



Politics of Technology and Economic Development: Tracing the roots of the absence of NSI in the Philippines

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Introduction

There is a wave of hopelessness that is enveloping the Philippines. A 2006 poll found that one of every three Filipinos wanted to leave the country because “they see no hope”.¹ Poverty continues to be a central development issue in the country. According to the 2006 NSCB estimates, 27.6 million Filipinos or 4.8 million families are living below poverty line, and poverty has worsened between 2003 and 2006.² Rather than exporting manufactured goods, the Philippines is an aggressive exporter of Filipino workers. From the 1990s, a feminization of OFWs (Overseas Filipino Workers) has increased. These women have university degrees, such as teachers, nurses, and doctors (turned nurses) leaving the country to become nurses, housemaids, entertainers, and caregivers in rich countries. But signs of a worrying social cost are already showing. Recently, policymakers and government officials were alarmed by a ‘crisis’ in the country’s health sector where some 200 public hospitals had to close down and another 800 hospitals were partially closed because nurses and doctors had left the country for a better future in foreign lands.³ More than 6 million Filipinos work abroad and in 2006 they sent US\$11 billion in remittances to their families, and this helped prop up a national economy

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¹ Conrado de Quiros, ‘Believe it or not’, *Philippine Daily Inquirer*, December 20, 2006. http://opinion.inquirer.net/inquireropinion/columns/view_article.php?article_id=39435, Accessed December 5, 2007.

² National Statistical Coordination Board (NSCB), ‘Poverty worsens between 2003 and 2006’, http://www.nscb.gov.ph/pressreleases/2008/PR-200803-SS2-02_pov.asp, accessed March 26, 2008. The figures represent 33 percent and 27 percent, respectively of the total population and families.

³ Jaime Z. Galvez Tan, ‘Regulating the movement of doctors- supply and demand: the Philippines’, University of the Philippines College of Medicine, http://www.iamra.com/ppt/Regulating%20the%20Movement%20of%20Doctors_Supply%20and%20Demand_The%20Philippines_Dr%20Jaime%20Galvez%20Tan.ppt, accessed November 2, 2007.

that is up to its neck in debt. A faltering economy and lack of economic opportunity are what fuels the exodus of many Filipinos.

This study was undertaken primarily to understand why the Philippines is a laggard when compared to East Asia's 'achievers'. Numerous explanations have been forwarded, and this study seeks to build on this body of scholarship. One of the recurring themes in the literature explaining the failure of rapid industrialization is the 'lack of political will' on the part of the Philippine government to harness science, technology, and innovation in economic development.⁴ My research question, therefore, is: Why does the Philippine government seem to lack that 'political will', and how did it come into being? The challenge facing the Philippines is how to successfully transform a mercantile into a production- and service-oriented economy.⁵ Unlike an economy characterized by reinforcing dynamics of highly innovative agriculture, industry, and service sectors, a trade-based economy continues to impoverish the majority because it has the unintended consequence of concentrating wealth only to a few. Political will is shown when an activist government deploys a development strategy that combines trade with innovation policy to successfully build a closely-linked innovative agriculture and manufacturing sectors, as discussed later.

I argue that the long history of colonialism (and neo-colonialism) and the dominance of global historic blocs of which the more cosmopolitan⁶ Filipino ruling élite is a part largely explains the 'lack of political will' problem in the Philippines. What troubles the Philippines of today are an economy dominated by global trade and financial interests and a government controlled by cosmopolitan political leaders and bureaucrats which, time and again, have privileged economic liberalism. These interacting political, economic and cultural (religious, intellectual) élites established the much wider socio-economic order in which technological innovative activities required to bring about the shift from trade- and finance-based economy to production-oriented one, making industrial capitalists more predominant, were completely marginalized. These global historic blocs' trade and financial interests and the technocrats' commitment to economic liberalism imposed free trade policy not only too early in the Philippine development path but entrenched institutions and social forces that effectively and subsequently

⁴ See, for example, Jose A. Magpantay, 'S&T in the Philippines: directions in the 21st century', *Philippine Review of Economics and Business* 36, 1999, pp. 365-93; Epictetus Patalinghug, 'An assessment of science and technology policies in the Philippines', *International Journal of Technology and Management* 22, 2001, pp. 599-616; Roger Posadas, 'The Philippines', in Saneh Chamarik and Susantha Goonatilake (eds.), *Technological Independence — The Asian Experience*. Japan: United Nations University Press, 1994. <http://www.unu.edu/unupress/unupbooks/uu04te/uu04te0k.htm#5%20the%20philippines>. Accessed 10 December 2006; Sunil Mani, 'Moving up or going back the value chain: an examination of the role of government with respect to promoting technological development in the Philippines', Discussion Paper Series, UNU-INTECH, Maastricht, The Netherlands, November 2002.

⁵ I have shown elsewhere that even the high-tech electronics industry in the Philippines is fundamentally a trade (an import-export) business. Elisa King, 'Politics of Technology and Economic Development: Why the Philippines is an Outlier in East Asia.' Ph.D. Dissertation, University of Alberta, 2008.

⁶ The term 'cosmopolitan' is used in this paper to denote social forces which challenge commonly recognized "attachments to fellow citizens, the local state, parochially shared cultures and the like." Stanford Encyclopedia of Philosophy, <http://plato.stanford.edu/entries/cosmopolitanism/> November 28, 2006, Accessed July 28, 2008.

marginalized the role of technological innovation and production in economic development. The foundations of these enduring social structures were laid during the Spanish colonial period.⁷ In this paper my aim is to trace the beginnings of the formation and the subsequent entrenchment of the dominant historic bloc in Spanish Philippines (1565-1898). I will first discuss the analytical framework, and then proceed to show that the first wave of globalization primarily for raw materials and ‘home-spun’ goods, for the first time integrated the import-export business interest of global traders and financiers (European and locals) who were not necessarily politically in accord with the interest of the colonial Spanish government. This will be followed by a discussion of the beginnings of local political and cultural forces in the Philippines, highlighting the impact of colonialism as fragmentation of the local elite or their nationalist visions, and the legacy of the colonial Spanish education system. The social environment of Spanish Philippines is examined against the backdrop of 16th- and 18th-century England.

Conceptualizing politics of technology and development

To make sense of the lack of the lack of political will problem, I combine Prof. Chris Freeman’s concept of NSI and the historical materialist approaches advanced by the Italian political economic theorist, Antonio Gramsci and the Canadian international political economic theorist, Robert Cox. I suggest that NSI is an historical structure, emphasizing the role of a malleable coalition of political, technological, and cultural forces or human agents in the economic transformation equation. Here NSI is deployed in an instrumental way, that is, it is something that is not natural, but is created by human effort. Freeman defines NSI as a network of institutions in public and private spheres whose activities and interactions are geared towards the production, adaptation, diffusion and application of technology in the economy.⁸ Later, he emphasizes the national and regional dimension of the system within the context of an increasingly integrated world economy, arguing that although international linkages are growing in importance, the influence of national factors, particularly the education system, industrial relations, technical and scientific institutions, government policies, cultural traditions and many local institutions are fundamental to establish NSI.⁹

⁷ Hedman and Sidel argue that the present institutional environment in the Philippines is not so much a remnant of Hispanic colonization, but of “state structures erected and imposed in the course of the American colonial era.” They reasoned that it was “the timing, phasing, and structural design of [American] colonial democracy” that “left several lasting legacies which have continued to shape Philippine politics long after independence in 1946.” The institutionalization of a multi-tiered system of executive and legislative elections had entrenched the interests of the landed segment of the ruling class in Philippine politics and economy. Once in public office, they not only practiced political patronage, but also influenced the nature and direction of public policy to serve their own interests. See Eva-Lotta Hedman and John Sidel, *Philippine Politics and Society in the Twentieth Century: Colonial Legacies, Post-Colonial Trajectories*. London: Routledge, 2000, p.7.

⁸ Chris Freeman, *Technology and Policy and Economic Performance: Lessons from Japan*. London: Frances Pinter, 1987.

⁹ Chris Freeman, ‘The ‘national system of innovation’ in historical perspective’, *Cambridge Journal of Economics* 19, 1995, p. 5.

In a more recent work, Freeman puts a spotlight on the complementarity and integration of these institutions in order to promote economic growth.¹⁰ But most importantly he distinguishes between “narrow” and “broad” definitions of NSI, with the former focusing on “those institutions which deliberately promote the acquisition and dissemination of knowledge and are the main sources of innovation”, and the latter “recognizes that these ‘narrow’ institutions are embedded in a much wider socio-economic system in which political and cultural influences as well as economic policies help to determine the scale, direction and relative success of all innovative activities.” The synergies produced by this configuration of political, economic, technological, and cultural forces constitute the ‘broader NSI’ which historically has provided an environment hospitable to the shift from a trade- and finance-based economy to a manufacturing one.

While the integration of institutions is quite significant in NSI, this task can be more appropriately done by the state. Bjorn Johnson argues that formal and informal rules on property rights, cooperation, long-term credit, and public good significantly affect an organization like business firms’ inclination to innovate and to share information, hence arguably a nation-state’s institutional set-up influences innovation and learning processes.¹¹ This has serious implications for the role of governments because, as is evident in the above definitions of NSI, there is a need to integrate institutions in such a way that synergies among them can be achieved. Nonetheless, the NSI approach does not have a theory of the state. Given these limitations, it is essential that the NSI framework be combined with compatible frameworks from other disciplines, such as political economy. Susan Strange may exaggerate when she argues that “the state is in retreat” in the era of globalization because the state, though undergoing some transformation, certainly plays an important role in this whole process of change.¹² As Leo Panitch points out, the state is an active agent of the process of globalization itself¹³ (including technological innovation) because it is the only institution empowered to make and enforce collectively binding decisions in the intra and inter-state system¹⁴ so much so that international governance institutions also need the state to realize their goals.

Freeman’s broader concept of NSI corresponds with Gramsci’s notion of a modern state. The **modern state**, according to him is an ‘expanded’ one which constitutes the interacting political, intellectual, and material forces which he termed a **national historic bloc**. These interacting forces correspond to those forces (or institutions) which Freeman suggests as crucial in a functional NSI. I propose that NSI is

¹⁰ Chris Freeman, ‘Continental, national and sub-national innovation systems – complementarity and economic growth’, *Research Policy* 31, 2002, pp. 191-211.

¹¹ Bjorn Johnson, ‘Institutional learning’, in Bengt-Ake Lundvall (ed.), *National Systems of Innovation: Towards a Theory of Innovation and Interactive Learning*. London: Pinter Publishers, 1992, pp. 23-67.

¹² Susan Strange, *The Retreat of the State: The Diffusion of Power in the World Economy*. Cambridge: Cambridge University Press, 1996.

¹³ Leo Panitch, ‘Rethinking the role of the state in an era of globalization’, Paper presented at the American Political Science Association and reprinted in the Socialist Register, Mimeo, 1994.

¹⁴ Geoffrey Underhill, ‘Conceptualizing the changing global order’, in Richard Stubbs and Geoffrey Underhill (eds.) *Political Economy and the Changing Global Order*. Don Mills, ON: Oxford University Press, 2000.

affects NSI in the sense that the sum of all arrangements governing international issues, such as production, finance, security, knowledge, and development, generally termed “world order”, influences the development, financing, regulation and protection accorded to technology.

Historical structures are frames of reference wherein the trends arising from the sequence of outstanding historical events are analyzed in order to explain a technological and economic development (or underdevelopment) phenomenon. The component social elements or historic bloc are engaged in an interchanging sequence of action and reaction indicating the inextricable linkage between politics, economics, and culture at the national and global levels. There are rival coalitions of forces in a country, and the relationship between more insular nationalist and globalist historic blocs is described as both conflictual and cooperative.¹⁶ Given that this uneasy ‘alliance’ of forces is historical, there is the likelihood of a particular coalition to emerge, flourish, and also fall apart. Thus change is possible, and such an impulse could come from any of the component forces given that the relationship among them is non-deterministic.

Conceptualizing the broader NSI as an historical structure suggests that global capitalist accumulation process are always refracted through the prism of social relations and institutions prevailing within nation-states. The implication of Gramsci’s theory of the state is that there is historical variability in the creation of states. There are different forms of state-society complexes (or expanded state, if you will) which, according to Cox, go beyond the blanket typology of strong and weak states. This is crucial to our explanation of the varied responses or abilities of nation-states to build technology- and innovation-driven production and service sectors. There are traditional as well as modern states. A modern state is essential to build an NSI because such a state is more inclined to use its political power to extract surplus from its people in the private economic domain rather than from the public political domain. By providing an institutional environment conducive for owners of private property to use their allocative power to better themselves, freedom to use innovativeness and creativity is increased. This fundamental synergistic institutional dynamic allows innovative processes to progress. As Erik Reinert puts it

The *modern state* creates the institutions enabling improvements in production and distribution, and creates the incentives that make the vested interest of the entrepreneur coincide with the vested interests of society at large. Institutions encompass everything from legislation to infrastructure, patents to protect new ideas, schools, universities, and standardization of units of measurements, for example.¹⁷

¹⁶ See, for example, A. G. Hopkins, ‘Capitalism, nationalism and the new American empire’, *The Journal of Imperial and Commonwealth History* 35 (1), March 2007, pp. 95-117.

¹⁷ Erik Reinert, *How Rich Countries Got Rich...and Why Poor Countries Stay Poor*. New York: Carrol & Graf Publishers, 2007, p. 121.

Even though concepts of ‘state’ developed differently in other states, and for this reason are not necessarily equivalent to the English concept of ‘state’¹⁸, “the inspiration for it, in the final analysis”, Greenfeld asserts, came from nationalism, which is “incommensurable with a personal government.”¹⁹ Serving as “the cohesive factor” of overlapping elements of a social formation, a modern state is capable of defining a national vision of collective destiny rather than of particular interest. Such a form of state is crucial in the integration of forces and institutions necessary not only to reach a certain level of technological achievement but to have that achievement reflected in a comparable level of innovation, used by society for economic modernization. For this reason, Nicos Poulantzas argues, the state becomes the object of “political class struggle” which is “the motive force of history”, the “nodal point of the process of transformation”.²⁰

Hannes Lacher argues that the variability of nation-states as a social form can be analyzed by using *property relations* rather than production relations as the analytical tool.²¹ Here, property relations refer to the struggle over the control of ‘**authoritative**’ power (or political power) and the ‘**allocative**’ power (or economic power). The power for surplus extraction, through the control over people, is called authoritative resource; the control over things and eventually nature is called allocative resource.²² In other words, we can determine whether a state is modern (capitalist) or pre-modern (e.g. absolutist, patrimonial) by examining the relationship between authoritative and allocative powers as far as economic surplus extraction is concerned. In essence, in pre-modern or pre-capitalist (e.g. absolutist and patrimonial) societies, there is a real *unity* of the political and economic (and cultural) forms of power. The authoritative (i.e., the bureaucratic, military, and judicial) powers possessed by the feudal ruling élites were used to exploit the peasantries using the state office.²³ Lacher argues that the ownership of the means of production through the accumulation of authoritative power by lords gives them political and legal rights over access to economic surplus, enabling lords to reproduce themselves as lords. Economic development then is prevented because the logic of wealth accumulation by the ruling élites is not governed by the criteria of efficiency of production, rather through coercion or exploitation through extra-economic means.²⁴ Hence, Robert Brenner argues that pre-modern property relationships are a

¹⁸ For example, in France the ‘*etat*’ originally acquired its political meaning from association with the person of the king, and later meant the government bureaucracy because the powers delegated to and exercised by king’s officials during Richelieu’s ministry grew very extensive, and Richelieu insisted that the officials represented the king’s authority itself.

