author of *El Progreso*," is soon returning home. This suggests either that Rizal was unaware of the earlier connection between Paciano and Sancianco, or that the earlier Manila connection might not have been close.

⁸ Among other things, Sancianco [1975(1881):28-29] espoused free trade through the eventual abolition of import and export taxes and the dissolution of the customs house "which today is the greatest barrier to the growth of the foreign trade of the Philippines, which cannot compete with the neighboring free ports of Singapore and Hong Kong."

[T]he lack of documents of ownership not only of rural but also of urban property exposes [the owners] to the greed of clever usurpers who avail themselves of the influence of local bosses who are prevalent there, leaving the aggrieved, weak and ignorant landowners no other alternative but to give up their lands and seek other lands to clear, for the usurpers always win the courts, whether through their material and moral influence or because of the judicial practice prevailing there. [Sancianco 1975(1881):37]

He notes in particular that a flawed and biased justice system makes it difficult for bona fide but poor landowners to protect their rights.⁹ At a more general level, however, Sancianco's main point was that the absence of economic stimulus and high transaction costs (due to almost nonexistent public infrastructure, insecure property rights, an absence of peace and order, and distorted prices) were the real reasons that neither initiative nor markets existed:

[B]ut, what can be expected of farmers without zeal for lack of stimulus and the total absence of roads? What benefits would these farmers derive from their labor if they cannot sell their produce or if they have to carry them to the markets, spending five or six days on the roads they themselves have to cut through forests and rivers, through regions still inhabited by fierce infidels, in order to sell at prices insufficient either to compensate them for their labor or for the risks they run?

The distant towns of the provinces of Nueva Ecija, Nueva Vizcaya, Isabela and others located in Central Luzon encounter these sad realities. Why would not their inhabitants be lazy? How could these towns become rich or their population increase? [Sancianco 1975(1881):30]

...

The economic ills of the Philippines are due not to the scarcity of farmhands but rather to the lack of stimulus to her farmers ... [Sancianco 1975(1881):30]

⁹ “[B]ut if he is poor ... what means will he have, what lawyer, what solicitor or proxy will guide him, defend him and represent him with moderate interest in a suit as costly as it is eternal, even if it is declared a poor man's suit, what clerk of court or employees of the court would pay attention to a poor devil?” [Sancianco 1975(1881):37-38]. Schumacher [1973:25] is one of the first to give Sancianco the prominent treatment due him, although the words Schumacher reproduces are unfortunately not Sancianco's but a quotation from Jaime Aguis, whose opinion Sancianco [1975(1881):166] cites.

In the lengthy appendix in support of his land-tax proposal, Sancianco [1975(1881):158-166] pursues the point and launches a polemical and sarcastic attack against recent publications that repeat the “irritating” subject of indolence. Against these works (whose authors he does not even deign to mention),¹⁰ Sancianco juxtaposes the opinions of previous governors-general and other high government officials—as expressed in their memoirs—as well as articles from mainstream newspapers that provide counterexamples to support his earlier contention that indolence and the lack of initiative are not inherent in the Filipinos’ character but more frequently the result of wrongheaded policies and individual abuses.

This was almost a decade before Rizal’s essay, and Sanciano had already put forward from a purely economic viewpoint many of the arguments Rizal would raise. Why did Rizal, then, feel the need for a new take on the matter?

Between Sancianco’s book and the appearance of Rizal’s *Solidaridad* essay, the indolence issue had refused to die down. On the contrary, in the popular Spanish press, writers such as Vicente Barrantes, Wenceslao Retana and Pablo Feced (alias “Quioquiap”) churned out even more virulent, sarcastic and downright racist articles denigrating the Filipinos’ character and culture and asserting the superiority of the *castila* [Schumacher 1973:55-56]. A year before his essay, Rizal had already had to respond to Barrantes’s insulting piece on Tagalog theater [Rizal 1996(1889)], while Blumentritt wrote pieces in reply to Rodriguez de Ureta [Blumentritt 1996(1889a)] and to Quioquiap himself [Blumentritt 1996(1889b)]. All these rejoinders were themselves frankly polemical and sarcastic articles meant to show up the ignorance and racism of the Spanish writers.

Rizal also alludes to the continuing salience of the issue in his *Noli* where, in the opening scene, Padre Damaso is overheard discussing Philippine conditions: “Do I believe it? As I believe in the Gospel. The indio is so indolent” [Rizal 1996(1887):7]. Significantly, Rizal relates this discussion to the impending abolition of the tobacco monopoly, a change with which the Damaso character obviously disagreed, since he believed the monopoly’s very onerous terms to be an effective antidote to the indio’s deficient work ethic. (This effectively implied a backward-bending supply curve even at low wages.)

¹⁰ Despite himself, however, Sancianco mentions at least the titles of two offensive works to which he was alluding: namely, *El indio Filipino* and *Recuerdos de Filipinas*. Schumacher [1973:25, fn. 12] identifies the author of the latter work as Francisco Cañamaque.

With hindsight, however, it was too much to expect Sancianco's earlier effort to suffice. First, in terms of form, Sancianco's was a technocratic treatise on the arcane subject of taxation (in book form at that), of obviously limited circulation, and therefore inaccessible to a general readership. It was of little avail compared to the constant stream of racist propaganda in the popular press by the Quioquiaps and Baranteses.

A second important reason, however, was that by 1890—almost a decade later—some of the force of Sancianco's defense had already become vitiated. Whether through his influence or (more likely) not, some of the reforms Sancianco proposed had already been implemented by the Spanish regime. The most significant of these was the abolition of the tobacco monopoly in 1881 (the very year Sancianco's book was published, and the subject of Padre Damaso's trepidation in the *Noli*) and its replacement by the *cedula personal*, a poll tax now applicable to Spaniards and Filipinos alike. Both Spaniards and Filipinos were now also subject in principle to the same forced-labor requirement—indeed reduced from 40 to 15 days in a year—although a monetary commutation was allowed for people of means [de la Costa 1967]. In 1887 the Spanish Penal Code and in 1889 the Code of Commerce and Civil Code became applicable to the country [Guerrero 2007:187-188], which in principle placed indios and castilas on equal footing. Those who carped at the Filipinos could therefore argue that the country's persistent underdevelopment notwithstanding the adoption of some of Sancianco's suggested reforms undermined the thesis that indolence was due simply to oppressive and discriminatory policies. Equally, of course, those siding with Sancianco could argue that this only meant that the reforms implemented did not go far enough, or that they existed only on paper. This implicitly unsettled debate was almost certainly part of the reason that Rizal had to concede that contrary to the testimonies cited by Sancianco, others of greater or lesser authority could be adduced [Rizal 1996(1890b):323]. Such "testimonies to the contrary" moreover included not merely the predictable carping of ignorant and self-serving friars and bureaucrats and of racists such as Quioquiap—or the "irritating" Spanish writers Sancianco dealt with earlier—but also unrefuted observations by "serious and disinterested persons" that included non-Spaniards like MacMicking and Bowring, and, more weightily, even reputable scholars like Jagor.

Apart from external circumstances, however, the third impulse for Rizal's essay was an internal one: he had new material and a new argument. By

early 1889, Rizal had completed most of the research¹¹ connected with his project to annotate and reissue Morga's *Sucesos de las islas Filipinas*. He had before him, therefore, evidence not available to Sancianco or other earlier writers, and a historical argument that addressed a weakness in Sancianco's method. The lawyer-economist's arguments were implicitly based on a kind of comparative statics founded on axioms of rationality, as well as specific counterexamples that sought to disprove broad generalizations. The indolence phenomenon was therefore explained as a rational response founded on certain parameters identified with specific oppressive or misguided Spanish policies—for example, the tobacco monopoly. Removing or changing those parameters, therefore, was a sufficient condition for one to expect a shift in behavior. Sancianco's counterexamples, on the other hand, took the following form: Filipinos are not by nature indolent, since, say, reputable person so-and-so observes them to be industrious rather than lazy in such-and-such circumstances.

