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## **Economic Ideas During the Malolos Congress**

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## **Abstract**

While much has been written about the political ideas of the revolution, little if anything has been written about its economic ideas. This paper is an attempt to provide an intellectual background to the economic policies and directives emanating from the Malolos Republic. It traces the source of the revolution's economics to cameralist ideas, as handed down by liberal Spanish thinkers and practical policy reformers. It documents these influences in the revolution's policies towards public finance in general, personal taxation, trade, and the important agrarian question.

# Economic ideas during the Malolos Congress

*Emmanuel S. de Dios\**

## Introduction

While scholarship has done ample justice to elucidating the sources, expression, and consequences of the political ideas of the Philippine revolution<sup>1</sup>, the same cannot be said of the revolution's economic ideas. Indeed, when it comes to the economic thought of the revolution, the student of history or of *Dogmengeschichte* is virtually confronted with a blank wall. Precious little has been written on the history of economic policies of the revolution<sup>2</sup>, and absolutely nothing on the history of economic thought then prevailing.

This circumstance has led to the unfortunate conclusion that the economic agenda of the revolution, particularly of the Malolos government, was minimal. That which existed, it will be thought, partook of a provisional and tentative character. Driven by purely pragmatic considerations, the revolution's economic programme would have been far from what Schumpeter [1954:38] regarded as a system of political economy, in the sense of "an exposition of a comprehensive set of economic policies that its author advocates on the strength of unifying (normative) principles such as the principles of economic liberalism, of socialism, and so on".<sup>3</sup> Several reasons have been cited for this, from the overriding business of conducting a war to the provincialism and inexperience of many of the revolution's leaders, including such personalities as Mabini [Majul 1996(1960):46-49].

This paper is a first attempt to revise the approach to the analysis of economic ideas during the period of the Malolos Congress. Without minimising the role played by exigency, it suggests that the acts of the Malolos government also drew from a definite tradition in economic thought. In particular, it describes and points to the continental liberal (as distinct from the Anglo-Saxon) school of political economy as the source of inspiration for many economic ideas and measures proposed during the Malolos period and subsequently.

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## Cameralism and public finance

The first circumstance that strikes anyone studying the Malolos period is that virtually all economic pronouncements -- from the legislation emanating from the Malolos Congress, to decrees from the President and members of the Cabinet -- dealt with the eminently *practical* problems of the moment. Indeed, as a brief listing would show, the economic issuances of the Malolos government revolved almost exclusively around the question of *public finances*. The only other distinctly economic issue was the disposition of friar lands, although even this, as will be seen below, would play a key role in solving the public finance problem. What renders the situation difficult for the historian of thought is the lack of internal evidence within the Malolos documents, if any, to suggest the intellectual sources or systems of thought motivating such measures.

A compelling reason for the focus on practical matters, of course, was the situation of impending or actual war. The need to raise funds to prosecute the war effort would have sufficed on purely pragmatic grounds to make revenue-generation the government's primary concern. But the contention that war conditions simply did not allow the revolution to elaborate a fuller economic agenda is weakened by the fact that not even the earlier Propaganda or reform movement provided a fuller elaboration of the economic demands of the Filipinos.

The only extensive economic tract emanating from the Propaganda period is the treatise, *Progress of the Philippines* [1975(1881)] by the doctor of laws Gregorio Sancianco (d. 1892). This work, now little-noticed, was highly regarded by Sancianco's contemporaries, including the younger Rizal, who drew from it the analytical material for his essay on "The indolence of the Filipinos". If nowhere else, one would hope to find a fuller elaboration of economic analysis and source of economic ideas here. It is revealing, however, that Sancianco's tract itself was *exclusively* concerned with the question of taxation and revenue. This flowed from an analysis that

... the financial [i.e., fiscal -- E.S.D.] system is the foundation upon which rest the institutions of every nation and in which they adjust themselves, so that they are as defective as the system is deficient. [Sancianco 1975(1881):1].

To deficient public finances Sancianco attributed the *principal* reason for Philippine underdevelopment, which was to be seen in the absence or lack of what even Adam Smith would have considered indispensable provisions within a minimal state, namely, public works (*fomento*), education, and public and national security. The underprovision of public goods was also a frequent theme of the Propaganda, as seen, e.g., through *La Solidaridad*.

Sancianco's approach, however, also falls within a much larger tradition of continental economics literature, of which Schumpeter [1954:199-200] wrote:

There would be little exaggeration in saying that at least for the continental branches of the literature...[public finance] was the central topic around which revolved most of the rest.

In this tradition, economics was subsumed under the study of law, which in turn was regarded as a preparation for a career in public service. Economics then was regarded not as a distinct discipline but as one among many components of "Cameral Science" (*Cameral- or Staatswissenschaft*). It is worth noting that Cameral Science was an eighteenth-century phenomenon for the more advanced countries of the continent, not to mention Great Britain, the home of classical political economy, where economics was recognised as a distinct discipline by the late nineteenth century. This was not the first time, however, that a continental tradition of the eighteenth century was still found in Spain in the late nineteenth.