¹⁹ Greenfeld, ‘Nationalism and modernity’, p. 26.

²⁰ Nicos Poulantzas, *Political Power and Social Classes*, transl. T. O’Hagan. London: NLB and Sheed and Ward, 1973, pp. 76-77.

²¹ Hannes Lacher, *Beyond Globalization: Capitalism, Territoriality and the International Relations of Modernity*. London and New York: Routledge, 2006, p. 51.

²² *Ibid.*, p. 37.

²³ Richard Lachmann, ‘Comparisons within a single social formation: a critical appreciation of Perry Anderson’s lineages of the absolutist state’, *Qualitative Sociology* 25 (1), Spring 2002, p. 91.

²⁴ *Ibid.*

hindrance to overall economic development, hence the importance of transforming property relations among societies.²⁵

By contrast, Max Weber pointed out that the **modern state** is distinct from pre-modern institutions because power relations in the economic and political spheres are separated “from all personal authority of individuals”, such as the monarchy and feudal warlords and power become “an attribute of the community.”²⁶ A *modern state* form of government, by definition, was impersonal, based on popular mandate rather than on the authority of individuals. This idea of the ‘modern state’ is shared by structural historical materialists who refer to the modern state as a **capitalist** state. This form of state, Lacher argues, is “autonomous” and “not just relatively”. He notes:

[Capitalist] states never just codified the prevailing world market strategies of firms, nor did they simply execute the global interests of ‘their’ capitalist classes. States construct social spaces, creating a specific nexus between territorially based political authority and the different scales of accumulation, from the local to the global. They thereby shape and limit possible strategies of firms and classes.²⁷

In a modern or capitalist society, the power to extract surplus is premised on the control over property in the means of production located in the market (rather than the possession of political authority) which, Lacher argues, is “the decisive aspect in the dynamic of productive and commercial development”.²⁸ Labour is transformed as a commodity sold in the market or in the private sphere, producing a class of wage-earning workers, and the establishment of absolute private property, creating an industrial capitalist class. The state is no longer directly implicated in capitalist exploitation because of the privatization of some forms of political domination in the economy (or market). The privatization of surplus extraction in the economic domain leaves the role of the state in the public domain to be the formulation and enforcement of rules for a market economy to function.

Ellen Meiksins Wood maintains that Western conceptions of modernity conflate the rise of Enlightenment rationalism (the elevation of reason over ignorance and superstition) with the development of capitalism.²⁹ This conflation is also reflected in an understanding of ‘bourgeois’ as identical to ‘capitalist’. **Capitalism** is used in this study to differentiate from mercantile capitalism. The latter is the age-old exploitation of price differential between segmented markets, buying cheap products in one market to sell at a higher price in another, but which creates only opportunities for exchange. It marked the

²⁵ Robert Brenner, ‘The social basis of economic development’, in John E. Roemer (ed.), *Analytical Marxism*. Cambridge, England: Cambridge University Press, 1986.

²⁶ Max Weber, *Economy and Society: An Outline of Interpretive Sociology*, edited by Guenther Roth and Claus Wittich, transl, Ephraim Fischhoff et al. Berkeley, CA: University of California Press, 1978, pp. 600, 998; Liah Greenfeld, ‘Nationalism and modernity’ *Social Research* 63 (1), Spring 1996, p. 9.

²⁷ Lacher, *Beyond Globalization*, p. 155.

²⁸ *Ibid.*, p. 37.

²⁹ Ellen Meiksins Wood, ‘Capitalism or enlightenment?’, *History of Political Thought* 21 (3), Autumn 2000, p. 405.

beginning of “the pursuit of ever-increasing wealth” through “profit-oriented production for market exchange where it becomes imperative for producers to produce for the market”.³⁰ In other words, this distinct type of capitalism emerging is production-oriented (and not necessarily equated with industrial capitalism because it actually first developed in English farming practices in England). Historical accounts indicate rationalization or enlightenment to have not necessarily manifested itself in all time and space in a culture of capitalism. For example, in France, the enlightenment idea of ‘progress’ and ‘equality’ (e.g., Condorcet) was thought to be achieved through reason, while in England (e.g. Locke) progress was paired with ‘industriousness’ closely associated with “productivity and profit making”. The 18th-century French bourgeoisie was not an industrial capitalist class, but an officeholder, a professional, even an intellectual whose material interests were bound up with the state through stipends from the state or through exemption from taxes which burdened the Third Estate.³¹

Essentially, the interest of non-capitalist bourgeois was typically expressed in the commitment to civil equality which, more often than not, meant access to state office. What is of most significance here is that the culture of the French Enlightenment led to a material and institutional interest of the intellectuals toward access to the state, to the lucrative resources of state salaries, pensions and privileges. But this was “less a symptom of ‘modernity’ than a feature of the *ancien régime* and the corporate structure of the absolutist state...[where] the state and office were primary economic resources.” Research projects of those intellectuals or professionals in the Paris Academy, for instance, were dictated by the essential functions of the state rather than of the economy.³² This means the rationalism and modernity in France did not result in a ‘capitalist state’.

By contrast, the English bourgeoisie some, of whom were also members of the Royal Society as scientists and politicians (e.g. Isaac Newton, Robert Boyle, and William Petty) came from the landed class, especially from the gentry – men who did not regard their intellectual pursuits as a kind of professional activity, let alone a type of office holding. The early preoccupation of the Society was with the improvement of the agriculture sector through enhanced productivity. One of the Society’s earliest projects was a countrywide survey of the technological needs of English farming, which in 17th century or earlier was already subjected to the requirements of a competitive market or agrarian capitalism. In England the landed were transformed into capitalists and were also the political ruling class. The first agrarian capitalist and industrial capitalist systems were established first only in England and not in France and the entire Western Europe (except Holland) and was presented with a unique ideology of progress based on technology, innovation and the enhancement of labour productivity.³³

³⁰ William Welch, ‘In the national interest: interview with Liah Greenfeld’, *Vision: Insights and New Horizons*, Spring 2006, <http://www.vision.org/visionmedia/article.aspx?id=1329>, accessed November 3, 2007; Ellen Meiksins Wood, ‘From opportunity to imperative: the history of the market’, *Monthly Review* 46 (3), 1994, pp. 14-26.

³¹ Wood, ‘Capitalism or enlightenment?’, p. 408-413.

³² *Ibid.*, p. 413-17.

³³ *Ibid.*, p. 417.

There is nothing self-evident about a modern social formation that supports innovation and production systems. The integration process that Freeman underscores requires political power. This is where Gramsci's historic bloc, which constitutes interacting political, cultural, and economic elites, is salient because they provide the intellectual, political, and economic leadership to develop that system.³⁴ The task of intellectuals and other cultural actors is very important in the creation of NSI as they develop and sustain mental images to promote the desired norms and achieve consensus.³⁵ I then underscore the role of 'belief-systems' or ideas in the transformation process. Nationalism engenders a developmental mindset, a symptom as well as a cause of a modernizing society. Although developmental ruling élites are closely associated with the East Asian developmental states, some scholars point out that they have existed earlier in history as in England and Western Europe, especially Holland and Germany.³⁶ Bai Gao points out that ideology or "a way of seeing things" influences the national strategy to secure a dynamic economy.³⁷ On this account, ideas are a significant part of the NSI as they provide societies with what Margaret Jacob termed a "mental shift".

A worldview persuades economic and political actors to accept a definition of the situation so that the state gains control over the outcomes. How a national problem is defined determines the nature of the solution.³⁸ Hence, intellectuals or technocrats, and more recently think tanks, are significant actors in establishing NSI, actively integrating technological change in economic development discourse. Mark Beeson notes that political economic visions not only inform about "what appropriate policy looks like, but what an economy is, the way it should be thought of, and the purposes to which it should be put."³⁹ What policymakers envision of an economy and its purpose will "both reflect and *help to construct* the very economic processes and forms policymakers and theoreticians seek to comprehend and manage."⁴⁰ Whether a national economy is self-regulating or managed is a national vision that is contested by rival power blocs, i.e. nationalist and globalist.

³⁴ Antonio Gramsci, *Selections from the Prison Notebooks of Antonio Gramsci*, edited and transl. Quintin Hoare and Gerard Nowell Smith. New York: International Publishers, 1971, p. 258.

³⁵ Cox, 'Gramsci, hegemony', p. 132.

³⁶ See, for example, Amiya Kumar Bagchi, 'The past and the future of the developmental state', *Journal of World-Systems Research* 11 (2), Summer/Fall 2000, pp. 398-442; Ha-Joon Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem Press, 2002.

³⁷ Bai Gao, *Economic Ideology and Japanese Industrial Policy*. Cambridge, UK: Cambridge University Press, 1997.

³⁸ *Ibid.*, p. 14. Gao argues that the Japanese "economics of industrialization" sees the establishment of national production (and innovation) system as the most important policy to establish a strong and globally competitive industry. This emphasis on production actually founded on the following solid principles of economic management: (1) building an optimal industrial structure (*sangyo kozo*); (2) restraining excessive competition (*kado kyoso*); and (3) trading companies' short-term profits for labor's cooperation in promoting productivity (*seisansei*).

³⁹ Mark Beeson, *Regionalism and Globalization in East Asia: Politics, Security and Economic Development*. Hampshire, UK and New York: Palgrave, 2007, p. 144.

⁴⁰ *Ibid.*, p. 145.

It is the belief-system in a government that is biased towards production, focused on creating innovative production and service sectors that is of significance in the establishment of NSI because belief-systems shape the way the rulers think about how things are to be done. A modern state requires three conditions: (1) an ideology that embraces a universe of assumptions, values, and expectations centred on production, technological competency, and innovative culture as the means to build a strong national economy; (2) the dominance of a capitalist mode of production; and 3) the ability of an historic bloc to harness this belief-system as a moving force toward national development. A developmental vision serves as the glue that integrates the actions of politicians, businessmen, educators, and the general public with their perception and understanding of the national economy. As Freeman emphasizes, the integration and coherence of a society's institutional elements provides a supporting overall structure for rapid diffusion of core leading technologies in clusters of industries.⁴¹ The ability of the state to promote technological and industrial development largely depends upon its relationship with purveyors of technological, political and social power at the national and international levels. This relationship is characteristically of a 'conflict-cooperation' type. The state is involved in 'games at two levels' – domestic and global – with each game having its own set of rules. At the domestic level, the state is involved in a political game to provide a secured and high standard of living for its people, but at another level, the international, the state is involved in another game that has its own rules favouring market forces.

The idea of collective destiny was expressed by Friedrich List in what is now considered his classic book, *National System of Political Economy*, when he said: "It is the task of politics to civilise the barbarous nationalities, to make the small and weak ones great and strong, but, above all, to secure to them existence and continuance."⁴² And to accomplish this task, he adds, requires "*the economical development of the nation*" for the ultimate goal of preparing the national economy "for admission into the universal society of the future." It is clear that List, whose name has been associated with protectionism, was actually not against a concept that is presently referred to as globalization. Rather, protectionist policies were a temporary strategy until the national economy attains a certain level of development of its productive capability.

The intellectual climate in today's global world, as it was during List's time, has rendered 'market mechanism' the 'new gospel of truth' in wealth creation and 'developmental mechanism' strangely old-fashioned. The basic argument is that economic liberalism promote efficiency in the sense that individuals exercising their freedom are given the opportunity to maximize benefits by choosing from the available 'commodity' and 'capabilities' options to be able to function. **Economic liberalism** refers to the maximum role of markets and competitive forces in an economy. The legitimate role or 'order policy' of the state is limited to the establishment of the necessary framework in which markets can operate and to the provision of services which

⁴¹ Freeman, 'Continental, national', pp. 191-211.

⁴² Friedrich List, *National System of Political Economy*. London: Longmans, Green and Co., 1885, pp. 175, 133, 140.

private enterprise cannot provide. These theoretically guarantee price stability, open markets, private property, liability and the freedoms of trade, association and contract through the establishment of rules to ensure predictability.

In List's theory of productive powers, he argued that *the power of producing wealth* is more important than wealth itself because "it insures not only the possession and the increase of what has been gained, but also the replacement of what has been lost." List, in the present parlance, was arguing for the value of innovation. He explained that the cause of a nation's wealth and progress lies in "productive capabilities" which he argues as the "accumulation of all discoveries, inventions, improvements, perfection, and exertions of all generations which have lived before us; they form the *mental capital of the present human race*." For him, free competition between two nations can only be mutually beneficial when they compete in a nearly equal position of development. List's words of advice to the developing countries of his time remain applicable today:

[A]ny nation which owing to misfortunes is behind others in industry, commerce, and navigation, while she nevertheless possesses the mental and material means for developing those acquisitions, must first of all strengthen her own individual powers, in order to fit herself to enter into free competition with more advanced nations.⁴³

Developmentalism (or mercantilism) as originally advanced by List argues that nations must modify their system according to the measure or progress they have achieved. Free trade with the more advanced nations introduces to a national economy the impetus to move from barbarism into making advances in agriculture, after which restrictions on commercial activity must be imposed to promote the growth of manufactures, fisheries, navigation, and foreign trade. After a certain level of wealth and power has been achieved, free trade and unrestricted competition must be established. Essentially, the goal of mercantilism was to align private and public vested interests to establish increasing return industries (production and service) that create virtuous circles of development by creating wealth, employment, and obtaining synergies between agriculture and manufacturing. When developmentalism is successfully carried out, the natural consequence is economic liberalism.⁴⁴ As Erik Reinert argues, production-focused mercantilist policies have been "a mandatory passage point for nations that have taken the step from poor to wealthy." The problem, he says, is that since the early times, when the economy is in trouble monetarists try to cure the symptoms evident in the financial sphere rather than in industry. Historically, the vicious problems of poverty and low productivity and economic growth were only solved by attacking the problem at the root – changing the productive structure or by "getting the economic activities right."

The situation, however, is more complicated in countries that had colonial experiences, and thus "multiple spaces of development knowledges",⁴⁵ and I would say 'multiple nationalisms' as a condition of movement over-determined by global forces

⁴³ Ibid., p. xxvi.

⁴⁴ Reinert, *How Rich Countries Got Rich*, pp. 271-299.

⁴⁵ Marcus Power, Giles Mohan and Claire Mercer, 'Postcolonial geographies of development: Introduction', *Singapore Journal of Tropical Geography* 27, 2006, p. 232.

enacted at a local level. Colonialism, which was motivated by what Amitav Ghosh refers to as the “unquenchable, demonic thirst” of colonial powers for the control of trade, land and resources complicated the nature, terms and ground of allegiance, and imaginations of the political possibilities of local colonized élites.⁴⁶ Colonialism compromised nationalism and the notions of ‘home’, ‘nation’, and ‘belonging’, especially among the cosmopolitan indigenous élite which does not necessarily bear nationalist sentiment, as Smith points out.⁴⁷ In this situation, nationalism as “the foundation of the moral order of modern society, the source of its values, the framework of its characteristic – national identity, and the basis of social integration in it” is effectively compromised. Nationalism becomes élitist rather than collectivist in its goals. Some scholars argue that “there are similarities between colonialism and post-colonialism” despite the temporal break associated with postwar independence and decolonization. Franz Fanon’s “useless native class” as oppressors of their own people merely replaced the colonial masters.⁴⁸ In sum, the fundamental synergistic dynamic generated in the interaction among material interest, and visions and ideas of modernizing political and intellectual leaders largely shapes development strategies that allow innovative processes to progress. Such an historic bloc embraces the notion that technology and innovation are central to economic change, but as social processes their utility in the economy depends not only on technological forces and capitalists, but also on other social forces, such as technocrats, politicians and educators. A broader NSI is created, thus it is political.