As Rizal noted, however, "contrary evidence" could also be cited in the work of disinterested parties, as well as in the arguable lack of significant change notwithstanding the introduction of partial reforms beginning almost a decade earlier. One might add that the resort to counterexamples is also less than persuasive since, to begin with, social-science arguments are famously difficult to frame as falsifiable either-or propositions. Social-science propositions are inherently statistical or probabilistic, and therefore not readily amenable to Popperian falsification.¹² A counterexample that showcased non-indolent Filipinos would indeed suffice to refute the crude racist generalization that *all* Filipinos are indolent, but not the essentially statistical observation of a more careful scholar who might say that *most* or *unusually many* Filipinos are indolent.

Rizal therefore needed an approach that would explain not only the emergence of indolence but also its hysteresis despite apparent reforms of the policy environment. He found this in a historical-institutional approach that relied on a before-and-after or with-without comparison. Indeed, he suggests as much in the *Noli*, when a "blonde young man" asks:

¹¹ Guerrero [2007(1961):221] quotes Rizal's January 1889 letter to del Pilar saying "my manuscripts are finished." See also Clemente's article in this issue.

¹² On the problems of Popperian falsificationism in economics, see, for example, Hausman [1992:172-191].

Is such indolence naturally inherent in the native, or do we, as a foreign traveller has said, justify with this indolence our own failings and our colonial system? *He was speaking of the other colonies where inhabitants are of the same race ...* [Rizal 1996(1887):7] (Emphasis supplied.)

If one could demonstrate convincingly that the preconquest inhabitants of the Philippines—like neighboring peoples “of the same race”—were far from being an indolent people, then the question of “naturally inherent” laziness could be directly disposed of, and the contemporary problem attributed to *ex post* events. By contrast, Sancianco’s argument posited economic rationality on the part of the indio—with observed “indolence” explained as the rational response to certain parameters—and would have required a prior acceptance by the opposite side that indios were indeed “rational.” This was a concession, however, that outright racists were obviously unwilling to make.¹³

The only adequate response, therefore, was the documentation of an entire early culture and civilization displaying a level of sophistication, trade and industry that demonstrated a capacity to overcome backwardness. If Rizal could depict the preconquest narrative of the Philippines as an integral part of the larger fabric of Asian trade and civilization, it would help dispel scholars’ unfavorable comparison of Filipinos’ current habits and cultural levels with those of other Asian peoples, for the former could then be shown as contingent on specific historical experience and not inherent in the people’s character. Moreover, if people “of the same race” were colonized by other powers but ultimately fared better, then the difference might be attributed not even to colonialism generally, but to *Spanish* colonialism in particular.

3. Heredity, habitat, and history

Rizal’s defense begins not by denying the charge of indolence, but by actually conceding the tendency to it as part of human adaptation to the natural environment. (“The predisposition exists. How could it not

¹³ Rizal himself paraphrases this negative opinion among contemporary writers who characterized the native as “a creature something more than a monkey but much less than a man, an anthropoid, dull-witted, stupid, timid, dirty, cringing, grinning, ill-clothed, indolent, vicious, lazy, brainless, immoral, etc.” [Rizal 1996(1890b):399-400].

exist?” [Rizal 1996(1890b):325].) The heat and humidity of the tropical climate is a natural discouragement to arduous labor, at the same time that the lush environment relative to simpler needs makes such excessive exertion unnecessary for survival.¹⁴ Rizal was acquainted with Darwinian evolutionary theory¹⁵ but he clearly regarded this “predisposition” not as a heritable trait but as a behavioral adaptation. (“Indolence in the Philippines is a chronic sickness, but not a hereditary one” [Rizal 1996(1890b):341].) Part of the evidence of adaptation he offers is his sarcastic observation that even Europeans and Chinese, upon settling in the tropics, reduced their labor input given the climate.

Even as he concedes the propensity for indolence due to climate, however, Rizal makes the more important point that such predispositions can be modified and overcome by institutions. To demonstrate this, he deploys his research into early Philippine history to show that institutions in the preconquest tribal communities and polities had already succeeded in eliciting an ethos of work that led to a thriving commerce and industry. Significantly, the examples he provides deal primarily with the thriving trade of the Philippines with neighboring countries (China, Siam, Annam, Borneo, and the Moluccas). Particularly significant were the descriptions of the various modes of Chinese-Philippine trade he found in Zhao Rugua’s 13th-century work.¹⁶ Rizal also quotes Pigafetta’s description of the Southeast Asian trade-based wealth of the islands visited by Magellan’s fleet, as well as the testimonies of early observers such as Morga (and even the infamous Fray Gaspar de San Agustin), suggesting that the country before the conquest had attained a level of culture, crafts, wealth, and maritime

¹⁴ On this point, he echoes Jagor’s [1873:32] earlier description of the Philippines as “richly endowed islands” that allowed a person to live a life of ease, with the ability to meet simple wants, in the absence of “pressure from above, drive from within, and every stimulus from without.”

¹⁵ In chapter 32 of the *Fili* Rizal [1996(1891):268] refers to “the law discovered by Darwin” which involves “the female surrendering herself to the fitter male, to the one who adapts himself to the environment in which he lives.” How much of this is literary irony and how much reflected Rizal’s own view is an open question. One must remember Darwinism was far from being the orthodoxy in scientific circles, and even Rudolf Virchow—Rizal’s most prestigious scientific patron in Berlin—rejected the idea of a common ancestor of apes and humans.

¹⁶ Also written as Chao Ju-Kua. Zhao’s work, *Zhu fan zhi*, fortuitously became available in German translation in the year prior to Rizal’s essay.

trade comparable with, and indeed an integral part of, that prevailing in the rest of Southeast Asia. Rizal was especially keen to emphasize the close and self-evident commercial and political (indeed even kinship)¹⁷ relations between the Philippines and the rest of Asia.

Much more has since come to be known and written about the connection between commercial exchange and the emergence of institutions. We know that well before Rizal, and a decade before the *Wealth of Nations*, Adam Smith already observed the close connection between trade and ethical behavior.¹⁸ The significant modern empirical contribution in this respect, however, is probably the work of Henrich et al. [2005], which shows how reciprocity and the trust of strangers are enhanced among societies with greater exposure to markets. Henrich and his collaborators document how across many types of small-scale societies, those with greater trading experience are more likely to offer less selfish and less shortsighted bargains in the context of experimental ultimatum- and dictator-games. As we now know from institutional economics (e.g., North [1990] and Greif [2005]), eliciting reciprocity and building a reputation for honest dealing in anticipation of commercial gain are an important step in the enforcement of contracts and protection of property, which in many cases leads to the development of more general third-party enforcement mechanisms, including the state. These hypotheses and findings are exactly in the spirit of Rizal's point that the indigenous peoples' exposure to and conduct of long-distance trade led them to attain not only a level of affluence but also a political sophistication comparable with—and recognized as such by—other polities in Asia.

Recent research, notably by Scott [1984] and Junker [2000], has modified the basis of Rizal's argument but also strengthened it in the process. Junker [2000], for example, suggests that the prequest trade

¹⁷ Rizal [1996(1890b):343] notes Pigafetta's account of his encounter with a noble who would later emerge as Manila's Rajah Matanda, whose maternal grandfather was the sultan of Borneo, who married a Bornean princess, and who had actually commanded a naval force in Borneo.