There is strong evidence that the same cameralist tradition continued to prevail during the time of the Malolos Congress. Indeed, as much is indirectly suggested by the fact the new Universidad Literaria de Filipinas<sup>4</sup> established by the Malolos government provided for no separate economics faculty. Instead economics (*economía y estadística*) was a first-year specialization within the law curriculum and an alternative to the study of institutions of canon law. Public finance (*elementos de hacienda política*), on the other hand, was a required fourth-year subject in law, to be taken together with a study of the commercial law of Spain and the principal European nations. Since the plurality (43 percent) of members of the Malolos Congress were lawyers, many of whom had studied in Spain, it is not far-fetched to suppose that those who considered themselves expert in economic questions would have undergone training in the same tradition.

Good reasons therefore exist for supposing that the Malolos government's overriding concern for public finances in economic matters was due not solely to the exigencies of war, but also the very approach to and analysis of economic questions to which the economic thinkers in the Malolos government were accustomed. While the concern for public finances was rendered more compelling by the needs of the war effort, it is unlikely that the approach by the Malolos Congress to development during a time of peace would have been radically different. This is due, first, to the cameralist tradition of law in which many of the Malolos lawyers were reared, and second, to a long-standing analysis -- directly traceable to Sancianco and the Propaganda -- that a principal condition of underdevelopment was the absence or underprovision of the public goods that even a minimalist state would have provided.

## Tax reform

The same combination of attention to exigency, commitment to political principles, and an awareness of sound economic design appeared to have guided the Malolos government's efforts to reform personal taxation. Most of these changes are contained in the Budget Act, which was approved by Congress and promulgated by presidential decree on 19 February 1899 [NHI 1994:132-142]. Among the most significant was the abolition of the *cedula personal* (Article 7) and its replacement with an "extraordinary war contribution of a transitory character". In his submission of the proposed budget on 12 February 1899, the finance secretary Arcadio del Rosario justified this measure by citing the "general antipathy" towards that tax as the reason for it being "deemed wise to abolish it".

The cedula was a lump-sum tax that had long been associated with "tribute". For a long period, the cedula was paid only by Filipinos (*indios*), while Spaniards in the Philippines were exempt; hence it emphasized the privileges between the colonizers and the natives. Its reform, therefore, was clearly part of a series of measures meant to demonstrate the revolution's pro-people political intent.

In addition to the reform of the cedula, the Budget Law (Article 6) also abolished the tax imposed on non-Christian tribes. Even earlier, a decree of 5 January 1899 had abolished the obligatory 15-day labour for public works. In all these cases "lofty political reasons" were cited as the bases of action:

As for the tax on vassallage upon non-Christian and savage tribes, its abolition is perfectly justified, as it is ill-adapted to the new Philippine regime, inspired as it is by the holy ideals of equality and fraternity, and placed under the august shadow of the newly established republic.

... It is in violation of our institutions and is in direct opposition to the frank policy of attraction which we have declared, and which fortunately is already giving very satisfactory results. [Taylor 1903: 69]

An earlier foundation for these reforms, however, may again be found in the work of Sancianco. His proposal to reform the cedula entailed replacing its "odious name" with "security service", calling attention instead to the services of the state it was supposed to defray, and making its collection *proportional to each person's wealth*, and making its payment obligatory for Spanish and Filipinos alike. (Sancianco also called for the abolition of compulsory labour.) He had pointed out the difference in the basis of the *cedula personal* and that of a modern tax. A tribute "signifies an obligatory and unavoidable impost to be paid whether or not one has means". It was a concept "condemned by modern law from the moment it grants freedom to the citizen and the exclusive use of his fortune and property".

In its technical aspects, the reform of the cedula undertaken by the Malolos Congress hewed closely to Sancianco's ideas, although by the time of the revolution, payment of the cedula was already required of both Spaniards and Filipinos. Where Sancianco called for a change in the "odious" name from cedula to "security service", the Malolos Congress called for a "war contribution". The point of the change in name was not to earmark revenues (which current theory would frown on) but to call attention to the most general public purpose which such tax collections would support. Sancianco argued that the most general public good was security; the Malolos Congress argued it was the war of independence.

More significant than the change in name was the progressivity of the proposed war contribution, as opposed to the lump-sum cedula personal. In the same vein that Sancianco had proposed that his tax for "security service" be based on possessions, Congress decreed that the war contribution should be based on wealth according to a schedule (Figure 1, shaded area).