My answer to the question of ‘lack of political will’ in the Philippines is that the long history of colonialism (and neo-colonialism) has entrenched a dominant global historic bloc in the country of which the more cosmopolitan Filipino ruling élite is a part. To test this main thesis, I proposed the hypothesis that *political will is demonstrated when a nationalist historic bloc (politicians, intellectuals, and capitalists) uses political power to transform a trade- and finance-based economy (pre-capitalist) to a production-oriented (capitalist) national economy*. This form of capitalism characterized by the unique system of market dependence in food production – agrarian capitalism – would set in motion a relentless compulsion to compete, to produce cost-effectively, to maximize profit, to re-invest surpluses, and systematically to increase labour-productivity through innovation and by improving the productive forces.

Agrarian capitalism, which had completely transformed the most basic human relations and practices, had impacted a dynamic English economy in the 17th century and would eventually give rise to capitalism in its mature, industrial form in late 18th-century England. It was when nationalism was translated into ‘scientism’ (different from the 20th-century scientism) and innovativeness, and the widespread application of mechanical skills and considerable creativity in conception and design in machines that capitalism had matured, and the English economy was dominated by industrial capitalists. By

⁴⁶ Amitav Ghosh, *In an Antique Land: History in the Guise of a Traveller’s Tale*. New York: Vintage, 1992, p. 288.

⁴⁷ Anthony D. Smith, *Nationalism and Modernism: A Critical Survey of Recent Theories of Nations and Nationalisms*. London, New York: Routledge 1998, p. 24.

⁴⁸ Frantz Fanon, *The Wretched of the Earth*, Preface by Jean Paul Sartre, Translated by Constance Farrington. New York: Grove Press, 1968 c. 1963.

contrast, in the Philippines what links the present to the past is the dominance of cosmopolitan traders and financiers backed by imperial political rulers. From the Spanish period, the Philippine economy has always been characterized by balance-of-payment crises, mass poverty, and low productivity. The Philippines until today is not a modern political economy. The political, economic, and cultural structures can be traced back to Spanish Philippines. While most development scholars take the post-World War II period as the 'new beginning' for most of the countries in the developing world, Atul Kohli considers this as unfortunate because "it is likely that a significant component of the explanation for why the countries traverse different developmental paths lie in their colonial heritage."⁴⁹

The origins of trade and financial economic interest

I discuss the origins of the mercantile and financial economy dominated by the Spanish merchants [both in colonial Philippines and New Spain (now Mexico)] and the Chinese merchants. Spain ruled the Philippines, its only colony in Asia, through the viceroy of Mexico. I then go on to examine the continuity and changes of this material interest in mid 18th century through late 19th century when Spain was under the English sphere of influence. At that time the mercantile forces were dominated by English and American merchants and they were joined by the emerging landed Filipino elite engaged in export-crop businesses. At this time the economy was strongly linked with American markets. Free trade devastated the pre-colonial society's growing agriculture and traditional industry. The decimation of local entrepreneurship and a conservative Spanish colonial education's long-lasting consequences for the marginalization of primordial industrial forces are discussed.

Spain in the early modern period was a leading imperial power in Europe and beyond. At the height of Spain's greatness, it had established its institutions and social forces in its vast colonial domains, including the Philippines. However, Spain ruled the Philippines through the viceroy of Mexico, prompting one scholar to say that "From the beginning, Spanish colonization of the Philippines was a Mexican enterprise".⁵⁰ While the occupation was a "fiscal nightmare for the Spanish administration in the Philippines, for the viceregal authorities of Mexico, and for the Castilian crown in Madrid"⁵¹, it was a period of enormous profit-making and enrichment for merchants and financiers engaged in import-export business. More than that, however, it created an enduring economic structure which entrenched mercantile and financial interests in the local economy until today.

The politics of Spanish colonization of the Philippines were influenced by and intertwined with broader imperial, strategic, political, cultural, and commercial goals in

⁴⁹ Atul Kohli, 'Where do high growth political economies come from?' The Japanese lineage of Korea's "developmental state"?. *World Development* 22, no. 9 (1994): 1269-1293.

⁵⁰ Katharine Bjork, 'The link that kept the Philippines Spanish: Mexican merchant interests and the Manila trade, 1571-1815', *Journal of World History* 9 (1), Spring 1998, p. 27.

⁵¹ Leslie España Bauzon, *Deficit Government: Mexico and the Philippine Situado (1606-1801)*. East Asian Cultural Studies Series 21. Tokyo: Centre for East Asian Cultural Studies, 1981, p. 142.

the Asia-Pacific. As early as 1569 a controversy arose among opposing coalitions of government officials and friars over the practicality of the colonial occupation. Those who were opposed argued that it was a losing proposition as far as the exploitative potential and financial viability were concerned, as it was a “deficit government”, receiving a yearly *situado* (subsidy) from the wealthier Mexico.⁵² However, if the occupation was to be maintained, converting the Philippine Islands into a trading post was a must.⁵³ The Philippines was held as a colony from 1565 until 1898 not only to use the archipelago as “a center of missionary effort in the Orient”. In the minds of the Spanish authorities, *Las Islas Filipinas* were “absolutely necessary”: “to maintain the authority, grandeur, and reputation of [the Spanish] crown”, to serve as a “defense of the Moluccas and the spice trade”, and “to protect for both crowns [Castilla and Portugal] the commerce of China.”⁵⁴

The entrenchment of trade interests in Spanish Philippines was influenced by the much-coveted and burgeoning foreign-trade dynamic surrounding the Chinese silver trade and the Moluccas spice trade. The Spanish officials saw the Philippines’ continued occupation as crucial to their success in the struggle against the Dutch and Portuguese merchants for control over the Moluccas spice trade.⁵⁵ Moreover, it was to preserve for both Castilian and Portuguese crowns the “commerce of China” that Spain maintained the Philippines as its colony.⁵⁶ The galleon trade was regarded as “one of the most beneficial and lucrative of those in the entire Orient”. In fact, the strength of this import-export business had so impressed the Italian Gemelli Careri, who visited the Philippines in 1696 that he stated that Manila “was to be accounted one of the greatest places of trade in the world”.⁵⁷ The galleon trade was significant for Spain to maintain and preserve – “For if they were lost”, as Grau argued in his memorial, “the resulting damage would be great and excessive beyond any possible comparison or proportion to what the islands now cost us.”⁵⁸

Manila was crucial to the global trading process.⁵⁹ For some 250 years the galleons provided the link of a bustling trade driven by China’s unlimited demand for

⁵² *Ibid.*, p. 4.

⁵³ This was evident in the letter of Miguel López de Legazpi (1569), first governor of the islands, to the viceroy of Mexico, translated by Emma Helen Blair and James Alexander Robertson, *The Philippine Islands 1493-1898*. Cleveland: Arthur H. Clark, 1911, vol.3, pp.45-53, (Blair and Robertson, hereafter).

⁵⁴ Blair and Robertson, p. 10.

⁵⁵ Blair and Robertson, vol. 30, pp. 36-39.

⁵⁶ It must be noted that long before the Spaniards came to the Philippines a profitable trading system existed based on Chinese junks enroute from the South China Sea to Sulu, Borneo, and Moluccas. In a sense the development of the Manila-Acapulco galleon trade (1571-1815) was influenced by the prior junk trade. Chinese literature and artefacts discovered in the Philippines show that this trade between China and the Philippines had flourished since the Song period (960-1279). See Edgar Wickberg, *The Chinese in Philippine Life, 1850-1898*. New Haven, CT: Yale University Press, 1965, pp. 341; John Wong, *The Political Economy of China’s Changing Relations with Southeast Asia*. New York: St. Martin’s Press, 1984, p. 123.

⁵⁷ Careri, quoted in Nicholas Cushner, S.J., *Spain in the Philippines: From Conquest to Revolution*. Quezon City: Ateneo de Manila University, 1971, p. 130.

⁵⁸ Blair and Robertson, vol. 30, p. 43.

⁵⁹ Wickberg, *The Chinese in Philippine Life*, p. 49.

silver from Mexico and Peru and Europe's demand for Chinese finished goods, such as porcelain wares, silk, and tea. Some scholars argue that this was a significant period as it ushered in a new era of world trade linking an existing sophisticated Asian commercial network centred on China with an expanding European world system.⁶⁰ Between the 1500s and the 1800s, a third or about 40 percent of all the silver produced by Peru and Mexico, which supplied about 85 percent of the world's demand, flowed into China.⁶¹

China's emperor repulsed embassies seeking to establish trade, stating that "the Celestial Empire, ruling all within the four seas [i.e., the world], simply concentrates on carrying out the affairs of Government properly, and does not value rare and precious things", yet "there was one exception: silver."⁶² The Chinese market for coins was what elevated the value of the silver commodity and provided the impetus for trade around the globe⁶³, thus Katherine Bjork contends that the Asian trade was not external to the world system: "Silver was one medium of the European world system that had a place in Chinese world system schemes."⁶⁴ The Chinese 'silver interest' was matched with the Spanish merchants' (both in the Philippines and Mexico) interests to control the monopolistic galleon trade. The keen interests of the merchants made the Manila-Acapulco trade not only endure but also prosper. However, it placed the Spanish crown in a difficult situation where it was torn between "maintaining a foothold in Asia", which meant tolerating or even encouraging the galleon trade, and protecting the metropolitan merchants or curbing the flow of silver to China. The merchants of Seville who dominated the Atlantic trade in European goods had always been opposed to the colonization of the Philippines because the Chinese merchandise carried by the Manila-Acapulco galleons, particularly Chinese silk "undersold those of Spain in Mexico and

⁶⁰ Curtin used the concept of "transit market" to describe the function of Manila in "linking a Chinese trade diaspora" with the galleons from Mexico. Philip D. Curtin, *Cross Cultural Trade in World History*. Cambridge: Cambridge University Press, 1984, p. 134. Bjork was of the opinion that the triangular relationship between Spain, New Spain, and the Philippines was determined not by the "dynamics of an emerging European world system". She argues that "Spain and its colonies were affected by the logic – cultural as well as economic – of the Chinese world system, in which the Pacific trade played a part." Bjork, 'The link that kept the Philippines Spanish', p. 26. This position was consistent with Flynn's and Giráldez's where they argue that the Europeans participated "in a vast and sophisticated existing Asian commercial network". Dennis Flynn and Arturo Giraldez, 'Born with a 'Silver Spoon': the origin of world trade in 1571', *Journal of World History* 6 (2), 1995, p. 217. Pomeranz and Wong, on the other hand, argue that "there were important dynamics of expansion common to areas within each of these large regions [Europe and China]" but they don't claim "that either Europe as a whole or China as a whole was changing in a lockstep fashion." Ken Pomeranz and Bin Wong, 'China and Europe: 1500-2000 and Beyond: What is Modern?'" http://afe.easia.columbia.edu/chinawh/web/s5/s5_4.html.

⁶¹ Pomeranz and Wong point out that over this period, the huge Chinese population and a dynamic and commercially sophisticated economy needed a medium of exchange – money. This led to the invention of paper money during the Song dynasty, however later when China got into a fiscal crisis the Chinese people lost trust on it because the Chinese government solved the crisis by printing more money. Silver coinage replaced as a medium of exchange.

⁶² Marshall Sahlins, 'Cosmologies of capitalism: the trans-pacific sector of the world system', *Proceedings of the British Academy* 74 (1988), p. 10 cited by Bjork, 'The link that kept the Philipines Spanish', pp. 30-31.

⁶³ Flynn and Giráldez, 'Born with a Silver Spoon', p. 206; Pomeranz and Wong, 'China and Europe', http://afe.easia.columbia.edu/chinawh/web/s5/s5_4b.html.

⁶⁴ Bjork, 'The link that kept the Philippines Spanish', p. 31.

Peru”.⁶⁵ In Grau’s memorial he notes that “the Chinese goods were so cheap that those of Castilla were estimated at three times their price.”⁶⁶

The steep competition from Chinese products prompted Philip II to abolish the galleon trade in order to “protect Spanish industry and to preserve to Spanish producers the American market.” A succession of decrees was then made by the crown to the viceroy of Mexico. In 1587 the shipment of Chinese cloths from Mexico to Peru was prohibited. In 1591 all direct trade between Peru or other parts of South America and China and the Philippines was banned, and in 1593 a decree, not rigorously enforced till 1604 “absolutely limited the trade between Mexico and the Philippines to \$250,000 annually for the exports to Mexico, and to \$500,000 for the imports from Mexico.”⁶⁷ The suspension of the trade link was “very injurious to the Philippines” as “the islands have experienced so great a decline in their commerce.”⁶⁸ The King pointed out: “if that trade [Manila-Acapulco] continues, the trade in cloth exported from these realms would cease or be greatly decreased.” Also, the textiles “are bartered only for gold and silver, or coin, because there is abundance of everything else there”, which means that Spain loses “that whole amount”. But despite the strong opposition of producers in Spain trade has been continued. Bjork maintains that this was largely because of the commercial interests of both Mexican officials and merchants who “were in a position to control the trade for their benefit.”⁶⁹ Edicts were not always enforced, as William Lytle Schurz points out: “Seldom was the execution of any group of laws in the colonial code of the empire insisted on with equal persistence or rigor.”⁷⁰

In the minds of some colonial authorities, Spain did not benefit from the trade. They thought the galleon trade siphoned silver to China. Concerned about the flow of silver to China and the strength of Chinese merchants, the auditor, Melchor Davalos, wrote Philip II in 1584 informed the King of the situation.⁷¹ Efforts to prevent the continuous flow of silver to China led an ‘Ordinance Forbidding the Indians to Wear Chinese Stuffs’. The governor Juan de Cuellar argued that the purchase by native Filipinos of Chinese garments carries away 200,000 pesos: “This money leaves the realms of his Majesty, and is carried to a foreign country, in violation of royal edicts; this would be prevented if the said natives were not to clothe themselves with the said stuffs.”⁷² Moreover, the Ordinance was seen by the governor to be important to stop the exportation of raw materials from the Philippines for China’s industries: In prohibiting the Filipino ‘Indians’ from wearing Chinese cloths “another serious evil would cease; the natives would no longer sell raw cotton to the Chinese, who take it to their own country

⁶⁵ Blair and Robertson, vol. 1 p. 62.

⁶⁶ Blair and Robertson, vol. 30, p. 77.

⁶⁷ Blair and Robertson, vol. 1, p. 62.

⁶⁸ Blair and Robertson, vol. 30, pp. 70, 73.

⁶⁹ Bjork, ‘The link that kept the Philippines Spanish’, p. 39.

⁷⁰ William Lytle Schurz, *The Manila Galleon: The Romantic History of the Spanish Galleons Trading between Manila and Acapulco*. New York: E.P. Dutton, 1959, p. 368.

⁷¹ Letter from Melchor Davalos to Philip II, 1584, Blair and Robertson, vol. 6, p. 61.