¹⁸ Smith's observation is well known: "Whenever commerce is introduced into any country, probity and punctuality always accompany it. These virtues in a rude and barbarous country are almost unknown ... This is not at all to be imputed to national character, as some pretend ... It is far more reduceable to self interest, that general principle which regulates the actions of every man, and which leads men to act in a certain manner from views of advantage" [Smith 1978(1766):528].

between the Chinese and the early Filipinos was even more sophisticated than Rizal thought. In his appreciation of Zhao Rugua's 13th-century account, Rizal emphasized¹⁹ the "honesty and activity of traders of Luzon who took Chinese products and distributed them throughout the islands, travelling for nine months and then returned to pay religiously even for the merchandise that the Chinese did not remember having given them" [Rizal 1996(1890b):341]. Rizal's description would be seen in current terms as a self-enforcing private arrangement among traders where probity is based on a mutual desire to support repeated transactions [Greif 2005]. Junker contends, however, that it may well have involved a more sophisticated case of third-party contract enforcement, indicating intervention and guarantees by a state-like mechanism:

The passage goes on to describe how the commodities from the foreign vessel were transferred to local middlemen traders, presumably attached to the chiefly elite, for redistribution through the chiefly alliance network. The Chinese merchants were obliged to wait at the coastal port without immediate recompense while the local officials exchanged the foreign goods at other coastal trade ports and inland along major ports along major rivers, sometimes returning after several months....

What is significant in Chao Ju-kua's chronicle is that the port is clearly administered and controlled by a chiefly elite who regulate port entry by foreign vessels. While no explicit reference is made to customs duties or port fees, compulsory gifts or tribute to the ruling authorities is mentioned as a customary practice. The "registration" of the foreign ships mentioned in the text could well involve the commodity inventorying and official assignment of a cargo levy (i.e., the chief's share) as practiced at Sulu, Melaka, and other developed entrepôts. [Junker 2000:209]

Junker reconstructs the activities of preconquest chiefdoms as engaging in interstate²⁰ commercial competition in vying for the role of favored ports of call for Chinese ships and the chance to serve as intermediaries between Chinese traders and communities of the interior. Essentially,

¹⁹ Unaware of Junker's work, this was also how I interpreted the connection between trade and credible-commitment mechanisms described by Rizal [de Dios 2004]. An interpretation consistent with more recent evidence is given by Clemente [2010].

²⁰ The term "state" is, of course, applied loosely here, even to the political authorities in chiefdoms.

therefore, institutional competition ensued among coastal communities in order to attract the much-desired China trade in status goods. In the process, commercial and political institutions were developed—from workable hostage systems to more developed state-guaranteed systems of consignment, described by Zhao Rugua—that served as credible commitment-mechanisms to support trade between foreign (Chinese) merchants and natives [Clemente 2010]. Indeed, the China trade was sufficiently lucrative that native coastal polities sent competing trade missions to China stretching from the 10th to the 15th centuries²¹ in order to secure exclusive or privileged trading relations—indirectly also pointing to a cultural and technological sophistication enough to field oceangoing vessels [Junker 2000:215-217].

Subsequent work, therefore, appears to bolster Rizal's main points: namely, (a) that the preconquest natives of the Philippines had already overcome any "lamentable predisposition" to indolence through institutions of varying sophistication, especially those facilitating and supporting long-distance trade; (b) that maritime trade had in turn stimulated internal exchange, domestic production, crafts specialization, and significant wealth accumulation—an instance of Smithian growth;²² and (c) that the preconquest levels of economic and cultural achievement in the islands were by no means inferior to what was being achieved at the same time in other parts of archipelagic Asia, particularly Borneo and the Moluccas.

Rizal was setting the stage for an argument effectively based on a "natural historical experiment," anticipating a method that has only recently attracted some interest [Diamond and Robinson 2010:267-269], where differences in outcomes between, say, the Philippines and other colonized countries, were due less to differences in their initial conditions and more to "perturbations," in this case Spanish colonialism. Rizal thought this was also an adequate response to the unfavorable comparisons between contemporary Filipinos and other colonized Southeast Asians made by scholars like Jagor. For if no

²¹ Scott, as summarized by Junker [2000:215-217], cites various Chinese sources documenting trade missions sent from Mindoro (AD 982), Butuan (regularly from AD 1001), and subsequently from Manila (beginning AD 1373) and Sulu (beginning AD 1417).

²²The term is due to Mokyr [1990], who distinguishes between growth based on factor accumulation (Solovian), technological progress (Schumpeterian), and expansion of markets leading to specialization (Smithian). Virtually all growth before the Industrial Revolution was Smithian growth.

significant differences in either achievement or potential existed between preconquest natives and other Southeast Asian peoples, then any observed inferior qualities in contemporary Filipinos must be attributed to the experience of the conquest and colonization itself.²³

4. Imposed institutions

To explain the stark change between the industriousness, adventurousness, and progressive potential of preconquest Filipinos and their concededly backward and indolent state under Spanish rule, Rizal's essay adduces three groups of factors, all of which he traces to colonialism: (a) the deterioration of national and personal security, (b) the disincentives to labor and enterprise owing to misguided and discriminatory policies, and (c) the degradation of morale and the miseducation of the native population.

4.1. Defense and depopulation

An important immediate negative consequence of colonialism was depopulation and heightened insecurity, which occurred as a direct offshoot of the conquest itself. Spain waged internal wars of "pacification" against native communities, which took a heavy toll on human life. Even with the conquest completed, however, the subjugated peoples were burdened to the breaking point with tributes, imposts, and forced labor, the most notorious case of which was the cutting of timber (*cortes de madera*) to build men-of-war and the Manila-Acapulco galleons [Rizal 1996(1890b):367]. All these contributed to a continuing decline in population. The subjugated population was also conscripted to fight off Spain's enemies and to wage its regional expeditions, with the native menfolk serving as soldiers and rowers—this, too, obviously resulted in high casualties. The intensification of slave raids from the south, which predated the arrival of the Spaniards, was another factor in depopulation owing to the abduction of large numbers of people.

²³ In the same sense of a natural experiment, Rizal compares the industry of the contemporary non-Christianized tribes with the observed indolence of the colonized communities, and he paraphrases Hans Mayer's conjecture that the former might well "become indolent when they in turn should accept Christianization and a paternal government" [Rizal 1996(1890b):345].

It is important to highlight Rizal's point that even external threats to the country could be indirectly traceable to colonialism. The incorporation of the archipelago into the Spanish empire was a geopolitical provocation that turned a former entrepôt and trading partner into the outpost of a hostile and expansionary power. The result was greater insecurity because of vulnerability to actual or threatened foreign invasions (e.g., by the Dutch (1600, 1609, 1646), the British (1762-1764), and the Chinese empire as well as freebooters like Lin Feng (1574) and Zheng Chenggong²⁴ (1662)). Spain also embroiled the population in its regional adventures against the Muslims in Mindanao and in the Moluccas, which, together with Christianization, provided a further *casus belli* precipitating an intensification of attacks from Moro slave traders and pirates.

Rizal [1996(1890b):365] quotes a letter from the bishop of Manila suggesting the loss of as much as one-third of the islands' population only a decade since Legazpi's arrival. The process continued beyond that point, however. In what are probably the most careful estimates, Corpuz [1989:515] places the population at Legazpi's arrival at around one million. Because his estimates for subsequent years cover only tribute payers and exclude the nonsubject population, no direct comparisons with preconquest levels are possible.²⁵ Nonetheless, it is indicative that even estimates of the tributary population show a *continuous decline* from 667,612 in 1591 to 433,098 as late as 1655, well after the regime had presumably stabilized its geographic reach, thus bolstering Rizal's general conjecture of depopulation.²⁶ Corpuz laments the fact that while the demographic catastrophe resulting from the colonization of America is well-recognized, "[t]he decline in the native population of the archipelago almost immediately after 1565; the duration of the decline; and the period of recovery of the population loss—are vital issues of Philippine historiography that have not yet been addressed"

²⁴ More familiarly known as Lim Ah Hong and Koxinga, respectively.

²⁵ This is because the proportion of tribute payers also changes with the regime's success or failure in placing more of the population under its control. An observed change in the number of tributaries could reflect either a change in the population share of tribute payers, a change in the size of the entire population itself, or both.

²⁶ Corpuz's population estimates of one million and 667,612 for 1565 and 1591, respectively, imply a reduction of about one-third, which coincidentally corresponds with the bishop's estimate (cited above) of the extent of depopulation a decade after 1565, although the previous footnote should serve as a caveat.