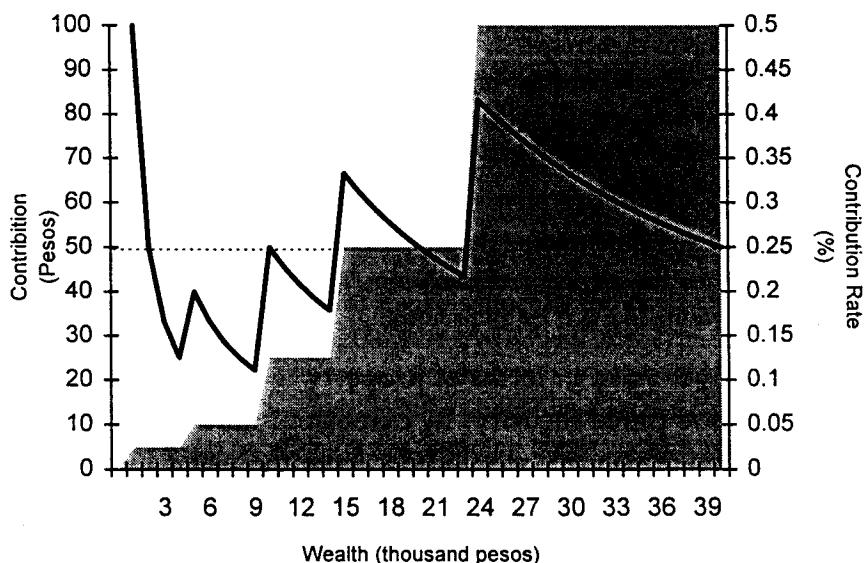


Figure 1  
Schedule and rates of war contributions

The contributions ranged from P2 to P100, with persons possessing more than P1000 in wealth assessed for increasing amounts. Those with property less than P1000, paid the minimum rate, a poll tax of P2 for 18-year old boys and P1 for 18-year old girls. Exempted were those in active military or similar service,

sexagenarians, indigents, physically unable to work, and the demented. Professor Corpuz [1997:208] notes that this last poll tax was “similar to the terms of the old cedula personal”. Strictly speaking, of course, the system was not progressive, since the use of intervals (e.g., P1,001-P5,000, and so on) meant that contributions as a proportion of wealth would suddenly rise at the ends and fall within intervals (see dotted line in Figure 1). For example, people with wealth levels of P40,000, P20,000, P10,000, P2,000 would all have been required to pay an equivalent of 0.25 percent of their assets. Beyond the highest category (P25,000 and above), the marginal rate would in fact be *declining* with wealth.<sup>5</sup>

Sancianco’s earlier arguments for tax reform suggest that the use of wealth as basis for taxation or contribution may have been justified not by a concern for redistributive equity. Its rationale may be found rather in an interpretation of the earlier Smithian principle of taxation based on benefits enjoyed, or *quid pro quo*. Adam Smith [1952(1776): Book V., Ch. 2, Part 2] had laid down some well-known and ultimately classic maxims on taxes<sup>6</sup>. In particular, the first maxim on “equality of taxation” stated that:

Subjects ought to contribute towards the support of government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

It is most revealing that Sancianco [1975(1881):78] would use almost the same words to justify a progressive tax:

...a citizen ought to contribute toward the support of the state according to his ability and in return for the services it renders him, but he should not be compelled to pay tribute or anything like it if he owns nothing.

Hence, people with a larger stake in terms of property would be deemed to benefit more from the public good called security. By extension, during a time of revolution, the realization of security would flow from the war’s successful prosecution, and those with the most to gain from the revolution’s victory (or, conversely, those with the most to lose from its failure) were its wealthiest supporters. The imposition of a poll tax even upon those without property appears to deviate from Sancianco’s proposal although even this could be justified by the observation that not only property but also person was protected by the state. The line of reasoning is explained most clearly by a critic, John Stuart Mill (1848, Book V, Ch. II):

What best pleases [some persons] is, to regard the taxes paid by each member of the community as an equivalent for value received, in the shape of service to himself; and they prefer to rest the justice of making each contribute in proportion to his means, upon the ground, that he who has twice as much property to be protected, receives, on an accurate calculation, twice as much protection, and

ought, on the principles of bargain and sale, to pay twice as much for it. Since, however, the assumption that government exists solely for the protection of property, is not one to be deliberately adhered to; some consistent adherents of the *quid pro quo* principle go on to observe, that protection being required for person as well as property, everybody's person receiving the same amount of protection, a poll-tax of a fixed sum per head is a proper equivalent for this part of the benefits of government, while the remaining part, protection to property, should be paid for in proportion to property.

Mill, however, objected to this particular interpretation of Smith's maxim:

It cannot be admitted, that to be protected in the ownership of ten times as much property, is to be ten times as much protected. Neither can it be truly said that the protection of 100*l.* a year costs the state ten times as much as the protection of 1000*l.* a year, rather than twice as much, or exactly as much. The same judges, soldiers, and sailors who protect the one protect the other, and the larger income does not necessarily, though it may sometimes, require even more policemen.

In the end, it is unclear that the rationale for the war contribution based on wealth was entirely due to a *quid pro quo* view of taxation. A different contemporary interpretation was certainly possible, which Mill himself espoused. In a somewhat more modern vein, Mill argued that the benefits from government uniform and indivisible. They consisted of "all the good, and all the immunity from evil, which government can be made either directly or indirectly to bestow", and therefore the effort at "setting definite values on things essentially indefinite" was fundamentally wrong.<sup>7</sup> His rationale for government may just as well have described a plea for support to a revolution:

Government must be regarded as so pre-eminently a concern of all, that to determine who are most interested in it is of no real importance. ... As in a case of voluntary subscription for a purpose in which all are interested, all are thought to have done their part fairly when each has contributed according to his means, that is, has made an equal sacrifice for the common object; in like manner should this be the principle of compulsory contributions.