⁷² Gomez Perez Dasmariñas, by order of the governor, Juan de Cuellar, ‘Ordinance Forbidding the Indians to wear Chinese Stuffs, 9 April 1591, Blair and Robertson, vol. 8, pp. 78-89.

and make it into cloth, and then return to sell it to the natives, and with these goods deprive them of their money.”⁷³

The intertwining of trade and financial interests in the Philippines began during the Spanish regime. Nicholas Cushner notes that a financial-cum-philanthropic organization, *Santa Hermandad y Cofradia de la Misericordia* (Misericordia of Manila) was established.⁷⁴ The primary sources of the Misericordia’s income came from donations, estates, legacies in the form of *obras pias* (charitable foundation), taxes on property, and tributes from the *encomiendas*. The income was apportioned three ways: one part was lent to the Spanish merchants involved in the Manila galleon trade; one part was used to finance the Chinese Asian trade, and one part was used as reserve capital.⁷⁵ At the end of the 18th century, the Misericordia was a powerful economic force in the Philippines: “Instead of being a simple source of charitable works, it was the financial motor of the galleon trade”. Some of its resources were invested as stocks in the *Banco Español-Filipino* (now Bank of the Philippine Islands) established in 1852. The Catholic friars’ financial investments in Hong Kong which siphoned money from the Philippines were the object of attacks by the young Filipino *ilustrados* in their propaganda writings.⁷⁶ These arguments, Megan Thomas points out, “are surprisingly familiar to an early twenty-first-century ear: friar orders were accused of being transnational corporations (which they literally were), with loyalty to no nation, and which could, therefore, escape obligations to any nation.”⁷⁷

The arrival of the Spaniards and the presence of a lucrative market for Chinese goods both for the domestic economy and the galleon trade drew the Chinese to settle in the Philippines in the early 1580s.⁷⁸ Ship-owning Chinese merchants seized the prospects. This trade route was very profitable for the Chinese especially from the 1570s to 1670s.⁷⁹ There was, however, an uneasy relationship between the Spanish government and the Chinese due to cultural, economic, and political reasons which resulted in the Spanish government discriminating against the Chinese traders. Policies towards them were characterized by heavy and arbitrary taxation, control, and conversion. There were also episodes of Chinese expulsion from the islands in 1686, 1744, 1755, and in 1766 following Chinese collaboration with the English during the invasion of the Philippines in

⁷³ Ibid.

⁷⁴ The Misericordia was founded by the Brotherhood of Mercy in the Philippines on April 16, 1594 at the Jesuit Church of San Ignacio in Manila. The Brotherhood comprised Spanish dignitaries, such as the acting governor of the Philippines, Luís Pérez Dasmariñas, acting head of the Diocese, Cristobal de Salvatierra, representatives of the city government, the master-of-camp, Diego Ronquillo, and a variety of friars. Misericordia Manila was recognized by the Misericordia of Lisbon in 1606 as the new *hermandad* when the statutes were approved by the latter organization (Cushner, p. 140).

⁷⁵ Cushner, *Spain in the Philippines*, p.144, 151, 6, 7.

⁷⁶ See particularly ‘Los Frailes y la Biblia’, *La Solidaridad*, February 29, 1892; Lopez Jaena, ‘Filipinas en la Exposicion Universal’, Marcelo H. Del Pilar y Gatmaitan, ‘La Frailocracia contra el Frailismo’, *La Solidaridad*, May 31, 1894, cited in Megan C. Thomas, ‘Orientalist Enlightenment: The Emergence of Nationalist Thought in the Philippines, 1880-1898’, PhD Dissertation. Cornell University, 2002.

⁷⁷ Thomas, ‘Orientalist Enlightenment’, p. 42.

⁷⁸ John Leddy Phelan, *The Hispanization of the Philippines: Spanish Aims and Filipino Response, 1565-1700*. Madison, WI: The University of Wisconsin, 1959, p.11.

⁷⁹ Cushner, *Spain in the Philippines*, p. 185.

1762-64. Only the native women and their Chinese *mestizo* children and a few Catholic Chinese were allowed to remain. Nonetheless, the colonial government reopened the colony to Chinese immigrants and business activities in 1778. A high-ranking Spanish official, Tavora, wrote to King Philip IV: “the country cannot get along without the infidel Sangleys [Chinese], for they are the ones who bring us food from China.”⁸⁰ The Chinese brought practically everything that was needed in the local economy – from cotton, silk yarn and cloth, paper, umbrellas, crockery, porcelain, dried and fresh fruits, spices, salt, meat, furniture, iron, jewelry, tea, wheat flour, gunpowder, nails and metals. Why the local economy was unable to supply the local needs will be explained later.

As part of the Seven Years War, the English occupied Manila between 1762 and 1764.⁸¹ Manila was made open to Western ships and Spanish Philippines was incorporated within the sphere of influence of the British Empire. After English occupation ended, and Spanish government power was regained in Manila in 1766, the free trade regime started by the English in 1762 was strengthened by the restored Spanish government; this allowed the legal entry of imported goods carried by European ships, although it was believed that European and American cargoes had been imported to the Philippines illegally. Moreover, Spain in mid 18th century was in decline and in deep turmoil. Guided by the Bourbon monarchs’ ‘enlightened’ policies, Spain instituted reforms in its colonies including the Philippines. From 1764 to 1787, an internal economic development policy was instituted in the colony’s economy. The Spanish Governor-General José de Basco y Vargas was a product of Spain’s middle class and a firm believer in a professionally-based commercial society. His philosophy of economic development “was based on the exploitation of colonial products and the liberalization of foreign trade” to allow foreign competitors to the galleon trade.⁸²

When the English occupied Manila, foreign businessmen other than the Spanish “entered the market for Philippine agricultural produce and pushed up land values by making it profitable for landowners to specialize and produce [crops] for the export markets.”⁸³ This benefited the landed Chinese *mestizos* and native *indios*. As the Chinese were expelled from the colony, a group of Chinese-Filipino *mestizos* and native *indios* who were landed and engaged in export crop production “took over the role of economic middlemen”. The Chinese-Filipino *mestizos* and native *indios* were to become the local Filipino political and intellectual elites known as *ilustrados* whose economic interest was in the export of crops. I will discuss this later. Outside of Manila, the *mestizos* and rich *indios* were involved in buying agricultural produce from native farmers and selling it in Manila.⁸⁴ In fact, the openings of Sual port in Central Luzon, Iloilo in the Visayas, and Zamboanga in Mindanao in 1855, and Cebu port in 1860 were largely due to the Chinese *mestizos*’ export-crop activity. Soon after the Suez Canal was opened in 1869, two more Philippine ports were opened for foreign entry in 1874: Legazpi in south Luzon and

⁸⁰ Serafin Quiason, ‘The sampan trade’, 1570-1770, in Alfonso Felix, Jr. (ed.) *The Chinese in the Philippines Vol. II*. Manila: La Solidaridad Publishing House, 1969, pp. 163-164.

⁸¹ Peter W. Stanley, *A Nation in the Making: The Philippines and the United States, 1899-1921*. Cambridge, MA: Harvard University Press, 1974, p. 25-26.

⁸² Keith Lightfoot, *The Philippines*. New York: Praeger Publishers, 1973, p. 87-88, 191-194.

⁸³ Ibid.

⁸⁴ Cushner, *Spain in the Philippines*, p. 176.

Tacloban in Leyte. Peter W. Stanley points out that from 1850 to 1893 sugar exports largely produced by the landed *mestizos*, *indios* and Spaniards, financed by English and American commercial houses in Manila, multiplied 600 times, with the US as the major market.⁸⁵ The stimulus for the development of these plantations in the Philippines was provided by “advances of American capital”, and these foreign capital infusions redirected the local economic activity towards the production of export crops.

It became increasingly clear in the 19th century that Spain had ceased to be a great world empire and had only marginal status in Europe. Its non-inclusion in the Concert of Europe was indicative of its stature in world politics. As Spain’s new liberal regime was unstable, it had to depend on France and Britain for financial, military, and diplomatic support. In other words, Spain was within the French and English political and diplomatic spheres of influence.⁸⁶ This, of course, had repercussions on Spain’s ambition to gain more liberal access to the Chinese market and its dealings with the Philippines, especially the further entrenchment of trade and financial interests in the colony. The restrictive Spanish policy towards the Chinese eased out with the removal in 1828 of mobility taxes imposed only upon Chinese importers. With this policy reversal, “the Chinese were continuing to gravitate toward mercantile occupations”, and the Spanish government was resigned to the idea that it could encourage the Chinese to go into agriculture, which was central to the debate between the Spanish conservatives and liberals on how “to encourage Chinese assistance in Philippine economic development.”⁸⁷ The ‘new’ policy also inaugurated a more liberal policy toward the Chinese in terms of mobility within the colony. Instead of being confined only to Manila, they were allowed to penetrate the entire archipelago, and become actively involved in local trade and distribution. After the 1840s, the Chinese dominated domestic marketing and distribution in cooperation with English and American firms.⁸⁸ As the Philippine economy grew, particularly in the 1850s, coffee, sugar, and coconut oil began to be exported. The Chinese traders acted as wholesalers, distributors, purchasing agents and money-lenders for English and American merchant firms.⁸⁹ As middlemen, they controlled not only the marketing of local agricultural production, but also the flow of consumer goods imported into the country through retail trade. Unsurprisingly, the Chinese population increased in the abaca-producing provinces such as Albay, Leyte, Samar, Cebu and Camarines Sur, in the sugar-producing areas of Iloilo and Negros Occidental, and in the tobacco growing areas of Cagayan and Isabela.⁹⁰ The opening of several domestic ports in the colony ensured the penetration of imported products to the farthest corner of the domestic economy. A head of an European importing firm in Manila said of the Chinese distributors and purchasing agents:

The firms here, with very few exceptions, only sell in Manila and to the Chinese, who are the intermediaries for the provinces...For importers and exporters it

⁸⁵ Stanley, *A Nation in the Making*, p. 27, 29.

⁸⁶ Enrique Moradiellos, ‘Spain in the world: from great empire to minor European power’, in José Alvarez Junco and Adrian Shubert (eds.) *Spanish History Since 1808*. London: Arnold, 2000, pp. 113-115.

⁸⁷ *Ibid.*, pp. 48-50, 61.

⁸⁸ Milagros Guerrero, ‘The Political Background’, in Alfonso Felix, Jr. (ed.) *The Chinese in the Philippines Vol. II*, Manila: La Solidaridad Publishing House, 1969, p. 6.

⁸⁹ Stanley, *A Nation in the Making*, p. 28-29.

⁹⁰ Wickberg, *The Chinese in Philippine Life*, pp. 62-63.

would have not been possible to do any work at all; in fact, the trade of the islands, small as it is compared to what it might be, has depended entirely upon the Chinese, because on one side they sell to the men in the interior, and barter with the natives for produce in exchange for imports—you will see the Chinese hawker everywhere; he will go to the last nook and corner, and he will offer his goods...A European cannot work outside here for any length of time.⁹¹

The major player in the 19th-century Philippine economy was principally English and American businessmen, which controlled the import-export, insurance, shipping, banking, and real estate businesses. Firms such as Ker, McMicking & Co., Wise & Co., George W. Hubbell (later Peele, Hubbell & Co.) which originally functioned as commission houses had diversified their activities, Stanley notes.⁹² Anglo-American trade and financial interests began to dominate the economy. According to Benito Legarda, Jr.:

They...traded on their own account; were agents for marine, fire and life insurance companies; were agents or consignees of shipping lines, or shipowners; owned shares in such enterprises as cordage works, banks, and slipways; owned real estate, including plantations; engaged in foreign exchange operations; and, most interesting of all, received funds at interest and made advances...the key function of the Anglo-American entrepreneurs in Manila was banking.⁹³

Established in 1873, two English merchant banks – the Chartered Bank of India, Australia and China and the HSBC (Hong Kong and Shanghai Banking Corporation) – were responsible for the expansion of commercial businesses undertaken by the English-American in alliance with the Chinese.⁹⁴ In fact, credit availability often spelled the difference between financial success and failure for many a member of the Chinese community, Irene Jensen argues. The English and American firms served as guarantors for bank loans to the Chinese for their commercial operations. The Chinese traders were mainly concerned with the distribution of manufactured products, especially textiles. Also, the bank provided a crucial service to the Chinese traders in supplying information on new foreign markets for exports and firms keen to import to the Philippines.⁹⁵ The organization of credit in conjunction with the distribution and marketing of both imports and exports, known as the *cabecilla*-agent system, ensured a Chinese monopoly.⁹⁶ The *cabecillas*, or wholesale merchants, established themselves in Manila and created a

⁹¹ Ibid., p. 68.

⁹² Stanley, *A Nation in the Making*, p. 26.

⁹³ Benito Legarda, 'Foreign Trade, Economic Change and Entrepreneurship in the Nineteenth Century', Ph.D. Dissertation. Harvard University, 1955, pp. 359-442.

⁹⁴ John Furnivall, *Experiment in Independence: The Philippines*. Manila: La Solidaridad Publishing House, 1974, p. 10.

⁹⁵ Irene Jensen, *The Chinese in the Philippines During the American Regime: 1898-1946*. San Francisco: R&E Research Associates, 1975, p. 125.

⁹⁶ Wickberg, *The Chinese in Philippine Life*, p. 74.

network of agents in the provinces.⁹⁷ This loose organization of wholesalers ensured that the Chinese presented a united front when bargaining with the European importers, which allowed them to control prices. The *cabecilla*-agent system made the rival Chinese *mestizo* business less profitable, causing them to shift their interests from commerce to agriculture.

Nicholas Cushner argues that the many centuries of “preoccupation with a simple exchange trade had formed a mentality in economic affairs which preferred heavy investment with quick and large returns”.⁹⁸ The trading activity did not have substantial and rapid returns to create sufficient wealth for the Spanish government in the colony, which had to be supported by an annual subsidy from Mexico. Writing in 1788, Francisco Muñoz y San Clemente succinctly described the problem of private wealth concentration in a trade-based economy in that only a fraction went to the government coffers and most of the proceeds were “in the hands of the biggest merchants”; the poor natives, he adds, “get nothing but a tiny share of it, in payment for the items” they sell. He concludes “It is therefore not surprising that the native lives in a state of indolent activity, tilling only the bit of land sufficient to feed his family and supply the local market.”⁹⁹ This supports the thesis that a commercial economic structure which is based on the exploitation of price differentials between segmented markets rather than through production had only concentrated wealth on a few.¹⁰⁰ Effective wealth creation depends on the material capabilities of a country. An economy that relies heavily on trading rather than a robust agriculture and industry does not benefit most of the people because trade does not create mass employment opportunities. The establishment of import-export economic activity in Spanish Philippines would not have been possible without a corresponding ideational structure. Free trade led to the devastation of the growing agriculture and proto-industry sectors and the demise of local entrepreneurship.

The Spaniards accused the native *indios* of indolence, but Antonio de Morga’s accounts belied this claim. Before the conquest, the native population, both men and women, were engaged not in idleness but in profitable agricultural and home-based craft industries.¹⁰¹ Moreover, the natives were entrepreneurial and possess the drive for profit-making.¹⁰² The natives also had the capability to make products which were unique and

⁹⁷ Stanley notes: “The Manila *cabecillas*, often united in ad hoc syndicates to deal with European importers, provided a volume and regularity of purchase which suited the needs of the foreign houses. Wherefore, they received support from importers in the form of extensive credit. The Manila commercial houses advanced goods to the *cabecilla*, who advanced them to his agents, who in turn sold them to the Filipinos either for produce or for a lien on a future crop. The produce received by the agent was turned over to the *cabecilla* and eventually through him to a foreign house” (p. 29).

⁹⁸ Cushner, *Spain in the Philippines*, p. 139.