[Corpuz 1989:526]. It is remarkable for Rizal (as usual), therefore, to have keenly sensed the issue's importance despite the paucity of data at hand.

A reduction of the labor force pushes the production-possibilities frontier inward, particularly since labor (relative to land) is the scarce factor. The other consequence of physical insecurity, however, is to push the economy below the production frontier. Independent of mortality, the misallocation of labor to less productive activities also results in lost output. Under this category of losses one may subsume Rizal's observations of inhabitants abandoning their fields and deserting the towns in order to escape the harsh exactions of colonization itself (*remontados*) or in order to avoid the depredations of Moro slave traders and pirates, as well as the reallocation of labor to completely unproductive activities such as war and timber cutting. For even without the loss of life, the abandonment of towns and fields and the reversion to upland farming and self-sufficiency means forgoing the higher output from more fertile lowland fields and the opportunities for greater trade and division of labor associated with agglomeration in towns. Labor, in short, is pushed out of activities where its marginal productivity is higher.

In pointing to the economic losses stemming from insecurity in the face of invasion and depredation, therefore, Rizal implicitly highlights the Spanish regime's failure to provide the first of those three institutional "duties of a sovereign" defined by Adam Smith—namely, national defense. This neglect was compounded by the government's interdict against the people's right to arm and defend themselves for fear that the weapons could be turned against Spanish rule itself.

4.2. Administration of justice and material inducement

While geography predisposes to indolence and an unfortunate turn of history has rekindled it, Rizal [1996(1890b):391] notes that a further category of causes "sustain and foster" indolence. Among these he includes restrictions of trade and commerce, beginning with the earlier galleon trade; government corruption and red tape; antibusiness and anticompetitive policies by both government officials and the frailocracy; and the dissipation of capital through gambling and religious observances.

At a more general level, these observations may be subsumed under institutions (or the lack thereof) that affect economic incentives, which Rizal describes as "the constantly lessening encouragement that labour has met" [Rizal 1996(1890b):391] or more generally as the "lack of material

inducement” (*falta de aliciente material*) [Rizal 1996(1890b):391]. Among the most basic, Rizal’s enumeration of testimonies regarding the historical abuses of the *encomenderos* deals with the violation of the natives’ personal and property rights, a fact traceable to racially discriminatory policies under Spanish rule. At their most severe and blatant, these consisted of arbitrary takings by government and religious authorities:

The sordid return the native gets from his work ultimately discourages him. We know from history that the *encomenderos*, after reducing many to slavery and forcing them to work for their benefit, made others give up their merchandise for a trifle or nothing at all, or cheated them with false measures. [Rizal 1996(1890b):393]

Rizal’s direct quote from San Agustin is striking from the perspective of the second of the minimal duties Adam Smith expected of a sovereign—the administration of justice and enforcement of contracts; for it speaks of *encomenderos* “who *in administering justice* have treated the natives as their slaves and not as their children, and looked after their own interests only at the expense of the wretched fortunes and lives of their charges” [in Rizal 1996(1890b):393]. (Emphasis supplied.)

Rizal shows how these abuses of authority continued until his own time. (Sancianco already provided contemporary descriptions of land usurpation through spurious land titling.) One can only speculate, however, why Rizal refrains from recounting his own family’s then-current experiences.²⁷ The dispute over rental payments and property rights between the Dominicans and their Calamba tenants had been festering since 1885 and came to a head in late 1891 with the forcible eviction and exile of the tenants (notably including Rizal’s family) and the destruction of their property. These events would become the most sensational case illustrating the reality of friar dominance and of government abuse for years to come—a clear case of property-rights disputes severely disrupting production and destroying investment. In the event, Rizal felt far freer to denounce these occurrences *after* the worst had come to pass and he felt he had nothing to lose. In the *Fili*—published in the same year that the events came to a

²⁷ Rizal excuses the omission by stating he wants to avoid the charge of partiality from critics. A more plausible reason might be a wish to avoid inviting official retaliation or prejudice in cases that were then still pending before the authorities.

head—the fictional Cabesang Tales experiences the same injustice that befell the Calamba tenants, and Rizal finds an occasion to list the names of the real persons involved in the incident:

You are called Luis Habaña, Matias Belarmino, Nicasio Eigasani, Cayetano de Jesus, Mateo Elejardo, Leandro Lopez, Antonino Lopez, Silvestre Ubaldo, Manuel Hidalgo, Paciano Mercado²⁸—you are called the whole town of Calamba! You have cleared your own fields, you have spent on them the labor of a lifetime, savings, sleepless nights, privations, and you have been deprived of them, expelled from your own homes and they have forbidden the rest to give you hospitality. They were not content with violating justice; they stepped on the sacred traditions of your country ... You have served Spain and the King and when in their names you asked for justice and you were exiled without due process of law, you were snatched away from the arms of your spouses, from the kisses of your children ... [Rizal 1996(1891):75]

Clearly, Rizal's point is that the insecurity of life and property previously due to the threat of foreign invasion and pirate raids was now due to the government's own failure to administer justice, enforce domestic peace and order (moving against brigands and highwaymen), and define and uphold personal and property rights. This is the gist found in the following:

The wars with the Dutch, the inroads and piratical attacks of the people of Jolo and Mindanao disappeared; the people have been transformed; new towns have grown up while others have become impoverished; *but the vexations and frauds subsist as much as or worse than they did in those early years.* [Rizal 1996(1890):393] (Emphasis supplied.)

Besides insecurity of life and property, Rizal accused the regime of other major governance failures that stifled commercial initiative, including corruption, bureaucratic inefficiency, and the use of political authority to monopolize profitable lines of economic activity [Rizal 1996(1890b):393]. He satirizes at some length the process of applying for numerous permits and licences, pointing out officials' susceptibility to bribes and influence-

²⁸ Mercado was, of course, Rizal's own brother. After these events, the whole family adopted the surname Rizal. In the same paragraph Rizal also mentions the incident involving the friars' denial of a town burial for his brother-in-law Mariano Herbosa.

peddling, their sloth and stupidity, and readiness to suspect sedition and rebellion behind every enterprise: “how many documents, how many processes, how many stamped papers, how much patience is needed to secure a permit for an enterprise from the Government!” [Rizal 1996(1890b):393]. In this, Rizal echoes Sancianco’s compelling (because firsthand and detailed) narration of the challenges confronted by the simple enterprise of sending a *casco* (a small river cargo vessel) from Malabon to Manila—a trip of only seven kilometers but which took “at least twelve days and sometimes a month and a half” owing to the innumerable authorizations and clearances required and the shuttling from one office to the next, with “tips” being required at almost every step [Sancianco 1978(1881):96-98].

These textual examples substantiate our argument that a good part of Rizal’s institutional critique of colonialism can be understood as proceeding from an 18th-century liberal perspective very similar to Adam Smith’s. In particular, the three minimal duties of a sovereign Smith enumerated in the *Wealth of Nations* in the last paragraphs of book 4 were:

[F]irst the duty of protecting the society from violence and invasion of other independent states; secondly, the duty of protecting ... every member of society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and thirdly, the duty of erecting and maintaining certain public works and certain public infrastructure which it can never be in the interest of any individual or small number of individuals to erect and maintain. [Smith 1994(1776):745]

The previous paragraphs documented the regime’s failure in the first two of these duties. The mapping is completed by Rizal’s [1996(1890b):397] reference to how “the apathy of the Government itself toward everything in commerce and agriculture contributes not a little to foster indolence.” A decade before, Sancianco [1975 1881):xi] was already specific about the country’s urgent need for full-time provincial governments, “communications facilities that commercial transactions require”; “public works that facilitate the transport and free circulation of [the Filipinos’] products”; “schools necessary for your moral and intellectual development”; and “officers of justice to defend your property against greed and bad faith.” Toward the end of his essay, Rizal virtually repeats this enumeration when he advises the Spanish regime at a minimum to emulate the example of the British in India and

build roads, lay our highways, construct railroads, foster freedom of trade ... let the government send out intelligent employees to foster industry; just judges, all well paid, so that they be neither yes-men nor mercenary ... [Rizal 1996(1890b):421]

He indicts the government because it “does not help either when a poor crop comes, when the locusts sweep over the fields,²⁹ or when a typhoon destroys in its wake the wealth of the soil; nor does it take any trouble to seek a market for the products of its colonies” [Rizal 1996(1890b):397]. Clearly this enumeration refers to the government’s role in providing collective goods where private initiative fails: it therefore covers the mapping of Rizal’s critique onto the Smithian institutional triple of national defense, the administration of justice, and public-goods provision.