Smith's maxim of equality, according to Mill, must be interpreted from a utilitarian view, as *equality of sacrifice*. Larger taxes or contributions were expected of the affluent simply because a larger pecuniary amount was needed to make the value of their marginal sacrifice comparable with that of the poor, since their marginal utility of wealth was lower. In many ways, the idea of contributing to a common effort without counting the peculiar benefits to oneself will have been closer to the spirit of the revolution, to which people initially contributed voluntarily, according to their means, without wielding sharp pencils. It is important to recognize, however, that in neither interpretation -- neither in Sancianco's nor in our imputation of Mill's -- would an explicit redistributive element have been the principal motive for reform. This was consistent with the primarily liberal inspiration of the men of Malolos.

## Foreign and domestic trade

True again to its roots, the revolution's policies on domestic and foreign trade revealed a attitude consistent with an optimistic liberalism, tempered by a pragmatic recognition of the urgent need for revenues and of the need to adjust to the conditions imposed by war. The terminology of the period distinguished between *customs*, which are taxes on foreign trade, both export and import, and *excises*, which are taxes on home goods for home consumption. This usage stemmed from the fact that customs were originally understood as taxes imposed on all foreign merchants, which explains why in ancient times no distinction was made between import and export taxes.<sup>8</sup>

The first formal measure regarding trade was a decree of 17 October 1898 (before war with the Americans broke out) imposing an excise of five percent of the value of all goods transported in coastwise trade, while imposing a differentiated customs duty, with exports paying 15 percent, and imports paying five percent.<sup>9</sup> These rates were far from being prohibitive if contemporary Spanish tariffs are taken as the standard. Indeed the rates established by the revolutionary government were well-nigh what Spanish liberal tradition would have regarded as free-trade conditions. As a point of comparison, the liberal revolution in Spain of 1869 ushered in a "free-trade" tariff schedule, which was to prevail until the resurgence of protectionism in 1891. This will have been the same tariff structure prevailing at the time many of the Malolos representatives were studying in Spain. That schedule classified imports according to whether they needed to pay "extraordinary duties" (30-35 percent); "fiscal duties" (maximum of 15 percent); or "balance of trade duties" with modest fees based on number, weight, or measure. The same schedule pre-announced a lowering of extraordinary duties to the level of fiscal duties, that is, a *uniform tariff rate* of 15 percent within twelve years, by 1881 [Vicens Vives 1969: 710].

The reasons that these final rates did not take effect in Spain is beyond the scope of our discussion. What is significant, however, is that the customs duties approved by the Malolos government were significantly more liberal -- in terms of the average level and uniformity of tariffs -- than the most that Spanish *liberalismo* had achieved in its homeland. In the light of current debates, it is especially interesting that the Philippines already had a uniform five percent tariff under the revolution.

The higher taxes initially levied on exports were most likely a pragmatic measure to improve domestic supply conditions (which may also be adduced for the lower taxes on imports). At any rate, the 15 percent duty on exports corresponded

strikingly to what would have been called “fiscal duties” in the 1869 Spanish tariff schedules, referring to their mainly revenue-raising functions.

By the time the Budget Act was passed on 19 February 1899, however, the Filipino-American war had broken out, and the system of trade taxes underwent modifications. Article 9 of the Budget Act abolished all import duties for Luzon and adjacent islands. The duty on exports was lowered to 10 percent *ad valorem*, while the excise on coastal movements of goods was raised to 10 percent. This was no move towards free trade but rather a measure born of pragmatism: the fact that Manila was controlled by the enemy made it expedient to remove import barriers to in order to divert the flow of goods to other Luzon ports which were controlled by the revolutionary government. The exaction of import duties was “neither expedient nor politic, at the moment”, given the aim of encouraging imports to alleviate the shortages of goods and basic necessities brought on by the war. By contrast, the revolutionary government’s dominance in the countryside meant that (mainly agricultural) exports, as well as domestic movement of goods, would still be largely under its control. For this reason, export duties and domestic excises could be retained; the latter could even be raised. The reduced tax on exports seems puzzling at first, since one would have expected the government to seek to maximize revenues from this source as well. One important part of the answer, however, was the revolution’s urgent need for hard currency (Mexican silver). This was provided by foreign export buyers, mostly British and American, many of whom maintained offices in Manila, even as they dealt commercially with revolutionary forces.<sup>10</sup> The additional uncertainty caused by actual hostilities with the Americans would have provided an additional disincentive for these foreign firms to continue their dealings with the revolutionary government, and the reduced duties may be viewed as an inducement. In addition, many of the friar lands that reverted to the government also produced exportable crops, so that the government had a larger interest besides tax revenue in facilitating sales by further reducing the already-moderate export duties. For both reasons, the revolutionary government took a permissive attitude towards exports. A decree of 6 October 1899 allowed the export of all types of products from the country except means of subsistence of the masses or material that would benefit the enemy” [NHI 1994:174].

### **Friar lands and the agrarian question**

Aside from finance and taxation, the other great economic question that pre-occupied the Malolos government was the issue of the friar lands. Indeed, the only explicitly “economic” issue dealt with in the Malolos Constitution was the “additional article” which provided that

[a]ll the estates, edifices, and other property possessed by the religious corporations in these islands shall be deemed restored to the Philippine State as of May 24, 1898 when the Dictatorial Government was constituted in Cavite.