⁹⁹ Francisco Muñoz y San Clemente, ‘Reflexiones sobre el comercio de Filipinas’, 23 August 1788, in Horacio de la Costa, S.J., *Readings in Philippine History: Selected Historical Texts Presented with a Commentary*, translation by Horacio de la Costa. Makati, Philippines: MDB Printing, 1965, p. 107. (de la Costa hereafter).

¹⁰⁰ Wood, ‘From opportunity to imperative’, pp. 14-40.

¹⁰¹ Antonio de Morga, *Sucesos de Las Islas Filipinas* (1609) translated and edited by J.S. Cummins. Cambridge: Cambridge University Press (for the Hakluyt Society), 1971, p. 250, 263 (Morga-Cummins, hereafter).

¹⁰² *Ibid.*, p. 262.

expensive, and were sought out by their Japanese customers. This shows that they had creative potential. A domestic and international trade with Japan, China, Cambodia, and other neighbouring countries existed which indicates the natives' entrepreneurial activities. The natives produced earthenware jars (*tibores*), which were sold to the Japanese for great sum of money and are used for planting their tea plant and adorn them elegantly in their inner rooms and chambers.¹⁰³ In fact, in Grau's letter to the East Indies Council in 1640, he indicated that there were commodities "produced and manufactured in the Philipinas Islands", such as *talingas* (Ilocos blanket), table-covers, and *lampotes* (pieces of cotton canvas) which were included in the galleon trade.¹⁰⁴ In Sebu, Morga notes, the natives "were less given to agriculture but they are skilled in navigation.." Panay, which is located in the same middle-islands region (as Sebu) hosts natives who had primitive engineering skills – "who are masters in building all kinds of ships...[and] are highly skilled carpenters. They have no other trade than this, and though there is not a single tree of any size in all the island yet they practise this art with great competence."¹⁰⁵ But these were all gone. In Morga's account:

The native Indians are very far from exercising those trades, and **have even forgotten much of farming, and the raising of fowls, cattle, and cotton, and the weaving of cloth, which they used to do in the days of their paganism and for a long time after the conquest of the country** [emphasis added].¹⁰⁶

Why had the natives forgotten their trades and entrepreneurial skills? Seeking to understand the myth of the "lazy native", José Rizal, the Philippines national hero, sought to reconstruct precolonial Philippine society and culture as basis for his assessment of the impact of Spanish colonialism. He launched a nationalist project to reclaim the history of his country. He devoted a four-month intensive research of the accounts of Spanish chroniclers in the English Museum in 1889, from the coming of Magellan (Pigafetta) to the early years of the Spanish regime (Morga, Chirino, Colin, de San Agustin, Combes, etc.) and compared these with the more modern anthropological, ethno-historical, and ethnolinguistic studies of European, mostly German, orientalist.¹⁰⁷ He understood the causes. Rizal argued that:

¹⁰³ *ibid.*, p. 262-263.

¹⁰⁴ Blair and Robertson, vol. 30, p. 64-65.

¹⁰⁵ *Ibid.*, p. 268.

¹⁰⁶ Blair and Robertson, vol. 2, pp. 42-43; Antonio de Morga, *Sucesos de las Islas Filipinas* (1609). José Rizal National Centennial Commission editions of Rizal's writings, *Historical Events of the Philippine Islands*. Manila: José Rizal National Centennial Commission, 1962, p. 216. (Morga, Rizal Commission, hereafter).

¹⁰⁷ Morga's *Sucesos de las Islas Filipinas* (1609) was chosen by José Rizal in his own work which would show the Filipinos their past. For Rizal, Morga was "one of those men of upright conscience, rare as comets, that from time to time go out to the colonies" and "who witnessed the last moments of the ancient Filipino civilization and who played a part in the coming of a new era". In annotating Morga's book, Rizal's goal was to provide his own people with a better understanding of the changes that had taken place in three centuries of Spanish rule. Morga served the Spanish colonial government as Lieutenant Governor, thereby making him second in command in the colony (Cummins 1971, p. 33).

The coming of the Spaniards to the Filipinas, and their government, together with the immigration of the Chinese, killed the industry and agriculture of the country. The terrible competition of the Chinese with any individual of another race is well known, for which reason the United States and Australia refuse to admit them. Argensola says the same thing, and could not have copied Morga, since their works were published in the same year, in countries very distant from one another, and the two contain wide differences”[emphasis added].¹⁰⁸

In the present parlance, politics and economics cannot be separated in any real sense and the domestic and international spheres were intimately linked. The bottom line is that Spain was not modern. Under the colonial rule, the monumental task of modernizing the Philippines was on the shoulders of the Spanish authorities. However, Spain was incapable of modernizing its colony because as Stanley reminds us, it was also “mired in an impotent traditionalism of its own.” He asked, “How was Spain to lead a colony to the modernization and cultural integration that eluded it at home?”¹⁰⁹ There was an “absence of the spirit of progress” and “hostility to new ideas” in 16th-century Spain.¹¹⁰ The European enlightenment had a different outcome in 17th-century Spain than England. Similar with France, rationalization or the idea of “progress” and “equality” in Spain created a bureaucratic class whose idea of wealth creation was bound up with state privileges. Foremost of these privileges is the use of state office to extract surplus from the peoples. As Wood contends this is far from being a symptom of a modernizing state. It is a feature of an old regime and a fused political economic structure of a ‘transitional state’ “where the state and office were the primary economic resources.”¹¹¹ Essentially, the interest of a non-modern bourgeois was typically expressed in the commitment to civil equality which, more often than not, meant access to state office. Thus, it was not a surprise that “financial corruption honeycombed the whole colonial civil service” and a remarkable policy failure to develop resources and to provide an environment conducive for the development of the local industry characterized the non-modern colonial government in Spanish Philippines.¹¹²

The competition for the China trade and the ambition to Catholicize East Asia constitute the thread that connects all the political actions and manoeuvrings, and produced enduring undesirable consequences on the colony. The first was unfair competition or monopolistic control of credit and marketing considerably de-motivated the locals to continue and improve their profitable pre-colonial economic activities. Unfair competition from the China trade which was funded by ‘transnational’ Spanish merchants and financiers in Manila and Mexico resulted in the decline of the locals’ pre-Spanish trade between other neighbouring countries such as Japan, Siam, and India.¹¹³ However, Rizal notes, “With the exception of trade with China, the relations with the

¹⁰⁸ Blair and Robertson, vol. 2, p. 43: Morga- Rizal Commission, p. 216.

¹⁰⁹ Stanley, *A Nation in the Making*, p. 266.

¹¹⁰ Blair and Robertson, vol. 1, p. 47.

¹¹¹ Wood, ‘Capitalism or enlightenment?’, pp. 413-17.

¹¹² Blair and Robertson, vol. 1, p. 47.

¹¹³ Morga-Rizal Commission, p. 305.

other nations had ceased more than two centuries.¹¹⁴ “In Morga’s time, Rizal adds, the Philippines exported silk to Japan whence now [1889] comes the best quality of that merchandise.”¹¹⁵ Morga did not explain why the natives abandoned their trades and economic activity, “preferring to live in poverty”. I would argue that the natives had control over the pre-Spanish trading activity and it was directly connected to their own productive activity. Suddenly, all these were lost. Profit – the economic motive, if you will – was no longer in the control of the natives’ hands. Crop production and home-based crafts were a useless economic activity for them as profits were concentrated in the hands of the middlemen, such as the Chinese traders and the Chinese *mestizos* and *indios* who had a monopoly on local buying and selling. This monopolistic control over local trade generated ethnic hatred and violence directed against the Chinese. The hostile attitude and negative sentiments of the local people was reflected in their involvement in the occasional massacres of Chinese traders. They lodged complaints with the government stating that:

The Spaniards advanced them [Chinese traders] money for their transactions in commerce and their traffic in the country, what they call their capital. They have obtained from the natives in the provinces everything that they wanted, they have lived quietly in the towns, they have been served in their persons, they have lived in large, comfortable houses, they have brought in whatever merchandise they wanted at prices agreeable to them, they have been paid in silver or coin according to the values which they have set for their particular transactions, all of which has been to their great profit and benefit...¹¹⁶

The situation of the local economy had provoked debates among the liberals and the conservatives within the Spanish government. The liberals believed that the encouragement of Chinese immigrants and their subsequent dispersion throughout the colony would benefit the economy. They contended that “exposure to Chinese competition would teach the indio the value of hard work ...the Chinese in every town would serve as a stimulus and an education to him [indio]”.¹¹⁷ Ardent conservatives decried the liberal policy, arguing that this obsession with the Chinese to provide the revenue to fill the government treasuries was a fundamental contradiction to the Spanish religious-cultural and economic obligations of protecting the *indios* from the Chinese. They deplored the policy because it was pursued “even at the cost of converting the archipelago into a Chinese colony with a Spanish flag”.¹¹⁸ The Archbishop of Manila, Don Carlos Bermudez de Castro, argued that the natives’ failure to take over the

¹¹⁴ Ibid.

¹¹⁵ Blair and Robertson, vol. 2, p. 113-4; Morga-Rizal Commission, pp. 71, 180, 113-4, 260.

¹¹⁶ Maria Lourdes Diaz-Trechuelo, ‘The economic background’, in Alfonso Felix, Jr. (ed.) *The Chinese in the Philippines, Vol. II*. Manila: La Solidaridad Publishing House, 1969, p. 36.

¹¹⁷ Maria Lourdes Diaz-Trechuelo, ‘The role of the Chinese in the Philippine domestic economy (1570-1770)’, in Alfonso Felix, Jr. (ed.) *The Chinese in the Philippines Vol. I*, Manila: La Solidaridad Publishing House, 1966, p. 50, 51.

¹¹⁸ Ibid.

businesses of the Chinese was not because they were lazy.¹¹⁹ Moreover, Justice Calderon Henriquez argued that “it was not because the natives were useless but because the Chinese confederated among themselves so that they did not mind losing a thousand pesos to bankrupt a few men who tried to get into a new business”.¹²⁰ The Chinese had ready access to credit because they were linked with Spanish capital. Such was a structure that could have been corrected had the colonial government been developmental. Second was the policy of military conquest to control the Moluccas spice trade which resulted in the decline of native population and waste of human and financial resources.¹²¹ Third, the trading economy dominated by global merchants and financiers was a structural constraint that channelled the entrepreneurial activity of an emerging local élite to trade. The *mestizos* shifted from financing the home-based weaving industry to export-crop production when the former was no longer a viable business because of the competition from cheap imports. Morga criticized the colonial government for neglecting the development of the economy by focusing on the China trade. He took note of the many economic opportunities by which wealth could have been generated by the colonial government.¹²²

Evidently, a trade-based economy marginalized the development of the agriculture and industry sectors. Aside from the merchants, Chinese artisans from the southern provinces of China also came to settle in the Philippines, and they brought with them technology in boat-building, furniture-making, manufacture of boilers, shoes, soap, and dyes, in smelting, masonry, and foundry working.¹²³ They also introduced sugar-refining technology and equipment, new construction techniques, movable-type printing and bronze making or metal working. The opportunity to build an industry using this segment of the Chinese immigrants and learn from the technologies to improve the primitive skills of the natives was not provided. The absence of modernizing Spanish bureaucrats failed to channel Chinese entrepreneurial activity into industry. Fourth, the free trade policy in Spanish Philippines dealt a devastating blow to the rural craft industry. In mid 18th century an ‘enlightened despotism’ in Europe led to reforms in Spain and its colony. Spain was in deep turmoil, but the liberal Spanish reformers believed that ineffective and corrupt government was the fundamental reason why revenues from the colonies were inadequate for imperial defence, and why Spanish commerce had dwindled. Strong governance was seen as the answer to this problem. There is thus no change in the arguments of present day liberal regime promoters. In large part, corruption was responsible for Spain’s economic difficulties, but the major

¹¹⁹ He wrote:

...they [natives] were only allowed to work as journeyman, whereas the Chinese owned the shops and profited by them...Yet, if we only reflect, we will see that it is they [natives] who work the fields, who raise the fowl and cattle and whom the Chinese exploit...We find in this country many who are skillful and who can practice all the trades and who can supply us with all the necessary supplies but they will never be able to do this as long as there are many Chinese (Ibid, p, 192).

¹²⁰ Ibid.

¹²¹ Blair and Robertson, vol. 1, pp. 270-271; Morga-Rizal Commission, p. 192.

¹²² Morga-Cummins, p. 310.

¹²³ S. Fukuda, *With Sweat and Abacus: Economic Roles of Southeast Asian Chinese on the Eve of World War II*, transl. George Hicks, first edition. Singapore: Select Books, 1995.

contributor to Spain's declining political power was its stagnating economy, which was characterized by lack of productivity and competitiveness, exacerbated by ten years of unsuccessful wars (with France 1793-1795 and with England 1796-1802) and the later unstoppable revolts in its American colonies.¹²⁴

Many scholars have described Spain's economy as backward and failed industrialization. As one author notes, Spain's failed industrialization was based on its "inability to reproduce the English model" of industrialization; among the contributing endogenous factors were backward Spanish agriculture and a lacklustre industry."¹²⁵ Reinert (2007), however, points out that Spain's policy is a "frightening example of *what not to do*." He notes: "The discovery of the Americas led to immense quantities of gold and silver flowing into Spain. These huge fortunes were not invested in productive systems but actually led to the de-industrialization of the country."¹²⁶ England was already producing goods at a record high productivity with the introduction of machines and factories, thus Spain's and its colonies' trade-based economy could not compete on an equal footing. Spanish intellectuals "believed that the only way to pull their huge yet impoverished empire together was to make each and every part of it contribute to the whole the commodities it could best produce or manufacture."¹²⁷ In other words, these intellectuals believed comparative advantage could draw Spain from the economic quagmire. But trade is based on the premise that those economies engaged in trading have a production sector competitively producing whatever product they could manufacture. This was not the case in Spain and Spanish Philippines. Even before the English-Spanish war, Horacio de la Costa points out, there were those in the Spanish bureaucracy who believed that some radical change in the structure of Philippine trade was necessary to meet the altered conditions of world trade.¹²⁸ One of the main reasons for the change was the steep competition that Asian products encountered with those produced from Europe. As de la Costa argues: "It would seem, then, that the old system of buying cheap from Asia and selling dear to America, which is what the galleon trade was in essence, had seen its day...The Philippines could not continue merely as a center of transshipment and survive."¹²⁹

To correct the problem, the Spaniards created the Economic Society of Friends of Manila (*Sociedad Económica de Amigos del País de Manila*) in 1781 to encourage local enterprise. It helped to establish a traditional textile industry by installing 300 looms for tapestry and cloth production for domestic consumption. The industry produced quantities of blue-and-white checked cloth, and 50-60,000 blankets between 1785 and 1795 in the hope of gaining a share of the profits of Asian trade for Spain, at that point dominated by the Dutch, English, and French. The new economic policy promoted an agrarian economy and home-based or artisan handicraft and service activities such as

¹²⁴ Spain formally recognized the new Spanish American republics: Mexico (1836), Ecuador (1840), Chile (1844), Venezuela (1845), Bolivia (1847), Costa Rica (1850), Nicaragua (1851), Argentina (1859), etc.

¹²⁵ Leandro Prados de la Escosura, 'Economic growth and backwardness, 1780-1930', in José Alvarez Junco and Adrian Shubert (eds.) *Spanish History Since 1808*. London: Arnold, 2000, p.p. 179-190.

¹²⁶ Reinert, *How Rich Countries Got Rich*, p. 84.

¹²⁷ *Ibid.*, p. 108.