5. Mercantilism and the misallocation of talent

That Rizal’s critique should be consistent with liberal 18th-century ideas should come as no surprise from the aspect of both intellectual genealogy and historical facts. First, the facts: although Spain, especially since the latter half of the 19th century, flirted with somewhat more liberal trading policies in its colonies, these were, at best, sporadic and halfhearted [Robles 1966:273]. For the greater part of colonial history, the economic fate of the Philippines was subsumed to Spain’s mercantilist objectives, and this long history is what Rizal depicts in his historical-institutional critique. It is therefore unsurprising that Rizal’s arguments should parallel Smith’s own criticism of the mercantile system.

To the extent mercantilism constitutes any sort of system, it is one that subsumes economics to the objectives of practical power politics and foreign policy [Schumpeter 1954:346ff], referring here of course to the objectives of the colonizing power. A most significant consequence of the conquest, Rizal points out, was the decline—indeed the deliberate

²⁹ Jagor [1873:219] reports an old edict requiring local authorities to call out and mobilize the entire population of a locality to exterminate a locus plague. This was obviously ineffective or nonoperational. More frequently, the phenomenon was explained as God’s punishment for human sinfulness [Corpus 1989:104]. A more effective response was found only much later in the importation of *martinez* birds from China, which naturally fed on locusts. Even this initiative apparently occurred late, only sporadically, and to a limited degree: in 1824, 1829, and 1852. By the 1930s, however, such birds had become a regular feature of the rice landscape [Kolb 1942:168].

suppression—of both internal and external trade. Spain’s anxiety about the threat of foreign invasion led it to pursue a policy of isolationism for the archipelago. Commerce with neighboring countries (e.g., Borneo, Siam, Cambodia, and Japan) was disallowed, with deleterious consequences for domestic production. (“[A]s these nations were the very ones that consumed Philippine products, when all communication with them had been cut off, consumption of these products also ceased” [Rizal 1996(1890b):391].) Contributing to the decline in commerce was the regime’s failure to protect communities against piracy and slave raids, which intensified partly as a consequence of the colonization itself. In the meantime, the regime’s paranoia about possible revolts also prodded it to restrict movements of labor and merchants:

The coastwise trade, so active in other times, had to die out, thanks to the piratical attacks of the Malays of the south; trade in the interior of the Islands almost completely disappeared, thanks to the restrictions, permits, and other administrative requirements. [Rizal 1996(1890b):391]

Rizal [1996(1890b):399] asks the reader to compare the above to Morga’s description of the natives in earlier times:

“All live off their lands,” adds Morga, “their farms, fisheries, and *trade*, for they travel from island to island by sea and from province to province by land.” (Emphasis supplied.)

Rizal here draws a connection between personal liberties, especially the freedom of movement, trade, and progress (about which more is said below). While some may dispute Morga’s facts as cited, the economics behind Rizal’s argument is sound and straightforward. He already described the powerful stimulus provided by overseas trade to preconquest economic activity and wealth creation. Here he argues that the effect of colonization was to cut off the country’s access to overseas markets, as well as to restrict the internal movement of goods and persons. This reverted the archipelago and its individual islands to a virtual state of autarky, so that economic retrogression was the predictable result. After all, the motive force for growth had been removed. This is a narrative consistent with the most acute Smithian economic insight: that is, that the division of labor—i.e., productivity, technological change, and therefore growth itself—is limited by the extent of the market [Smith 1994(1776):19].

In place of the varied and enlivening trade the Philippines enjoyed prior to the conquest, Spain substituted the galleon trade, which lasted from 1572 to 1815. Rizal ridicules this venture for its economic superficiality, being essentially an exchange of Mexican silver for Chinese luxury goods bound for Mexico and to a lesser extent, Europe, with Manila serving merely as entrepôt. The galleon trade failed to relieve the economy's trade isolation, since it failed to provide a significant outlet for domestic goods.³⁰

The only two countries with which the Philippines continued to have relations were China and Mexico, or New Spain, and from this trade only China and a few private individuals in Manila obtained any benefit. In fact, the Celestial Empire sent her junks laden with merchandise, that merchandise which shut down the factories of Seville and ruined Spanish industry, and returned loaded with silver that was sent every year from Mexico. Nothing from the Philippines at that time went to China, not even gold, for in those years the Chinese traders did not accept any other payment but silver currency.³¹ [Rizal 1996(1890b):391]

The counterfactual illustrating Smith's principle was ultimately proved after Spain—especially after having lost its American colonies—finally abandoned its narrow isolationist mercantilist policies and afforded Philippine producers access to a wider range of foreign markets from the early 1800s.³² The effect of this liberalization in stimulating entrepreneurship and investment is treated in Legarda's [1999] aptly titled classic.

In his discussion of commercial policy, Rizal appears to contrast what he saw as Spain's mercantilism in the colonies with what he believed was England's more liberal policy:

While we see all the walls of London covered with advertisements of the products of its colonies, while the English make heroic efforts to substitute Ceylon tea for Chinese tea, they themselves

³⁰ There was in fact a small quota on galleons for Philippine-made goods, but this was obviously a tedious effort and insufficient to outweigh the more lucrative entrepôt trade in goods from China.

³¹ Silver was the stipulated currency for tax payment in China. From the perspective of China's monetary problems, the matter is explained in great detail by Glahn [1996:113-141].

³² Corpuz writes [1989:459-460], however, that foreign carriers may already have had limited access to Philippine products as early as 1785 by engaging in bribery and subterfuges.

begin with the sacrifice of their taste and their stomach; in Spain, with the exception of tobacco, nothing from the Philippines is known: neither its sugar nor coffee, hemp nor fine cloths, nor its Ilocano blankets. The name of Manila is known only from those shawls of China or of Indo-China which at one time reached Spain by way of Manila ... [Rizal 1996(1890b):397]

... [H]istory tells us that the most flourishing countries today date their development and advancement from the day of their liberty and civil rights. The most commercial and most industrious countries have been the *freest* countries: France, England and the United States prove this. Hongkong, which is not [equal to] the most insignificant [island] of the Philippines, has more commercial movement than all the islands together, because it is *free and is well governed*. [Rizal 1996(1890b):396] (Emphasis supplied.)

Rizal here obviously wishes to underscore the relationship between prosperity and civil liberties, including commercial freedoms. The comparison he draws, however, is an anachronism. While Britain by the 1880s was indeed the nation closest to practising free trade (with the last of the Corn Laws being repealed in 1846), this had not always been the case. The dichotomy between Spanish and British colonial policy during the period of the galleon trade was not between free trade and mercantilism but between two *types* of mercantilism. As is now well-recognized [North and Thomas 1973], Spain's industrial undoing lay in its monopoly access to the rich gold and silver mines of Mexico and Peru, which constituted a booming-sector phenomenon (today called the "Dutch Disease"). This circumstance allowed Spain to draw virtually at will from huge reserves of what was then effectively a global currency, permitting its rulers to support extravagant consumption levels without bothering about production, either at home or in its colonies. This Dutch Disease led to the discouragement of Spain's own industry and agriculture, in a kind of "hollowing-out."³³ On the other hand, Britain, though not less mercantilist in the past, had no access to such "treasure," so mercantilism in its case needed to take the form of an aggressive export- and production-promotion policy both at home and in its colonies as a means of conserving and hoarding bullion.³⁴

³³ But for the United States replacing Spain, the parallel with current global problems is striking.