The matter of friar lands is also treated in Articles 11 and 12 of the Budget Act (19 February 1899), which provided that the friar estates would be administered by "persons of means" (*personas de arraigo*) to be named by the Finance Secretary, "giving preference to local government heads, upon presentation of security in cash or bonds". Administrators were to receive as return a share in the rental income of the said corporations.

The issue of the disposition of friar lands has been the subject of much writing, since it links the revolution with the question of agrarian reform and peasant uprisings that would pre-occupy the American regime, the Commonwealth, as well as the subsequent postwar Republic. It is on this issue that commentators have sought to test the social and economic agenda of the revolution. Earlier writers have lamented the fact that the revolution "did not present a definite and elaborate economic program that fully explained and at the same time presented a radical principle of amelioration to solve the agrarian problem that afflicted the country during and before the revolution" [Majul [1996(1960): 46-47].

It will also be noted that the constitutional provision restored the lands not to individuals but to the state, while the Budget Act assigned the administration of such lands to affluent individuals. A persuasive interpretation would suggest that this was a clear instance where the implicit land-demands of peasants and agricultural workers, who made up the mass of the revolutionary forces, were frustrated by the machinations of well-to-do local chiefs. Indeed, John Taylor, the U.S. officer evaluating the "insurgent records", would write that "the demand for the secularization of the property of the orders come from men who would profit by it".

Owing to the prominence of the question of the friar lands, a second measure pertaining to land under the revolution has been less noticed. The Public Land Law (*Reglamento para la adjudicacion de terrenos incultos*) was passed on 27 February 1899 [NHI 1994:147]). It stipulated that any Filipino could apply to the government to acquire possession of uncultivated lands. The applicant had to (voluntarily) indicate the rent in absolute terms that needed to be paid in kind to the government, equivalent in principle to five percent of output.

Agrarian relations in the Malolos period, therefore, were an arrangement in which land (both cultivated and uncultivated) was in principle deemed state property, which could be either privately rented or alienated. The larger issue, however, is why peasant demands for individual land-ownership were not taken up. At no time, however, was it a revolutionary demand -- as it would be in subsequent

agrarian movements -- for large tracts of land to be seized and freely redistributed to small tenant farmers. Why, for instance, were friar estates not broken up into individual land-holdings? It would certainly have been a simple matter to convert lease payments to amortizations. Nor was the government opposed in principle to private ownership of lands. This is evident from the Public Land Law, but also from the Budget Act, which qualifies the situation by saying that it the reversion of friar lands to the state "will not be a bar to future adjudications concerning the claim of private individuals". On this matter, two viewpoints are possible: either the existing state of affairs was meant to be temporary, or it coincided with a strategic conception by the revolutionary leaders of how property rights should be assigned even in a future society.

It does not seem a single answer is possible. State pragmatism once more is an obvious explanation for the retention of the lands by the state. Reversion of the friar lands to the state implied that the rent or *canon* formerly collected by the friar corporations would now accrue to the government. The Budget Act explicitly noted that these properties, administered intelligently and honorably, would provide a major source of new revenue for the government. For another, it was probably inopportune to overly disrupt the existing production arrangements, especially in the context of pursuing the war and generating needed government revenues. The replacement of the friar corporations' role as lessor by the Filipino government satisfied a long-felt national demand that did not directly intervene with existing systems of agricultural production, finance, and marketing. By contrast, a redistribution of lands to the actual tillers under conditions of the time would have generated social tensions (e.g., between the more affluent tenant farmers and their paid hands) that would have prejudiced the success of the revolution itself.

### **Spanish liberal experience with agrarian reform**

Beyond practical politics, there is another element that might help explain the attitude of the revolution's leaders towards agrarian questions. If the hypothesis of this article is correct, then the framers of the economic measures at Malolos cannot have been oblivious to the state of cameralist wisdom regarding the matter of agrarian relations. After all, the acquaintance of the *propagandistas* with the leading lights of the liberal republicans is well known and documented.<sup>11</sup> Lopez Jaena would ultimately join the *Zorrillistas*; del Pilar would cultivate relations with Sagasta's fusionists. Morayta, a close acquaintance of the propagandists, was associated with the Possibilists under Emilio Castellar. Notwithstanding the splits and factionalism that characterized the republicans especially since the 1870s, people such as Sagasta, Ruiz Zorrilla, Pi y Margall, and Morayta, though divided on tactics, shared a common republican liberal heritage associated especially with the Progressives of the 1830s. The old progressive party had simply split over tactics by the 1870s into the

mainstream republican *Fusionistas* under Práxedes Sagasta, and the more radical *republicanos progresistas* or *Zorrillistas* under Manuel Ruiz Zorrilla.