¹²⁸ De la Costa, *Readings in Philippine History*, p. 106.

¹²⁹ Muñoz y San Clemente, 'Reflexiones sobre el comercio', p. 107.

spinning and weaving of cloth, processing and milling of rice, the manufacture of assorted implements, and so forth.¹³⁰ The production of cash crops for export, such as indigo, sugar, abaca, rice, maize, cocoa, spices, cotton and tobacco, was intended to increase revenues for the government. It was during this period that *haciendas* emerged: large tracts of land devoted to agricultural production for export.¹³¹ Indigo or *añil*, a dye, which was sought after by the European textile industry, was a much desired product. Basco also promoted increased activity in mining iron, copper and gold. In the hand-woven textile industry, Maria Lourdes Diaz-Trechuelo notes that Ilocos' beautiful woven cotton cloth was highly priced in Mexico; Laguna produced excellent stockings, and specialized handkerchiefs and ribbons were produced in Tondo. All these goods were made "by those whom the Spaniards called useless natives".¹³² Clothing made from natural fibers, such as *sinamay*, *jusi*, and *piña*, had entered the international market and achieved remarkable levels of volume and sophistication. For example, the local weaving industry accounted for a total of \$720,500 in 1855.¹³³ Impressed by the variety of natural fiber materials and colors that were produced, a French scholar who made a systematic survey of the Philippine weaving industry remarked: "the combination of their designs and colours is so bright and varied that they have the admiration of the whole world".¹³⁴ Even the English vice-consul, Nicholas Loney, was not oblivious to the thriving industry, as indicated in his consular report of April 1857.¹³⁵

However, the 'infant' local industry practically vanished. The free trade regime established by the colonial government simply had the local economy flooded with imported goods made available by Chinese merchants to the remotest towns and villages. An open economy that did not integrate policies to help build a fledgling local industry was a recipe for destruction. The liberal regime adopted by the Spanish reformers exposed the local industry to foreign competition at a time when Britain was producing its cotton goods using advanced mechanical technologies, which enormously improved its productivity. The primitive industry, of course, could not compete. All these incoherent policies were neatly captured by Francisco Xavier Salgado in his letter to Antonio Porlier in 1769. He points out that during his more than three decades of stay in the country, there were many obstacles he thought were hindering development: (1) the citizens lack capital; (2) those who do have capital employ it in nothing but imported goods, whether for re-export on the galleon or for sale in the domestic market; (3) security risks for investors outside of Manila; (4) underdeveloped transportation and communication problems of an archipelago.¹³⁶

¹³⁰ Stephen A. Resnick, 'The decline of rural industry under export expansion: a comparison among Burma, Philippines, and Thailand, 1870-1938', *The Journal of Economic History* 30 (1), The Tasks of Economic History (March 1970), pp. 51-73.

¹³¹ M.D. Litonjua, 'Outside the den of dragons: the Philippines and the NICs of Asia', *Studies in Comparative International Development* 28 (4), 1994, p. 8.

¹³² Diaz-Trechuelo, 'The role of the Chinese', p. 197.

¹³³ Alfred McCoy, 'A queen dies slowly: the rise and decline of Iloilo City', in Alfred McCoy and Ed C. de Jesus (eds), *Philippine Social History: Global Trade and Local Transformations*, Honolulu: University of Hawaii, 1982, p.302.

¹³⁴ Mallat (1846), as cited in McCoy, 'A queen dies slowly: the rise and decline of Iloilo City', p. 302.

¹³⁵ Letter from Nicholas Loney to Farren (1857) cited in McCoy, 'A queen dies slowly: the rise and decline of Iloilo City', p. 303.

¹³⁶ Francisco Xavier Salgado to Antonio Porlier, Manila, 4 December 1769, in de la Costa, pp. 110-112.

The result of the policy failure was the absence of a productive sector and a dynamic domestic market for about 2.5 million Filipinos in mid 18th-century. The severely-affected putting-out system brought economic destitution for thousands in the traditional weaving villages. Local capital, particularly from the Chinese *mestizos* shifted from textiles to commercial agriculture, which displaced the entrepreneurial skills and labour of the weaving industry. The rich *mestizos* and *indios* were quickly absorbed by the rapidly expanding commercial sugar production in nearby Negros Province. Fifth, the élitist and traditional educational system in Spanish Philippines prevented the development of innovative culture. Margaret Jacob argues that “where science remained suspect or suppressed in Catholic countries, as occurred in Catholic Europe, relative intellectual stagnation in science was the price to be paid.”¹³⁷ As part of the reforms, the Spanish government promoted a scientific approach to agricultural and craft-based production in mid 18th- century Philippines, but this did not ‘take off’. Cushner notes that “The Society had regular meetings and made proposals and suggestions. It offered prizes to cultivators, farmers, and inventors. But unfortunately no one seemed to pay any attention”.¹³⁸ While the locals’ response could be due to the monopolistic trade which renders production unprofitable, one possible reason that industry and scientific crop production did not fly was because of an élitist colonial educational system where the objective was “not general enlightenment” so much so as “social refinement and distinction.”¹³⁹ The development of an inquisitive mind was not pursued among students because of the church’s fear of losing their grip on their consciousness when modern science is embraced. It was the opposite of what occurred in modernizing England where the cultivation of a critical mind, a preference for empirical knowledge and distrust for dogmatism were promoted. This will be discussed alongside the development of local political and intellectual elites.

The genesis of cosmopolitan politico-ethical elite

This section discusses the beginnings of the Filipino political and intellectual elite in 19th century Philippines, known as the *ilustrados*. Forged in the crucible of local responses to Spanish colonial expansion and enlightenment rationalism, they were fragmented not only economically but also ideologically.¹⁴⁰ Some were cosmopolitan in their outlook, lacking any form of nationalist sentiment, and thus unable to establish a ‘vital link’ with the poor and the dispossessed of the country. From this group would emerge the political and bureaucratic leaders who would later become part of the American colonial political structure. Others were steeped in nationalism and allied with the *Katipunan* [Society], a popular nationalist movement which reached its apogee in the

¹³⁷ Margaret C. Jacob, *Scientific Culture and the Making of the Industrial West*. New York and Oxford: Oxford University Press, 1997, p. 19.

¹³⁸ Cushner, *Spain in the Philippines*, p. 194-195.

¹³⁹ Antonio Isidro, Juan C. Canave, Priscila S. Manalang and Matilde M. Valdes. *Compulsory Education in the Philippines*. Paris: UNESCO, 1952, p. 13.

¹⁴⁰ Floro Quibuyen, *A Nation Aborted: Rizal, American Hegemony, and Philippine Nationalism*. Quezon City: Ateneo de Manila University Press, 1999.

1896 Philippine Revolution. The more than 300 years of Spanish colonial abuse and maltreatment was the womb that fostered Filipino nationalism. The ‘un-forming’ and ‘re-forming’ effects of colonialism¹⁴¹ engendered a fragmented Filipino political and intellectual élite, which bear significance to the present development malaise. Colonialism and the unique cultural and geographical situation of the Philippines prior to colonization engendered “a paradoxical development” which was a contrast to the development of nationalism and culture in other parts of Asia.¹⁴² Unlike some Asian countries, such as Japan, the Philippines at the time of conquest lacked national identity and a national ruling élite.¹⁴³ The Islands’ “political and social organization was deficient in cohesion”.¹⁴⁴ Moreover, cosmopolitanism was promoted in the education system.¹⁴⁵ One of the unfortunate results of these factors combined was the formation of a fragmented élite. The cosmopolitan segment which became part of the subsequent American colonial rule lacked nationalist sentiment which, Filomeno V. Aguilar argues, informed their “pro-imperial-cum-anticolonial politics”.¹⁴⁶

Education was dominated for centuries by the friars and its content was to cultivate a religious culture.¹⁴⁷ It was in the hands of the Jesuits and the Dominicans that the friars’ influence on education “was for a long time almost total.”¹⁴⁸ The religious orders took total responsibility for providing and financing higher education in the Philippines. University education which was in the hands of the Dominicans (University of Santo Tomas founded in 1611) was caught in the political struggle and the church’s attempt to “contain the dangers of modern science”. As Thomas points out, the “fundamental conflict between church doctrine and modern knowledge” left the university education system in an “awkward predicament: they needed to assimilate the new sciences and disciplines into the university without giving up its Catholic nature.” This inherent contradiction left the Spanish educators, on the one hand, “preoccupied with touting the advancements in teaching science that the university was making” and, on the other hand, “many of them went to great lengths to undermine the philosophical bases of modern science.” They ended up “mocking the ideas of the new sciences” or “asserting the supremacy of Catholic theology over all other branches of knowledge.”¹⁴⁹ The poor quality of instruction in the natural and physical sciences in the university was

¹⁴¹ Ania Loomba, *Colonialism/Postcolonialism: The New Critical Idiom*. London and New York: Routledge, 1998, pp. 2, 185.

¹⁴² Wickberg, *The Chinese in Philippine Life*, p. 132-33.; Trevor Hogan, ‘In but not of Asia: reflections on Philippine nationalism as discourse, project and evaluation’, *Thesis Eleven* 84, February 2006, p. 115.

¹⁴³ Wickberg points out that in some other Asian countries the contact between “Western political pressure and cultural influence eventually produced new, culturally marginal élites, who sought to harmonize in a national framework the intellectually attractive institutions of the West and refurbished version of their own, emotionally valued indigenous tradition.” (Wickberg, *The Chinese in Philippine Life*, p. 132-33).

¹⁴⁴ Blair and Robertson, vol. I, p. 38.

¹⁴⁵ Thomas, ‘Orientalist Thought’, pp. 35-53.

¹⁴⁶ Filomeno V. Aguilar, Jr., ‘Tracing origins: ilustrado nationalism and the racial science of migration waves’, *The Journal of Asian Studies* 64 (3), 2005, p. 630.

¹⁴⁷ Arthur L. Carson, *Higher Education in the Philippines*, Bulletin 1981, No. 29. Washington: US Government Printing Office, 1961.

¹⁴⁸ Renate Simpson, ‘Higher education in the Philippines under the Spanish’, *Journal of Asian History* 14 (1), 1980, p. 1.

¹⁴⁹ Thomas, ‘Orientalist Enlightenment’, pp. 60-61.

described by one of its alumni, Rizal. The science laboratory was there for display to be shown to foreigners and high officials from Spain, not for learning.¹⁵⁰

Higher education at that time was “a system characterized by élitism, church control, and culture orientation”, and it was used as a tool for the hispanization of the élite – students were required “to act, dress and speak like the Spaniards”.¹⁵¹ Filipinos were denied access to western literature, according to Stanley, for fear that this might expose the population to unhealthy thoughts. Spanish conservatives considered that those who took their higher education in Europe were likely to become *filibusteros*, agitators for change.¹⁵² Those who aspired to become engineers had to go to Europe, mostly to Belgium.¹⁵³ The only modern secondary school in the country was the Jesuit-run *Ateneo Municipal de Manila* which taught basic arithmetic, algebra, geometry, trigonometry, elementary science, geography, poetry, history, rhetoric, philosophy, Latin, and Greek. The Spaniards had introduced higher education for men long before a nationwide elementary and secondary school system was established in 1863.¹⁵⁴ By the 1880s more than 10,000 males mostly sons of the rich had enrolled in secondary schools and those wealthiest sent their sons to European universities.¹⁵⁵ A report by the Schurman Commission indicates that there were only 1,914 teachers who served a total population of 6,709,810 in the concluding years of Spanish rule; a census in 1903 revealed that about 56 percent of the population 10 years of age or older could neither read nor write in any language or dialect.¹⁵⁶ Deliberately keeping the majority of the people in a state of ignorance by severely limiting educational opportunities and suppressing the dissemination of new ideas hindered the establishment of a culture of science and innovation in the Philippines, which is crucial to modern transformation. Tirades against modern science discouraged material pursuits. Take for, example, Fr. Matias Gomez Zamora’s comments: “So also anti-Christian modern philosophy has torn up the bowels of knowledge... abandoning herself completely to her idol...And who is her idol, gentlemen, who... Don’t you know? ...It is clear enough: materialism saturated with pride, or, if you prefer, pride saturated with the material.” Ironically, the contradictions in advance education eventually contributed to the emergence of “nationalist thought which was so to hurt Spanish interests in the Philippines.”¹⁵⁷

¹⁵⁰ José Rizal, *El Filibusterismo*, translated by Leon Ma. Guerrero. London and Hong Kong: Longmans, 1965, pp. 93-94.

¹⁵¹ Thomas, ‘Oriental Enlightenment’, p. 49-50.

¹⁵² Stanley, *A Nation in the Making*, p. 33.

¹⁵³ UNESCO (United Nations Educational, Scientific and Cultural Organizations), *National Science Policy and Organization of Research in the Philippines*, Paris: UNESCO, 1970, pp. 9-10.

¹⁵⁴ The enrolment in primary schools increased after the reforms of 1868. These reforms instituted by the liberal government constituted four directives: establishing normal schools to train female teachers, training lay male teachers, broadening the curriculum beyond religious instruction, and requiring Spanish to be taught in the schools. In the 1890s nearly 200,000 children attended, and in 1892 there were 2,137 public primary schools in the Philippines (Judith Raftery, ‘Textbook wars: Governor-General James Francis Smith and the Protestant-Catholic conflict in public education in the Philippines, 1904-1907’, *History of Education Quarterly* 38 (2), Summer 1998, p. 148).

¹⁵⁵ Glenn A. May, *Social Engineering in the Philippines: The Aims, Execution and Impact on American Colonial Policy*. Westport, Conn: Greenwood Press, 1980, p. 78.

¹⁵⁶ Stanley, *A Nation in the Making*, p.32.

¹⁵⁷ Thomas, ‘Orientalist Thought’, p. 73.

How was cosmopolitanism intertwined with the formation of a Filipino state class engaged in what Aguilar calls “proimperial-cum-anticolonial politics”? The *encomienda* was a colonial political economic and administrative institution established for exacting tribute from the natives in return for the *encomendero*’s undertaking to defend his region against internal or external disorders.¹⁵⁸ The Spanish authorities adapted a pre-Spanish indigenous social organization that was primarily decentralized and based on kinship, marriage or dependency called *barangay*; this became “the cornerstone of local government”.¹⁵⁹ A *barangay* was typical of an Asiatic society characterized by small, self-contained, scattered agriculture and fishing village communities consisting of 45 to 50 families. There were about 6,000 *barangays* existing in 1768.¹⁶⁰ A *barangay* was ruled by a *datu*, a traditional leader whose position was ordinarily hereditary but might be obtained by force, wealth, and wisdom. This *hispanized* societal form of organizing the relations of domination and exploitation was fused in the state-building process to hasten pacification. The duties of the *encomenderos* were not only to dispense political functions, such as maintaining order, enforcing laws, exercising criminal and civil jurisdiction, but also to support the priests, build churches, and diffuse Spanish culture. In fact, the *encomienda* embedded the Spanish friars in the evolving Philippine state-society complex. Unlike in Spain, the friars wielded enormous power and were influential in both governance and pacification processes. The clergy played a crucial role in the pacification process through religious consciousness. John Phelan reminds us that Philip II, influenced by the Dominican theologian, Francisco Vitoria, was clear in his instructions to the Legazpi expedition of a bloodless pacification of the archipelago.¹⁶¹ Quibuyen points out that “the history of the Philippines is replete with peasant rebellions (on the average one every two years throughout the 300 years of Spanish rule) that sought to overthrow the clergy and the landed elites.”¹⁶² In the local uprising of peasants against the *principales* in northern Philippines, such as the Sarrat revolt in March 3, 1815, where farmers stormed government offices and killed some *principales*, the priests’ mediation led to an end of the revolt and set the *principales* free.