³⁴ This was essentially the point made by mercantilists like Thomas Mun, who argued that England could accumulate precious metals ("treasure") only by "forraign trade" — that is, running a positive trade balance.

The Philippines was unfortunately caught up in the myopia of Spanish-style mercantilism, however, since the ease of earning wealth by latching onto the restricted China trade diverted attention and resources away from domestic production and entrepreneurial pursuits:

The trade with China which was the whole occupation of the colonisers of the Philippines was not only prejudicial to Spain but also to the life of her colonies; in fact, when the officials and private persons of Manila found an easy method of getting rich, *they paid no attention either to cultivating the soil or to fostering industry.* [Rizal 1996(1890b):395] (Emphasis supplied.)

Rizal therefore criticizes the galleon trade not only for failing to engage the domestic economy significantly but also for diverting talent away from production and investment and toward rentier activities.³⁵ Clearly, the former pushes the economy into the interior of the production set. To the extent, however, that the latter also results in a semi-permanent loss of production knowledge, an atrophy of entrepreneurial talent, and a degradation of the secular motive to prosper, the production set itself shrinks.

6. Beyond incentives and formal institutions

Textual evidence supports the view that Rizal's economic ideas were firmly within the mainstream liberal tradition of the Enlightenment in terms of their basic notions of human dignity and motivation and in terms of the economic policies these imply. Conversely, we submit, any suggestion purporting to find a collectivist or socialist element in Rizal's writings is unsupported and at best conjectural.³⁶ For while there is no evidence Rizal read or directly referred to Smith or other liberal economists,³⁷ even

³⁵ Rizal curiously fails to mention Spain's belated attempts to engage in state-monopolized cash-crop production, notably the tobacco monopoly. The latter was already criticized sharply by Sancianco.

³⁶ Ordoñez [2011], for example, supports Jose Ma. Sison's view that finds an anarchist element in the *Fili's* Simoun character. Yet, apart from a resort to violence borne of personal vendetta and despair, Simoun's words and actions nowhere hint of a future society based on collectivism or a free association of workers. Hence P. Florentino's chastising words in the final chapter: "You fomented social decay without sowing a single idea."

³⁷ There is a mocking reference to Bentham as advocating self-centeredness in chapter 15 of the *Fili* when Señor Pasta warns Isagani not to involve himself in politics.

a cursory textual reading reveals the unmistakable liberal lineage of the Propaganda and the Revolution, bolstering the more general assessment already made by Majul [1996] regarding the propagandists' anachronistic Enlightenment roots during a period when various strands of socialism were becoming fashionable in Europe.³⁸ At any rate, a distinct Smithian strain, once-removed, can be demonstrated in Rizal's source and predecessor Sancianco [1975(1881):54], who appeals to the authority of the major proponent of Smithian ideas in Spain—"the immortal Jovellanos."³⁹ This section, however, argues that Rizal's ideas on the conditions for progress do in fact extend beyond well-known Enlightenment themes as might be found in Smith—and certainly beyond modern neoclassical economics.

It is facile and straightforward to interpret Adam Smith⁴⁰ as simply assuming the existence of a "natural propensity to truck and barter." Given enough leeway by authorities, this inherent motivation should effortlessly resolve itself in trade, the division of labor, and material progress. As much is suggested in Smith's early (1750-1751) statement that "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable system of justice; all the rest being brought about by the natural course of things" (quoted in Phillipson [2010:118]). The same idea is repeated in the *Wealth of Nations*, which calls for the provision of the minimal institutional trilogy of state functions already discussed (defense, justice, and public works), together with the freest level of internal and external trade, as sufficient conditions for "the obvious and simple system of natural liberty" to become established "of its own accord"—that is, automatically. With such a reading, a revival of progress would merely require a reversal of policies and reforms in

³⁸ Majul [1996:209-210] explains this apparent intellectual lag in terms of (a) the backwardness of the actual conditions prevailing in the Philippines, which made liberal rather than socialist ideas more relevant; (b) the backwardness of Spain itself relative to the rest of Europe; and (c) the influence of Spanish—as distinct from French—masonry on the leading Filipino intellectuals.

³⁹ Gaspar Melchor de Jovellanos (1744-1811) was a writer, liberal political reformer, and statesman, serving briefly as justice minister under Godoy. The work cited by Sancianco was the famous *Informe sobre la Ley Agraria* (1795).

⁴⁰ This is arguably the interpretation of Smith accepted by neoclassical economics. Without further elucidation, however, this reading seems to go against the grain of some of Smith's earlier ideas about how tastes, ambition, and ethics are formed as a result of commerce and civilization in general. See, for example, Phillipson [2010:138ff.].

formal institutions. Human motivation is not at issue. Rizal, however, does not regard the motivation of *homo oeconomicus* to be part of an immutable natural condition, a coiled spring, as it were, always ready to operate once released. For him, rather, the strength of secular or economic motivation itself is something that can wax or wane depending on social and historical experience.

This view is to be seen in passages that reveal Rizal's ideas on human motivation and the formation of values. In an earlier part of his essay, Rizal points to the need for a purpose, in the absence of which, inaction is the result:

Man works for an object. Remove the object and you reduce him to inaction. The most active man in the world will fold his arms from the instant he understands that it is madness to bestir himself, that this work will be the cause of his trouble, that for him it will be the cause of vexations at home and of the pirate's greed abroad. [Rizal 1996(1890b):367]

The above forms part of Rizal's narration of how postconquest events rekindled the natives' indolence and removed motivation. At face value, it could be taken to suggest that simply restoring the possibility of attaining an objective, combined with proper incentives, would suffice to stir a person to action. Like standard textbook models, this would assume that processes are representable by reversible functions, so that it is as easy to move up as it is to move down, say, a labor-supply curve. Rizal clearly thinks, however, that historical processes are *not* mere variations in flow variables but do affect levels of stocks. Through the same mechanism as "learning-by-doing," except in reverse, skills and motivation can atrophy from disuse. This is why in later passages Rizal is concerned to say that no easy relief or solution is possible:

It will not be enough to speak to his [i.e., the Filipino's—ESD] fancy⁴¹ to praise him, nor that the light deceive him like those deceiving lights which mislead travellers at night; all the flattering promises of the fairest hopes will not suffice while his spirit is not free, his intellect not respected. [Rizal 1996(1890b):419]

Rizal here strikingly uses the metaphor of the deceptive will-o'-the-wisp (*fuegos fatuos*) to refer to incentives. Smith [1976(1756):183] coincidentally

⁴¹ "Imagination" might be a better translation of *fantasia* in this case.

did so as well, when he wrote of the desire for useful and beautiful things as a “deception which rouses and keeps in continual motion the industry of mankind.”

To the broader point, however, Rizal contends that the prospect of rewards is inadequate because the processes of Spanish colonialism have already reached deep into the Filipinos’ psyche and remolded it, rendering it far less responsive than before to material incentives. This radical change in the natives’ beliefs and the quality of their human capital is traceable at one level to the types of formal institutions imposed, particularly the discouragement of internal and maritime trade. Isolation and limited trade not only distort resource allocation, they also affect the development of institutions, both formal and informal. In terms of formal institutions, the natural emergence of polities stimulated by profits from long-distance trade and internal exchange was aborted and replaced by foreign extractive institutions founded on military power and religious hegemony. In addition, the suppression of trade also had long-term *indirect* effects on beliefs regarding the benefits of risk taking and the acquisition of productive skills and knowledge. That is, the experience of economic institutions under Spanish colonialism affected the development of *informal institutions*—that is, the people’s “norms, conventions, and internally held codes of conduct” [North 2005:50].

The last sections of Rizal’s essay push the point even further, however, because he analyses the *direct* factors that affect informal institutions. In particular Rizal indicts the authoritarian and obscurantist version of the Catholicism that Spain propagated; the example of indolence cum luxury set by the foreign elite themselves, which was partly an offshoot of Spain’s rent-seeking mercantilism; and finally the inadequate and deficient system of formal education, “the most terrible of all” [Rizal 1996(1890b):399].