As context, it must be remembered that the Spain in which many of the *ilustrados* had lived and studied was no stranger to agrarian reform under various liberal regimes, and in fact had undergone several attempts at it, covering both civil and ecclesiastical “disentailments”, i.e., the breaking up and distribution of the large latifundia that had predominated in rural areas. (On this, see, e.g., Vicens Vives [1969:626-627].) Ecclesiastical disentailment in particular had a long history, beginning with a law in 1812 incorporating into the state the assets of religious orders after the French invasion; another law in 1820 incorporated into the state the assets of monasteries and convents dissolved by a liberal Cortes. This process continued until 1860. This was a veritable template, therefore, for the revolution’s own agenda, and certainly an experience that would have been known to lawyers schooled in the cameral sciences and who were personally acquainted with many of the Spanish liberal proponents and implementors of such schemes.

The original liberal idea regarding agricultural property, moreover, had been the most simple one of redistributing land to the tiller, following the example of the French revolution. In particular, Gaspár de Jovellanos [1744-1811], the reformer under Charles III, whom Sancianco called “immortal”, was a proponent of a radical individualist solution to the agrarian problem. Jovellanos wrote a report on agrarian legislation for the Royal Society of Madrid [1785]<sup>12</sup> which became influential in the design of the agrarian reform of 1813. The direction of Jovellanos’s *Informe* has been described as follows:

Corporate property and entail were sins against the “natural tendency towards perfection”: individual interest, i.e., ownership, was the “first instrument of prosperity”. Combining these two propositions, it followed that the task of nineteenth century liberalism was confined to the creation of a free market in land by the abolition of the entail, and the sale of the church estates and the common lands [Carr 1966:67].

Among other things, Jovellanos [quoted in Carr 1966:16] would write:

Why in our villages are there men without land and in our countryside land without men? Bring them together and all will be served.

Jovellanos himself was part of a group heavily influenced by Adam Smith. Vicens Vives [1969: 567] dates from 1795 the wide spread of Smithian ideas. He notes that the *Wealth of nations* was available in the English original and in two French translations and that this coincided with the fame of Jovellanos’s own writings: “The political principle of first importance is that of leaving men in the greatest possible freedom, in whose wake trade, population, and wealth will flourish”. In this framework, the encumbrances on land sale and ownership imposed by feudal rules

were an obstacle to development, which could be remedied only by turning land into a commodity that could be freely bought and sold. The model reform for Jovellanos was thus one of individual peasant proprietors -- the same model transfixed in contemporary minds -- and the policy demand was one of land redistribution to small cultivators.

Unfortunately, however, the practice of agrarian reform under Carlos III failed, since low individual productivity and extreme risk led -- as they still do now -- to land mortgage and resale and ultimately to a reconsolidation of land ownership. Carr [1966: 17] notes that the "economic fragility of peasant proprietorship" caused other Spanish reformers to argue against small-holding and for "a state controlled and state-aided colonization with the family as the settled unit". On the other hand, this would have required massive state spending (fiscal problems, again) which made it infeasible. The poverty and low productivity of the small-holding peasant would be a problem that would hound Spain well into the 20th century.

Another clear reference to liberal Spanish reforms in the study of the decisions and acts of the Malolos Congress is provided by the government's scheme for a national loan. A law of 26 November 1898 authorised the government to contract a national loan of \$20 million, to be subscribed by both Filipinos and foreigners. Aguinaldo's decree of November 30 1898 authorised the issuance of bonds worth \$5 million, pursuant to the law authorising the loan, which is also mentioned in the budget law.<sup>13</sup> Once more, this is consistent with the fiscal focus of the government at the time, which has already been discussed.

More pertinent to this inquiry, however, is the government's scheme to *securitise* this loan through the rentals from the former holdings of the friar corporations. A permanent commission of the Board of Treasury was to take charge of the collection of the rental of the estates of the government for the reason that the loan and its interest was to be amortised in installments with these collections. If the collections should not be enough, "the Board shall be authorized to use the income from personal taxes".

Mabini's [1963:82] misgivings regarding this scheme are well known and they stem from what he perceived to be the undue influence that would be exercised by the people of means over the government. Note however that Mabini did not object to the economic idea of the loan as such, but to its significance for practical power-politics, namely the undue influence it would give to affluent Manila people. He would not have objected "if Manila were under our jurisdiction".

Once more, a liberal inspiration may have been provided by the schemes of Juan Alvarez Mendizábal [1780-1853] finance and ultimately prime minister, and the hero of the *Progresista* republicans against the Carlists. What Mendizábal called his

“system” was based on “the astonishing and magic power of credit”. He proposed to contract a national debt from England to raise an army of conscripts to fight the Carlists. As the Malolos government did, he connected the projected loan with an agrarian measure. Mendizábal in 1836 converted all monastic property into *bienes nacionales* and in 1837 proposed the sale of secular-church lands and the abolition of tithes. His scheme involved using the proceeds from these lands to pay off the national debt [Carr 1966: 171-172]. The idea was *reparto*, subdivision of lands among the landless to create a mass of peasant proprietors. It was precisely the small-holder aspect of this agrarian reform, however, that turned it into a “complete fiasco” (see, e.g., Cameron [1997:263] or Carr [1966:176]). The loan was undersubscribed, and the government’s need for funds compelled it to sell reverted property not to small proprietors but to *caciques* and land-speculators. Such parallels between Malolos and the methods and experience (both successful and not) of Spanish liberalism would have been too obvious to ignore and, justifiably or not, may have fuelled apprehensions on the part of Mabini, among others.