In most cases parish churches became sites of civil administration. The early ascendancy of the friars over the state in the Philippines was the result of the confluence of several factors. This is, of course, consistent with the religious and political arrangement between Vatican and Spain. However, it was due to the scarcity of official administrators that Spanish friars increasingly assumed government functions, such as inspection of schools, taxation, prisons, public works, censoring of budgets, plays, comedies, auditing of accounts, etc. Eva-Lotta Hedman and John Sidel claim that the

¹⁵⁸ Renato Constantino with Leticia Constantino, *A History of the Philippines: From the Spanish Colonization to the Second World War*. New York and London: Monthly Review Press, 1975, p. 44. In Cummins edition of the *Sucesos de las Islas Filipinas*, Cummins defined *encomienda* as “the right of Spaniards to collect tribute tax from Indians within a certain district in return for temporal and spiritual protection” (p. xi).

¹⁵⁹ Phelan, *The Hispanization of the Philippines*, p. 15.

¹⁶⁰ *Ibid.*, p. 122.

¹⁶¹ *Ibid.*, p. 9.

¹⁶² See Floro C. Quibuyen, ‘Imagining the Nation: Rizal, American Hegemony and Philippine Nationalism’, PhD Dissertation. University of Hawai’i, 1996, p. 11.

Catholic Church hierarchy has been one of the pillars of “a bloc of dominant social forces in Philippine society” right up to the present day.¹⁶³ As an administrative system established on a primitive economy, the *encomienda*, essentially, rather than changing the social structure, merely maintained the fused political and economic powers of the feudal local aristocracy who were part of the colonial apparatus. The *encomenderos* mostly resided in the cities so that they delegated their functions to the local nobilities or chieftains (*datus*). As local political administrators, Phelan argues, “The native magistracy acted as intermediaries between the material demands of the Spanish regime and the productive capacities of the masses”.¹⁶⁴

The introduction of private property and surplus production by the Spanish (through forced labor) and the gradual adoption of this innovation by the local magistracy transformed the relationship into exploitation. The local offices became the venue by which the local élites participated in the exploitation of their own people, and enriched themselves in the process. The transformation from communal property and subsistence into private property and surplus production created ‘economic inequality’ among the native communities, and “the cleavage became both political and economic”.¹⁶⁵ When the Spaniards introduced the notion of private property as opposed to communal land use, the local nobility assumed formal ownership of lands cultivated by their dependents, and this trend increased in the 17th century. Private property ownership introduces the idea that land itself is a source of wealth, and it was through land ownership that they perpetuated their dominant status, and control of local politics. Thus, although it may not be true in all cases, possession of wealth based on land properties and participation in the local administration tended to coincide. The abolition of the *encomienda* system coincided with the reforms of the Bourbon monarchs in the mid 18th century.¹⁶⁶

Enlightened despotism, especially during the reign of Charles III (1759-88), motivated Spanish authorities to create a “more rational, efficient, and uniform system of imperial administration” so that other units of local government were created.¹⁶⁷ Phelan argues that part of the ‘modernization’ of the political organization was the introduction of election for a minimum term of three years, instead of leadership in the *barangay* following the principles of hereditary succession; this gave rise to a Hispanized Filipino political system.¹⁶⁸ It is worthy of note that modernization was equated with centralization and electoral institutions rather than the creation of a strong and capable bureaucracy. Moreover, ‘modernization’ was focused on state apparatus rather than on the economy.¹⁶⁹ The *indios* took their local politics seriously, with some politicians

¹⁶³ Hedman and Sidel, *Philippine Politics and Society*, p. 13

¹⁶⁴ Phelan, *The Hispanization of the Philippines*, p. 119-120.

¹⁶⁵ Constantino, *A History of the Philippines*, p. 52.

¹⁶⁶ There was no exact period given for the abolition of the private *encomienda*. However, Constantino points out, there was a decline in their number by the middle of the 17th century and in 1721 a *cedula* provided that *encomiendas* that fell vacant were not to be assigned to private persons but were to revert to the Crown.

¹⁶⁷ Phelan, *The Hispanization of the Philippines*, p. 123.

¹⁶⁸ *Ibid.*, p. 133.

¹⁶⁹ The centralization of governance was facilitated by subdividing the archipelago into several *alcaldias* (districts) governed by *alcaldes mayores* (governors of the province) who were Spaniards. Pueblos which

vigorously pushing their candidacy for the office of *gobernadorcillo* to the point of holding ‘political rallies’ and wooing voters through fiestas in which entertainment and rice wine were supplied by aspirants to office.¹⁷⁰ Phelan notes, “the Filipinos were rapidly responding to some Hispanic political practices”.¹⁷¹

The enthusiastic response was expected given that ascendancy to public office meant possessing that property in the means of coercion to give them access to socially produced surplus. In fact, this may explain the high incidence of violence during elections in the Philippines up to today as the ruling élites compete for the means to power and riches in the public rather than in the private sphere.¹⁷² Their positions in public office provide them opportunities for extra legal enrichment and also power over their people. Where the *principales* involved in running town offices as *gobernadorcillos* were neither necessarily men of means nor politically influential, they were, as Glenn May refers, “political surrogates”.¹⁷³ By examining municipal elections in the late 19th century in Batangas Province, May observes that political power resided among the “protagonists” or “power brokers”, coming from various factions of interests, such as economic, religious, and anti-clerical or anti-Spanish. Most of them possessed proprietary wealth through money lending, landownership, and marketing of commercial crops. Even though they did not seek public office themselves, their control of the municipal office through their surrogates ensured, as May points out, their control of tax collection, law enforcement, distribution of public works, and monopoly of franchises.¹⁷⁴

The political economic system established by the Spanish colonial government generated an upper class coming from the local magistracy, known as the *principalia*. Other than the *gobernadorcillo*, the members of the upper class included the bureaucrats, such as the deputy, a constable, an inspector of palm trees, an inspector of rice fields, and a notary; those in the service of the church, such as the *fiscales* (the *sacristans*) and the cantors of the choir were also part of the upper class and enjoyed the statutory privileges of the *cabezas*.¹⁷⁵ The *principalia* was composed primarily of the Chinese *mestizos* and the rich *indios*, the precursor of most of the *ilustrados*. It is important that we understand the social conditions surrounding the emergence of the wealthy and landed Chinese

became the forerunner of *municipios* were governed by *gobernadorcillos* (petty governor). The *pueblos* reflected the power structure in Spanish Philippines – the secular bureaucracy and the Catholic Church – whose seat of power is located in the main town square, *poblacion*. Greg Bankoff, ‘Big fish in small ponds: the exercise of power in nineteenth-century Philippines’, *Modern Asian Studies* 26 (4), October 1992, p. 680.

¹⁷⁰ Phelan, *The Hispanization of the Philippines*, p. 124.

¹⁷¹ *Ibid.*, p. 37.

¹⁷² See, for example, John Sidel, *Capital, Coercion, and Crime: Bossism in the Philippines*. Stanford, CA: Stanford University Press, 1999.

¹⁷³ Glenn May, ‘Civic ritual and political reality: municipal elections in the late nineteenth century’, in Ruby Paredes (ed.) *Philippine Colonial Democracy*, Monograph Series Number 32. New Haven, CT: Yale University Southeast Asia Studies, 1988, pp. 21-28.

¹⁷⁴ *Ibid.*, p. 24.

¹⁷⁵ Phelan, *The Hispanization of the Philippines*, p. 124. The privileges of the *cabezas* and other members of the *principalia* included, among other things, exemption from paying the annual tribute as well as from participating in compulsory labor projects. They also enjoyed certain honorific tokens of prestige such as the privileges of using the Spanish ‘Don’ (p. 122).

mestizos and native *indios* because they later would form the country's local ruling élite, the *ilustrados*. Their rise was interlinked with the imperialistic aims of Spain engaged in a dynamic relationship with the Chinese world system. Wickberg points out that "assimilation was a constant process throughout the period of Spanish rule."¹⁷⁶ From the beginning the Spanish establishments in the Philippines were "a mission...founded and administered in the interests of religion."¹⁷⁷ The objective was "to Catholicize and hispanize the peoples", and this of course included the Chinese in the country. The friars' long-term goal was to convert Asian peoples, especially the Chinese and Japanese, to Catholicism with the Philippines as the base.¹⁷⁸

However, this attempt at cultural assimilation of the Chinese had little success.¹⁷⁹ This is not surprising because Chinese identity based on Confucianism does not admit cultural equality with "barbarians" as expressed by China's self-image as *Zhongguo* (the Central Kingdom).¹⁸⁰ Europe was an outsider to the Chinese world cultural system, not the other way around.¹⁸¹ In 17th century or earlier, Spanish policy shifted towards encouraging Chinese and native women marriages as a "first step toward assimilation", thereby creating a *mestizo* progeny that was hispanized, Catholic, and pro-Spanish. By 1810 there were about 120,000 *mestizos* in a total Philippine population of 2.5 million.¹⁸² Spain's goal of creating a hispanized wealthy local people loyal to Spain had been finally achieved with the emergence and increasing presence, socially and politically, of the new local landed élites in mid 18th century. This meant that the Spanish government no longer had to rely so much on an economy dominated by the culturally 'uncompromising' Chinese. As the native aristocrats' economic and political standing increased, they became more closely associated with the colonial power and became "pillars of colonial administration and intermediaries between the rulers and the ruled".¹⁸³ They were the richest and politically dominant in the provinces and sought to maintain their being different as more hispanized and pro-Spanish than the *indios*. There was prestige associated with the *mestizo* culture, and being a *mestizo* was a status symbol.¹⁸⁴

¹⁷⁶ Of course, I recognize the racist attitudes of the Spanish government and people toward the native people of the Philippines. See Paul A. Kramer, *The Blood of Government: Race, Empire, the United States, & the Philippines*. Chapel Hill: University of North Carolina Press, 2006.

¹⁷⁷ Blair and Robertson, vol. 1, p. 48-49.

¹⁷⁸ Blair and Robertson, vol. 30, p.

¹⁷⁹ See Santiago de Vera et al., 'Memorial to the Council by Citizens of the Filipinas Islands,' 26 July 1586, Blair and Robertson, vol. 6, p. 195-196.

¹⁸⁰ See, for example, Suisheng Zhao, *A Nation-State by Construction: Dynamics of Modern Chinese Nationalism*. Stanford, CA: Stanford University Press, 2004.

¹⁸¹ Bjork, 'The link that kept the Philippines Spanish', p. 30. Sahlins points out that the Chinese emperors understood the "gifts" that the Europeans presented to the Chinese court and the English embassies' intention, for instance, to establish trade as "tributes", indicating the 'barbarians' sincere desire to turn to civilization. See Sahlins, 'Cosmologies of capitalism', pp. 1-51.

¹⁸² Wickberg, *The Chinese in Philippine Life*, pp. 20-21

¹⁸³ Stanley, *A Nation in the Making*, p. 52. The Chinese *mestizos* were possessed of a "mestizo cultural outlook". They were distinct from the *baba* of Malaysia or the *peranakan* of Java in the sense that they were "not a special kind of local Chinese" but were a "special kind of Filipino." A *mestizo* identifies himself/herself more with the Philippines than with China. They spoke Spanish and the local dialect, and wore mestizo/a style clothes. Generally, they were regarded to "love ostentation and devotion to Catholicism and to Spanish culture."

¹⁸⁴ Wickberg, *The Chinese in Philippine Life*, pp. 31-34.

It was the landed Chinese *mestizos* and native *indios* that benefited enormously when the free trade regime was established by English authorities in 1762 and further strengthened in 1766 by the Spanish colonial government under the sphere of English influence. An export-crop economy was established and this new form of wealth based on ownership or control of large tracts of plantation, and the adoption of relatively sophisticated Spanish culture became the new standards of prestige and social mobility – a “filipinized Hispanic culture” emerged. The ‘distinctive’ elite culture shared by the wealthy Filipinos was also experienced in education. As the newly-rich *mestizos* and *indios* and those who were not as wealthy as the *caciques* of the provinces sent their sons to Manila for education “a small but highly important professional group, whose membership transcended ethnic lines developed in Manila.” An educated elite was formed where “identity of professional interest and attitude was more important than differences in culture practices.” Moreover, Mexican independence forced Spain to have closer links with the Philippines, and the opening of the Suez Canal in 1869 and steamship technology made travel between Europe and the Philippines speedier. These factors brought new liberal ideas and cultural influences into the colony as aspiring *ilustrados* educated in Europe became important sources and transmitters of Enlightenment ideas from Europe then to Manila and to the local regions.¹⁸⁵ Liberal ideas, such as individual liberty, universal equality, and free markets took root in Manila’s educational centers.

We need, however, to recognize that the *ilustrados* were not a homogeneous group. Floro Quibuyen argues that the term *ilustrado* could not be used as a class concept because not only were the *ilustrados* heterogeneous in economic background, but a great division in ideological or political commitments existed among them. Political and ideological division existed among the most prominent of the *ilustrados* in the Propaganda Movement — José Rizal, Marcelo H. del Pilar, and Graciano López Jaena — than say, for example, Rizal (the recognized moral and intellectual leader of the Movement) and Andrés Bonifacio (the Great Plebeian) who was the leader of the *Katipunan*, a mass-based revolutionary group led by petty clerks, laborers, and artisans in Manila.¹⁸⁶ Quibuyen argues that the extremely wealthy among the *ilustrados* belonged to the far right of the political spectrum among the Filipinos, and they were cosmopolitan in their outlook. This highly privileged local elite never advocated independence and were the first to shift their allegiance to the US when it became clear that the Revolution had been defeated. The first Filipino members of the Philippine Commission, which governed the Philippines after the American conquest, came from this wealthy and conservative sector – Jose Luzuriaga, Trinidad H. Pardo de Tavera, Benito Legarda – and so did the rest who filled the native slots in the American colonial bureaucracy. Other *ilustrados*, though not as wealthy, had enough means to study in universities, locally or abroad, and

¹⁸⁵ Ibid., p. 130.

¹⁸⁶ Quibuyen points out that studies of other prominent scholars, such as those by Schumacher (1973), (1978), (1991); Palma (1949); Ikehata (1968) who had undertaken investigations of Rizal’s life based on his writings, correspondence, and political projects (e.g. the *Liga*), as well as personal testimonies of people who knew Rizal and his politics indicate that he was revolutionary and was for the eventual separation of the Philippines from Spain. These works, accordingly, presented a powerful critique of the well-respected Filipino scholars’, Renato Constantino and Teodoro Agoncillo, works.

eventually became the country's first professionals (doctors, pharmacists, lawyers) and businessmen. These *ilustrados* became active participants of the revolution, such as Generals Antonio Luna, Jose Alejandrino, Edilberto Evangelista, Mamerto Natividad, Miguel Malvar, Pio Valenzuela, Vicente Lukban, and of course, Rizal's brother, Paciano, etc. They were nationalist to the very core, unlike their richer counterparts.¹⁸⁷ In this study I use the political/ideological categories 'cosmopolitan' and 'nationalist' *ilustrados*, rather than ethnic and class categories.