The religiosity that resulted from the country’s indoctrination is the object of especially withering criticism from Rizal. Once more, the effects he cites are first resource-related and then institutional. Religious observances in the first place divert resources into unproductive spending when these could instead have been invested in productive ventures:

Remember that lack of capital and absence of means paralyze all movement, and you will see how the native has perforce to be indolent for if any money might remain to him from the trials, imposts and exactions, he would have to give it to the curate for bulls, scapularies, candles, novenaries, etc. ... [Rizal 1996(1890b):397]

Religiosity also has a direct effect on output owing to the superstitious beliefs and the false ideas they propagate in lieu of genuinely useful production knowledge:

And if this were not enough to form an indolent character ... recall the doctrines of his religion which teach him to irrigate his fields in dry season, not by means of canals, but with masses and prayers; to preserve the stock during rinderpest with holy water, exorcisms and benedictions which cost five *duros* per animal; to drive away locusts by a procession of St. Augustine, etc. ... We have seen that the countries which believe most in miracles are the laziest ... the fact is that the Filipinos were much less lazy before the word miracle was introduced into their language. [Rizal 1996(1890b):397]

But the most important adverse effect is the loss of interest in material improvement and disdain for practical solutions to everyday problems that an obscurantist religion brings. Owing to indoctrination and imposed practice, the people's internal objectives are ground down by routine and mindless ritual:

To what is this retrogression [i.e., relative to prequest times—ESD] due? Is it the blessed civilization, the religion of salvation of the friars, named after Jesus Christ by euphemism that has produced this miracle that has *atrophied the brain, paralyzed the heart, and made of the man this vicious animal ...?*

... The Filipino is convinced that *to be happy it is necessary for him to lay aside his dignity as a rational creature*, to attend mass, to confess, to obey what the curate orders him to do, to pay what is demanded of him, to pay and forever to pay; to work, suffer, and be silent without aspiring for anything ... that is, *not to have a heart, a brain, or spirit*; a creature with arms and with a purse filled with gold—there is the ideal native! [Rizal 1996(1890b):401] (Emphasis supplied.)

For the deterioration in informal institutions, however, Rizal blames not only the colonizers but also the Filipinos themselves: first, for their deficient mode of rearing and educating children in the home environment, which tyrannizes the young and fails to encourage curiosity, competition, and a desire for achievement. In this regard, then, Filipinos themselves are at least complicit [*Tal pueblo, tal gobierno*] in the destruction of their own human capital and distortion of informal institutions:

[The natives'] will is hypnotized; from their childhood they learn to act mechanically, without knowledge of the objective, thanks to the exercises imposed on them from the tenderest years of praying for whole hours in an unknown tongue, of venerating things that they do not understand, of accepting beliefs that are not explained to them, while the protests of reason are repressed. Is it any wonder that with this vicious *dressage* of intelligence and will, the native of old—logical and consistent, as the analysis of his past and of his language demonstrates—should now be a mass of dismal contradictions? That continued struggle between reason and duty, between his native and his new ideals, that civil war which disturbs during his lifetime, the peace of his conscience, has the result of paralyzing all his energies and aided by the severity of the climate, makes of that eternal vacillation, of the doubts of his mind, the origin of his indolent state. [Rizal 1996(1890b):417]

The second charge Rizal levels against Filipinos is their “lack of national sentiment” [Rizal 1996(1890b):417]. He sees this as the source of two objectionable behavioral traits: (a) a susceptibility to or gullibility toward all things foreign, which renders them vulnerable to colonial brainwashing and miseducation to begin with, but which also robs them of the creativity that has economic value; and (b) an inability to develop solidarity and defend a collective interest or cause larger than themselves. (“A man in the Philippines is nothing more than an individual; he is not a member of a nation” [Rizal 1996(1890b):419].) Rizal condemns this propensity to retreat to the private sphere (i.e., a selfishness and idiocy in the etymological sense) for its obvious political result: the inability to mobilize collective opinion and action in opposition to harmful or wrongheaded policies. It obviously also has an impact on the ease with which an independence movement or a viable nation-state could be formed.

Rizal could have laid these defects of character at the door of colonialism as well: like indolence itself, the dispersion and disunity among native tribes was, after all, a preexisting condition aggravated by the Spaniards’ divide-and-rule policies among the tribes and their suppression of internal exchange among native communities. The conquest did help define Filipino national identity, in a sense, but this was accomplished through political conquest and religious conversion, without a strong basis in economic integration. Rizal, however, likely thought that these aspects of conduct—which dealt with the private home-environment and the relations among natives themselves—were within the Filipinos’ own scope of control and capacity

to change. He therefore held Filipinos responsible for their continuation. Rizal would continue to emphasize the importance of solidarity in the statutes of the Liga Filipina.

The importance of changing the methods of child rearing in the home, on the other hand, was a responsibility he had already commended in his famous letter to the women of Malolos.

To demonstrate the impact of the distorted development of the natives' informal institutions, Rizal once more resorts to a natural historical experiment: he contrasts Spanish colonialism with the British administration of India, which was admittedly more cynical and no less politically oppressive, but which largely preserved the country's informal institutions and pursued frankly secular goals through more enlightened commercial policies. Such a "logical and regulated system of exploitation" as the British instituted in India at least led to *economically superior* outcomes. This involved, according to Rizal, a system where the colonizers left intact the natives' local governance structures but provided a progressive physical infrastructure and allowed free trade. What mattered, Rizal says, was that the government should "pay more attention to material interests" and to "lay aside all religious pretext" [Rizal 1996(1890b):421].

By contrast, Rizal argues, Spain indulged in self-deceit and self-justification by thinking that its attempt to save souls and remold the natives' culture through religious proselytization would compensate for its failure to actively develop the country in material terms. In fact, this "benevolence" did the Philippines more harm and represented a worse bargain in the long run. He clearly suggests Spain would have performed a better service if it had pursued a purely commercial—yes, even a cruel and exploitative—project but had left the country's political and cultural institutions intact. For then the damage wrought by colonialism would at least have been less permanent.

Rizal asserts that Spanish colonialism changed not only formal institutions (i.e., laws, political processes, economic rules and policies) but also effectively remolded people's beliefs, thus also altering their internalized norms and codes of conduct—that is, their *informal* institutions. The *Fili's* Florentino puts it thus:

True the vices of a government are fatal to it, cause its death, *but they also kill society in whose bosom they unfold*. An immoral government assumes a demoralised people, an administration without conscience [presupposes—ESD] rapacious and servile citizens in the towns; bandits and brigands in the mountains! Like master,

like slave, like government like country! [Rizal 1996(1891):312]
(Emphasis supplied.)

Beliefs and values are plastic over long historical periods, and can be poisoned by the defects of imposed formal institutions. For this reason, neither the Smithian assumption of a natural propensity to trade nor the related neoclassical *de gustibus* axiom can be applied in Rizal's argument for progress. The clear implication is that successful change in the future will require a change not only in formal but, more importantly, also in informal institutions.

Rizal's extended argument remarkably parallels recent insights in institutional economics that have been gained only with much effort. While early work on institutions (North and Thomas [1973] and North [1990]) mostly emphasized the need for laws and other formal rules to protect property rights and to enforce contracts, more recent work (e.g., North [2005] and Greif [2005]) has also underscored the crucial role of socially held beliefs in shaping the rules people create to structure their behavior, this way affecting economic performance. Greif's work illustrates, for example, how communities that differ in their valuation of collectivist versus individualist norms (Maghribi Jews versus Genoans) evolved different formal institutions to enforce contracts in long-distance trade. In the same vein, Rizal argues that the long Spanish colonization actually succeeded in inculcating dysfunctional beliefs among the people (often in the shape of religion) that led them to adopt norms and behavioral codes that proved inimical to work and enterprise. On a more general level, North writes:

The intimate interrelationship of beliefs and institutions, while evident in the formal rules of society, is most clearly articulated in the *informal institutions—norms, conventions, and internally held codes of conduct*. These informal institutions embody not only the moral codes of the belief system, which tend to have common characteristics across cultures, but also the norms particular to individual societies, which are very diverse across cultures. While formal cultures can be changed by fiat, *informal institutions evolve in ways that are still far from completely understood and therefore are not typically amenable to deliberate human manipulation*. [North 2005:50]
(Emphasis supplied.)