One can merely speculate regarding the extent to which the Malolos government gave weight to the actual experience of failed agrarian reforms under successive Spanish liberal regimes, and to what extent it influenced their decision -- clinched by conditions of running a war -- to go slow on a radical land-to-the-tiller programme. It would be significant, however, even if this experience had deterred them at all. For that would suggest that, far from being ignorant or self-interested, the men of Malolos were informed as well as prudent. In this instance, the demands of exigency as well as of economic reasoning would have gone hand in hand. A radical land-to-the-tiller movement at that time would have caused a disruption of supplies, created social tensions at a time the war least needed it; on the other hand, based on the actual historical experience and beyond mere theoretical prognostications, it would not have been a guaranteed success.

### **Settlement versus redistribution**

An important circumstance that may have rendered the land problem less pressing was the low population density in the Philippines at the time. Viewed from this aspect, the distribution of uncultivated lands would have appeared as an eminently more pragmatic alternative to the problem of landlessness, not ruling out resettlement and colonization, as in Spain.<sup>14</sup> From this vantage point, practical men (for indeed, it seemed the Malolos Congress was an all-male affair), this type of argument would have been persuasive. It is also worthwhile recalling that Rizal himself seriously considered a colonization project in Borneo as part of a national agenda.

There is indirect evidence, again relying on Sancianco as a bridge, that suggests how the problem may have presented itself to contemporary Filipino reformers. One of Sancianco's most important legislative proposals had been the "free grant of uncultivated lands" subject to certain minimum performance requirements, particularly, clearing and cultivation (to be completed within 13 years) and the payment of a full real property tax after four years equal to a uniform rate of P8 for every *quiñon* (= 4 hectares). He believed this would solve landlessness by creating property, *a lá Jovellanos*, conjoining "men without land and land without men", as well as earn sufficient revenues for the government to finance public projects:

It is needless to prove that the free grant of uncultivated lands would draw labour and capital towards farming and to all kinds of exploitation of the land. Well, then, if agriculture in the Philippines today is in the most deplorable condition, it nevertheless constitutes her foremost and principal wealth. If, *through the free grant of uncultivated lands with the requirement of cultivating them* and through other means agriculture is extended and improved, would not agricultural production alone suffice to meet all the needs of material life in that territory? And an annual tax on that production, would that not yield higher revenues for the state, besides being less burdensome for the farmer...? [Sancianco 1975(1881): 49].  
(Emphasis supplied.)

Sancianco believed that the physical requirement of clearing the land and payment of a tax -- rather than a simple transfer or even an absolute sale -- were essential components of a land distribution, since these would provide incentives to the new owners to cultivate the land and exploit it productively. This scheme was indeed partially realized under the revolution in the Public Land Law described earlier. The law involved a conditional grant of ownership, with the applicant paying rent or a tax to the state. A difference, of course, was that the Public Land Law set the tax as a proportion of the value of output, while Sancianco put forward reasons for levying a uniform tax per hectare. Modern theory has much to say about whether and when flat rentals are better than proportional shares, but that discussion is beyond this paper's scope. More important for current purposes is simply establishing the plausibility that the revolution's main response to the land question may have taken the form of encouraging resettlement and land clearing through the conditional distribution of uncultivated lands.

Much writing has focused on the revolution's policy on the disposition of the friar lands as the test of its agrarian programme. The fact that the revolution did not adopt a land-to-the-tiller policy in the case of the friar lands has often been taken to mean that it failed, or deliberately refused, to confront the agrarian problem in all its gravity. If this article's hypothesis is correct, however, then there has possibly been a degree of misapprehension in the historical reading of the revolution's response. The

acid test of commitment was not after all the issue of the friar lands; it was the implementation of the law on the distribution of *uncultivated* lands. The revolution did not fail to confront the problem of landlessness; it merely chose to adopt a different solution. In particular it chose not to adopt the solution proposed by the peasant movements of the 1930s and the 1950s. While it is fair to debate the adequacy or appropriateness of the revolution's proposed solution to the problem, it is quite another thing to say that its leaders were oblivious to it.

## Conclusion

This article has sought to show that the Malolos Congress did not merely improvise in the matter of its economic ideas. While the prospect and actual occurrence of war with the United States was a dominant concern, the statesmen of Malolos could draw from a fund and tradition of economic wisdom and studies of policy experience that they had come to know as students preparing for a public career. At bottom, the intellectual economic traditions from which they drew came from that general body of continental knowledge known as Cameralist Science, which was primarily of a practical, policy-oriented bent. This will have been leavened by the influence of Adam Smith's ideas, though always in transmitted form, through the influence of Spanish writers such as Jovellanos. Of Jovellanos and his contemporary Campomanes, Schumpeter [1954:173] would say they were an example of "how well the best brains of that time knew their 'applied economics'":

Jovellanos and Campomanes were practical reformers in the line of economic liberalism, and neither bothered about nor contributed to the progress of analysis. But they understood the economic process better than did many a theorist.

This source of ideas also partly explains why the economics and economic analysis particularly was not a prominent part of the language and writings of the revolution, nor much earlier, the Propaganda. Economics was simply regarded as an applied field of statecraft, or of what we now know as public administration. Here the situation on the continent, and in Spain in particular, should be distinguished from that of England, the birthplace of modern economic analysis.

In his account of the revolution's political ideas, Professor Majul [1996[1960]: 79] noted that the leaders of the revolution were children of the Enlightenment or *Ilustración*, which they imbibed from Spanish masonry, and he remarks on the irony that

by the end of the nineteenth century, French Masonry, which served to disseminate the ideas of the Enlightenment, had already abandoned this role as it became more and more engrossed in Comte's positivism, while Spanish Masonry was still holding on to the principles of the Enlightenment. The fact was that Spain was about a hundred years behind the French experiment in democracy and republicanism. The relative isolation of the Philippines and the connections between Spanish and

Filipino Masonry explain why some Filipinos, by the end of the nineteenth century, were voicing political principles that were in vogue in French about a hundred years earlier.

The same may broadly be said of the lag in the diffusion of economic ideas. The representatives of the Malolos Congress could draw only upon their previous studies and experience. Keynes [1936:383-384] rightly observed that "in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest". This applied *a fortiori* to the men of Malolos: the Philippines was importing ideas half a century old from Spain, which itself was a century behind the rest of Europe. It is indeed easy to point out that decades before the time the Malolos representatives had been students, John Stuart Mill in England was already comparing alternative economic systems: capitalism, socialism, and communism. Well before Sancianco had read Jovellanos's exegesis of Adam Smith, Marx's "Communist manifesto" (1848) and *Das Kapital* (1861) had already reached a wide public. Even before Gomez, Burgos, and Zamora were executed, the marginalist and mathematical revolution in economic analysis had occurred (1871). By the time the revolution brok out, Marshall's *Principles* was into its fourth edition (1898).

Yet, how much did this matter? True, the economic ideas of the Malolos Congress were not of the latest coinage. But, from a purely practical policy viewpoint, these earlier ideas were not inferior, nor -- especially with hindsight -- were the newer ones necessarily better. Nor did this circumstance prevent the leaders of the republic from seeking to apply these ideas, in the brief period they were afforded, with the wisdom and care demanded by the perilous but necessary national enterprise in which they were engaged.

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## ENDNOTES

<sup>1</sup> The definitive contribution is the work of Professor Cesar Adib Majul [1996(1960, 1996(1967)].

<sup>2</sup> For this reason O.D. Corpuz's [1996] economic history must be regarded as a valuable exception.

<sup>3</sup> Schumpeter's [1954:3] standards for economic *analysis* were even more stringent. The latter referred only to the "efforts that men have made in order to *understand* economic phenomena...the history of the analytic or scientific aspects of economic thought". For this reason, not all economic thought or opinion is necessarily analytical.

<sup>4</sup> The presidential decree of 19 October 1898 provided only for faculties of law, medicine and surgery, and pharmacy, and for the training of notaries public. While the law curriculum encompassed economics subjects, the board of examiners consisted entirely of lawyers.

<sup>5</sup> Corpuz [1997: 210] also notes that the basis of the tax on wealth rather than on income was partly due to the fact that "work was in progress toward the design of a *progressive personal income tax system*" [emphasis in the original]. In principle, of course, a tax on wealth would in fact have been less distortive than one on incomes, since unlike the latter, the former does not carry no disincentive to labour.

<sup>6</sup> Smith's maxims on taxation -- proportionality or equality, certainty of terms, convenience to the payer, and minimal collection costs -- became classic references within a relatively short period and would be cited almost predictably by those who would follow, e.g., Ricardo and J.S. Mill.

<sup>7</sup> Indeed, it was even arguable that the poor benefited more than the rich from public services, but few would have accepted the conclusion that the poor ought to pay as much as they got.

<sup>8</sup> Adam Smith recounts that frame of mind: "Why should dealers in one sort of goods, it seems to have been thought, be more favoured than those in another? or why should merchant exporter be more favoured than merchant importer?"

<sup>9</sup> In a curious footnote, a treasury decree of 7 November 1898 suspends the 5 percent excise on merchandise but a decree dated the very next day restores it.

<sup>10</sup> A good amount of J.M. Taylor's effort to evaluate the revolution's records was an attempt to prove that many of these firms were traitors to the American cause.

<sup>11</sup> See, e.g., Schumacher [1973].

<sup>12</sup> Schumpeter reports that this was published only in 1859 in the *Biblioteca de Autores Españoles*.

<sup>13</sup> The loan was to be raised as follows: Series A, worth \$100 each, 25,000 titles Series B, worth \$50 each, 1000,000 titles. This was to be amortised by the government over 40 years, with six percent interest per annum, payable every semester. Implied was a payment of approximately \$662,000 per semester, or \$1,340,000 annually. This debt service would have been more than one-fifth (21.2 percent) of the budget of \$6,324,729.38 approved for 1899 and would have been the largest item in the budget, next to war expenses.

<sup>14</sup> I am grateful to Dr. Benito Legarda, Jr. for pointing this out.