A mixture of formal institutions, informal institutions, and their enforcement characteristics defines institutional performance; and *while the formal institutions may be altered by fiat, the informal institutions are not amenable to deliberate short-run change and the*

enforcement characteristics are only very imperfectly subject to deliberate control. [North 2005:157] (Emphasis supplied.)

North and Rizal arrive at the same conclusion regarding the difficulty of social change when informal institutions are distorted or misaligned. Rizal's realization of this difficulty is partly evidenced in his express reluctance to join the revolution, which he thought premature. Rizal was in no doubt that a revolution could change laws, political systems, and economic policies; but dysfunctional beliefs, norms, and conventions may yet persist and undermine the workings of such formal institutions. This is formulated in Padre Florentino's famous pessimistic apprehension:

Why independence if the slaves of today will be the tyrants of tomorrow? And they would be, without doubt, because he loves tyranny who submits to it. Señor Simoun, while our people may not be prepared, while they may go to battle beguiled or forced, without a clear understanding of what they have to do, the wisest attempts will fail and it is better that they fail ... [Rizal 1996(1891):314]

Rizal evidently held the same opinion to the end, for he virtually repeats that message in a manifesto to his fellow Filipinos a few weeks to his execution:

Countrymen, I have given proofs, as much as any one else, of desiring liberties for our country, and I still desire them. But I made them *conditional on the education of the people*, so that by means of learning and work they would have their own personality and make themselves worthy of such liberties. In my writings I have recommended *study and civic virtues, without which there can be no redemption.* [Quoted in Guerrero 2007:446] (Emphasis supplied.)

7. Conclusion

It is now possible to reconstruct and summarize Rizal's views on the causes of progress among nations, mostly by reversing his negative description of the origins of the ills associated with colonial experience under Spain. The broadest statement of Rizal's views on the causes of the wealth of nations comes from Ibarra in the *Noli* (chapter 3), who is asked at dinner to summarize what he has learned from his travels:

I always found that the prosperity or misery of a people is in direct proportion to its liberties or concerns [*preocupaciones*], and consequently to the sacrifices or selfishness of its ancestors. [Rizal 1996(1887):19]

As we already know, “liberties” [*libertades*]⁴²—which is distinct from “liberty”—refers to the liberal economic agenda of free trade, both external and internal; the free movement of persons and goods; and the security of person, property, and contract founded on the institutions of a minimalist state. More broadly, it means civil rights or freedoms—freedom of speech and of the press, freedom from arbitrary arrest and detention, freedom from expropriation, and so on—such as might be found in a modern bill of rights. It bears noting that it does not necessarily imply democracy, or even less, independence. As Rizal (quoted in Guerrero [2000:448]) himself would write: “A people can be free without being independent, and a people can be independent without being free.” Rizal explicitly regarded even Hong Kong, a British colony, as being “free.”

While Rizal himself would have preferred freedom in the fullest sense, he conceded it was possible, objectively speaking, for a country to attain prosperity on liberal principles without its citizens obtaining full political franchise. He says as much when he outlines two possibilities, *either of which*, he admitted, could deliver material progress: (a) a fully benevolent policy, which he hoped an ultimately enlightened and liberal Spain might be persuaded to deliver; or (b) a solution that would have pleased a Deng Xiaoping or a Lee Kuan Yew, which “stifl[ed] with the jingle of gold and with the sheen of opulence the sentiments of independence of the colonials, paying with its wealth for its lack of liberty”:

We desire that the policy be at once frank and consistent, that is, highly civilizing, without sordid reservations, without distrust, without fear or jealousy, wishing the good for the sake of the good, civilization for the sake of civilization, without ulterior thoughts of gratitude, or else boldly exploiting, tyrannical and selfish without hypocrisy or deception, with a whole system well-planned and studied out for dominating by compelling obedience,

⁴² Braudel [1995:316] differentiates between *libertates* and *libertas*. The first term originates from exceptional medieval franchises or privileges conceded to certain groups by otherwise restrictive regimes. Only later did the French Revolution finally universalize what were formerly mere privileges to become the “rights of man.”

for commanding to get rich, for getting rich to be happy. [Rizal 1996(1890b):421]

Rizal implies he is willing to accept even the second option, compared to the status quo.

While the meaning of “libertades” is clear, the word “preocupaciones” highlighted in the earlier quote, which Lacson-Loecin translates tritely as “concerns” and Guerrero (2007) as “problems,” can be the source of some ambiguity. Most earlier translators (e.g., Derbyshire (1912), Fokker (1912), Lucas and Sempau (1899)), on the other hand, used its simple connotation for the period (namely, “prejudices,” “*vooroordeelen*,” “*prejuges*”), while Almario’s most recent Tagalog effort uses the literal “*pinagkakaabalahan*” and Poblete (1904) renders it as “*mga cadiliman ng isip*.”

The previous analysis fortunately sheds some light on what Rizal meant in this context. As previously argued, Rizal did not think it was sufficient to provide short-term economic incentives or even to reform formal institutions. While liberal policy reforms might mitigate abuses and the most egregiously irrational and prejudicial measures, they could not remedy the deep-seated damage colonialism had already wrought on people’s psyche, their beliefs, motives, and internal codes of behavior. Mindless religiosity, superstition, a disinterest in secular or material success, political fragmentation, slavish imitation of foreigners, sycophancy, a narrow focus on private interest, corruption, and a lack of solidarity and other civic virtues—these unexamined beliefs were the people’s “prejudices” or mental “preoccupations” that could thwart material advance even if liberal reforms were instituted—and indeed even if independence were attained. Liberal policies and civic freedoms are necessary external conditions for a change in informal institutions. (“What [the native] lacks in the first place is liberty to allow expansion for his adventurous spirit, and good examples, beautiful prospects for the future” [Rizal 1996(1890b):417]). But even these will ultimately be insufficient if, as in the Philippines, the subjective factor is deficient:

Without education and liberty, the soil and the light of man, no reform is possible, no measure can give the desired result. This does not mean that we should ask first for the native the instruction [i.e., education—ESD] of a sage and all imaginable liberties in order to put a hoe later in his hand or place him in a workshop; such a pretension would be an absurdity and a vain folly. What we wish is that obstacles be not put in his way, that the

many difficulties already offered by his climate and the condition of the islands be not augmented, that instruction be not begrudged him for fear that when he becomes intelligent, he may separate from the colonising nation or ask for the rights for which he makes himself worthy. [Rizal 1996(1890b):421]

Rizal's metaphor for education and liberty (*ese suelo y ese sol del hombre*) clarifies their relationship in his analysis. Each is necessary for growth, but only the two together will suffice: one provides the conditions, the other guarantees the quality of the response. In the end, education is the direct approach to changing informal institutions that Rizal suggests, and the institutional framework has allowed us to better appreciate this consistent Rizalian advocacy. But education for Rizal was not merely a means to acquire practical skills or knowledge for individual advancement, although this was certainly an important part of the agenda. More significantly, he believed education was capable of radically changing the norms of social behavior, of focusing people's minds on the solution of secular and practical problems, and of motivating them to seek their own economic success, generating a desire for secular improvement, not merely as individuals, but as conscious agents of a national reform project to expand freedom. In short, Rizal wanted education to produce not only human capital but *social capital* as well.⁴³

⁴³ Coincidentally or not, Rizal's ideas here again run parallel to those of Jovellanos, who also went beyond Smithian boundaries in emphasizing education as "not only the first but also the most general source of the prosperity of peoples." Jovellanos espoused not only skills training but also "civic education" and was among the first advocates of free universal basic education. For details, see Galino Carillo [1993:5].

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