The modern world came to Spanish Philippines haltingly with the penetration of western commerce toward the end of the 18th century and produced stultifying effects on the lives of the people. Ideas of nationalism as perceived by the peasants, middle class and *ilustrados* in terms of their own experiences in a rapidly changing world solidified into a hegemonic nationalist movement, the *Katipunan* (Society), which culminated in the 1896 Philippine Revolution – the first anti-colonial democratic revolution in Asia. The period from 1892 to 1902 was an historical moment in Philippine national history when Spanish colonialism resulted in the formation of the **Filipino nation**. In his path-breaking work, *Pasyon and Revolution*, Reynaldo Ileto brilliantly showed the connection between a 'folk tradition', *pasyon*, and the 1896 Philippine Revolution. He argues that the Catholic-church-approved epic of Christendom that was said to replace the declining native epic traditions in the 16th and 17th centuries, "continued to maintain a coherent image of the world" of the Filipino masses and that although the *pasyon* "appears to be alien in content" it "reveals the vitality of the Filipino mind".¹⁸⁸ The *Pasyon* frame was "the native appropriation of [the] Judeo-Christian theme" and "provided the masses with a coherent framework for interpreting and changing their world."¹⁸⁹

Building on the works of Ileto and others, Quibuyen argues that the process of national formation in the later part of 19th century was made possible through a grand narrative of emancipation which comprised of two strands of counter-hegemonic narratives: the Enlightenment narrative(s) of the nationalist *ilustrados* and the *Pasyon* narrative of the popular masses; it was "used by the Spanish colonizers to inculcate among the Indios loyalty to Spain and Church" but it also had an unintended consequence of providing the "lowland Philippine society with a language for articulating its own values, ideals, and even hopes of liberation."¹⁹⁰ In his own study, Quibuyen strongly asserts that it was Rizal's moral and intellectual leadership and through Andrés Bonifacio's and the *Katipunan's* organizational leadership on the ground that the hegemonic nationalist project which had reached its apogee in the revolution of 1896 was established, no matter how short-lived it was.¹⁹¹ The idea that because "the nation was ... embodying a sacred covenant between moral individuals... the means with which to fight for the nation, a sacred end, have to be moral and sacred as well." It was this nationalist sentiment shared by the nationalist *ilustrados* and the masses which became the 'spirit of the national

¹⁸⁷ Ibid., p. 68.

¹⁸⁸ Reynaldo Clemeña Ileto, *Pasyon and Revolution: Popular Movements in the Philippines, 1840-1910*. Quezon City: Ateneo de Manila University Press, 1979, p. 16.

¹⁸⁹ Quibuyen, 'Imagining the Nation', p. 417.

¹⁹⁰ Ibid., pp. 15-16.

¹⁹¹ Ibid., p. vi.

revolution' whose end-goal was to recover what was lost because of colonialism. Quibuyen argues that "it was by this conjuncture of sentiments – the *ilustrados*' and the folk's – that the nationalist tradition became truly national-popular in the Gramscian sense."¹⁹² Bonifacio's manifesto was largely informed by Rizal's historical work. Written in the form of *pasyon*, Bonifacio's manifesto begins with pre-Spanish period where a flourishing indigenous society existed, and emphasized the negative impact of colonialism. A call to action among the Filipino folks was also deployed appealing to their reason.¹⁹³ Isabelo de los Reyes claims, based on interviews of hundreds of Katipuneros in 1898, "that the *Katipunan* was an association to be feared, because it was composed of common ignorant people, yet although the plebeian thinks little, for this little he will die before giving it up."¹⁹⁴

Rizal's broader understanding of nationalism made him resist a total embrace of the *Pasyon's* redemption narrative or the nationalist *ilustrados*' narrative of independence. His hesitation was because he knew deeply in himself that a nationalist project whose only aim is an independent state was doomed to fail to truly liberate the Filipino people.¹⁹⁵ During his trial for treason, Rizal made a distinction between being free and being independent: "...many have taken my phrase "to enjoy democratic rights" for "to have independence", two entirely different things. A people can be free without being independent, and a people can be independent without being free."¹⁹⁶ For Rizal a free nation is first attained at the spiritual and moral level. In other words, Rizal problematized what would later constitute Partha Chatterjee's, an internationally renowned subaltern and postcolonial scholar of the 20th century, critique of "the all-too-easy connection, claimed by every nationalist, of the state with the nation and the nation with the people."¹⁹⁷ Rizal's thoughts resonate in Chatterjee's own work in which Chatterjee argued that nationalism –

launches its most powerful, creative and historically most significant project: to fashion a 'modern' national culture that is nevertheless not Western. If the nation is an imagined community, then this is where it is brought into being. In this, its true and essential domain, the nation is already sovereign, even when the state is in the hands of the colonial power. The dynamics of this historical project is completely missed in conventional histories in which the story of nationalism begins with the contest of political power.¹⁹⁸

Rizal, Quibuyen notes, had "succeeded in putting his message across, at least to the *ilustrados*, for whom the two novels were originally meant – after all, the *ilustrados*

¹⁹² Ibid., pp. 418.

¹⁹³ Iletto, *Pasyon and Revolution*, p. 106.

¹⁹⁴ Isabelo de los Reyes, 'The Katipunan: Origins and Development', 7 July 1898, in John R. M. Taylor, *The Philippine Insurrection Against the United States: A Compilation of Documents with Notes and Introduction*, 1971-73, vol. 1, pp. 209-20, cited in Iletto, *Pasyon and Revolution*, pp. 99-100.

¹⁹⁵ Quibuyen, 'Imagining the Nation', p. 475.

¹⁹⁶ Rizal quoted in Quibuyen, 'Imagining the Nation', p. 32.

¹⁹⁷ Partha Chatterjee, *The Nation and its Fragments: Colonial and Postcolonial Histories*. Princeton, NJ: Princeton University Press, 1993, p. 155.

¹⁹⁸ Ibid., p. 6.

were going to be the leaders in the task of social redemption.” The message was uncompromising: “the masses did look up to the *ilustrados* as their leaders” and that if the *ilustrados* fail to embrace the real essence of their nationalist undertaking then “the evening twilight” rather than a “brilliant, clear ... and beautiful day” was sure to come to the country. Such disasters are not uncommon today in post-colonial societies where what Frantz Fanon describes as the “useless native class” has just replaced the colonial masters as the new oppressors of their own people. This local élite which absorbs much of the value system of their colonizers renders nationalism not exactly the antidote of imperialism. Rizal’s genius enabled him to see at that time the tragedy in the Philippines of today.¹⁹⁹ Many elements of society who were anxious for change were attracted to the league, among them Bonifacio, who became one of the founders of the *Liga* and had proven himself an astute organizer of the movement.

It is important to examine what kind of a Filipino nation-state Rizal and the *Liga* imagined. Because people behind the *Liga* did not really have the chance to rule the country, the movement’s Constitution, written by Rizal in Hong Kong while on his way home to the Philippines, would be a useful indicator. It was clear that the imagined nation by the nationalist *ilustrados* was inclusive, just, and developmental.²⁰⁰ Rizal, having seen in his travels Japan, the US, Germany, and other modernizing countries of the 19th century, possessed a modernizing outlook. In the mind of the foremost Filipino intellectual of the time and other nationalist *ilustrados* was an image of a Philippine economy with a robust agriculture and industry. In the league’s Constitution, the aims and strategies of the *Liga* were to encourage agriculture and the introduction of machines and industries.²⁰¹ Of course, as Chatterjee asserts, the development of the spiritual and material domains are two sides of the same coin, and are fundamental to build a just and progressive society. He writes:

By my reading, anticolonial nationalism creates its own domain of sovereignty within colonial society well before it begins its political battle with the imperial power. It does this by dividing the world of social institutions and practices into two domains – the material and the spiritual. The material is the domain of the ‘outside’ of the economy and of statecraft, of science and technology, a domain

¹⁹⁹ The *Liga* was founded and inaugurated on July 3, 1892 with Ambrosio Salvador as the President, Agustin de la Rosa as Fiscal, Bonifacio Arevalo as Treasurer, and Deodato Arellano as Secretary.

²⁰⁰ The aims of the *Liga* were: (1) To unite the whole archipelago into one compact, vigorous and homogeneous body; (2) Mutual protection in every want and necessity; (3) Defense against all violence and injustice; (4) Encouragement of instruction, agriculture, and commerce; and (5) Study and application of reforms. <http://www.jose-rizal.eu/ligafilipinae.html>.

²⁰¹ “The aims of the *Liga* were to be carried out through the creation of a governing body composed of the Supreme Council, the Provincial Council, and the Popular Council. The members were each to pay ten centavos as monthly dues. Each of the members was free to choose a symbolic name for himself. The funds of the society were to be used in the following manner: (1) The member or his son, who while not having the means shall show application and great capacity, shall be sustained; (2) The poor shall be supported in his right against any powerful person’ (3) The member who shall have suffered any loss shall be aided; (4) Capital shall be loaned to the member who shall need it for an industry or agriculture; (5) The introduction of machines and industries, new or necessary in the country, shall be favored; and (6) Shops, stores and establishment shall be opened where the members more economically than elsewhere. <http://www.jose-rizal.eu/ligafilipinae.html>.

where the West had proved its superiority and the East had succumbed. In this domain, then, Western superiority had to be acknowledged and its accomplishments carefully studied and replicated. The spiritual, on the other hand, is an 'inner' domain bearing the 'essential' marks of cultural identity.²⁰²

This wisdom reverberates as the perils of assimilating the outside aspects of nationalism without internalizing the inside, the more difficult reformation of men's spirit which Chatterjee calls "the essential marks of cultural identity". The Philippines, especially Manila in the 19th century, deceptively appeared to be a society undergoing modernization. However, it was a superficial modernity characterized by consumerism analogous to what Yukichi Fukuzawa called "the outward forms of material civilization". Wickberg describes the superficial cultural transformation:

The urbanization of Manila and the development of more cosmopolitan tastes and a more sophisticated brand of Spanish cultural influence found expression in a variety of ways. For one thing, there was a gradual, but impressive – for a colonial Asian country – development of newspapers and periodicals in Manila after 1850. [B]esides periodicals, there was some development of other forms of literature, particularly poetry and the novel in Spanish. [S]everal theatres were maintained, presenting dramas and comedies in Spanish and Tagalog. Western style dress became characteristics of men of the upper class in Manila during the last decades of the nineteenth century. In household effects, as in dress, the increase in Western influence was noticeable. Those who had become wealthy from the sale of export crops indulged themselves in a taste for European luxury goods, particularly items of furniture, as well as European carriages in which to parade about.²⁰³

The cosmopolitan development was, of course, enjoyed by the rich segment of the Spanish Philippine society – that segment of the *ilustrados* who had no connection with the poor and the dispossessed of the country. They worked for the assimilation of the Philippines into the colonial political structure. In the end, Rizal's execution by the Spanish authorities for treason, Bonifacio's assassination by and the subsequent triumph of the wealthy conservative *ilustrados* paved the way for the triumph of American imperialism.

The English nationalist historic bloc and a culture of innovation

This section examines the broader social environment in 17th –century England to show that the absence of colonial structures and the development of solid nationalist political, economic, and cultural elites provided the leadership to establish a social environment that nurtured innovative activities. Practically all of today's developed

²⁰² Chatterjee, *The Nation and its Fragments*, p. 6.

²⁰³ Wickberg, *The Chinese in Philippine Life*, p. 131.

countries, including Britain and the US, the supposed homes of the free market and free trade, have become rich on the basis of policy recipes that contradict today's orthodoxy.²⁰⁴ Nationalism, that sense of collective destiny – the common weal and pride in the nation which form the foundation and basis of social integration, was the motivation for developmental policies. However, the Renaissance period, Reinert notes, “rediscovered and flagged the importance and creativity of the individual” which promotes a culture of technology and innovation.²⁰⁵ It is important to note here that nationalism and scientism fashioned common weal and individualism together as inseparable components of the social fabric of modernizing societies.

A study by Cary Nederman shows that medieval England (second half of 15th-century) was already pregnant with nationalism. During this period ‘collectivist’ nationalism promoted those economic values, such as economic achievement, competitiveness and prosperity, which became the basis of the economic reform movement of the early Tudor period, hence providing evidence that (early) English nationalism may have impelled the capitalist transformation which was initially realized in 16th-century English agriculture.²⁰⁶ It is possible to argue that, unlike the more conventional notion, political consciousness (nationalism) could precede economic change (capitalism).²⁰⁷ It is not inconceivable that ideas for change could emanate from the politico-ethical structure, and not always from the economy. Nederman points out that Sir John Fortescue’s (an English jurist, legal theorist, and considered a ‘forerunner’ of the economic reform movement) ideas influenced the English monarchy under King Edward on the form of government – *dominium regale et politicum* – based on consensual law and the sharing of power. He argued that the English government “organized politically and royally, generates a legal structure superior to those systems found in continental Europe.” The rule of law prevented the monarchy from abusing its power and also allowed for the enactment of policies that “enhance the wealth of the entire nation.”

Clearly, the embryonic modern idea of authoritative power separate from the personal authority of individuals developed in England much earlier than elsewhere in Europe, and it was a ‘political innovation’ to ensure economic development. In Fortescue’s estimation, rulers who govern by the rule of law benefit because, as private persons, subjects are “encouraged (indeed, expected) to contribute to the public good by seeking their personal advantage in economic activity.” If the people’s ruler “adopts

²⁰⁴ Largely influenced by the thought of Friedrich List, *National System of Political Economy*. London: Longmans, Green and Co., 1885, Ha-Joon Chang’s, *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem Press, 2002 argues that an activist developmental state is necessary in economic development, and history tells us that. Taking similar cues from List, Reinert (2007) prescribes to developing countries a focus on building national productive power by establishing a critical mass of increasing return activities, outside the sector producing raw materials.

²⁰⁵ Reinert, *How Countries*, p. 73.

²⁰⁶ Cary Nederman, ‘Economic nationalism and the ‘spirit of capitalism’: civic collectivism and national wealth in the thought of John Fortescue’, *History of Political Thought* 26 (2), 2005, pp. 266-283.

²⁰⁷ This is the theme of Dyer’s critique on Greenfeld’s idea of nationalism as the spirit of capitalism. He rejects Greenfeld’s argument because he believes that economic change precedes political change, the more conventional notion. See Christopher Dyer, ‘Review- Power and Profit/The Spirit of Capitalism’, *History Today* 53 (6), June 2003, pp. 57-8.

policies that impoverish them, they will express their displeasure directly and violently.” Providing a political environment by which the private initiatives of the subjects in the economy are allowed to flourish was for the English the best policy to ensure political stability, security and prestige for the monarchy and wealth for the country: “The greatest safety, truly, and also the most honor that may come to the king is that his realm should be rich in every estate”.²⁰⁸

Evidently, the English monarchy was very different from that of the 16th-century or the absolutist monarchies strongly entrenched on the Continent of Europe. The Glorious Revolution of 1688 placed England in its new constitutional path towards parliamentary sovereignty unconstrained by a fixed constitution or judicial review, centralization and the conflation of executive and legislative powers. This system offered more flexibility and freedom from hamstringing over-legalization that stifles political debate.²⁰⁹ The political system engendered many other democratic institutions, such as trial by jury, the common law, the establishment of national news papers, the philosophic tradition of Bacon, Locke, and Hume, the ‘Dissenting Academies’, and the non-conforming sects, which “if not entirely unique to England, were in combination impressive evidence of a democratic culture providing a fertile soil for the flowering of local initiatives in all parts of the country.”²¹⁰

Nationalism manifested in Fortescue’s ‘political innovation’ had to wait until it found expression in the ‘knowledge innovation’ (the so-called scientific revolution) that the first Industrial Revolution materialized in English society. Nationalism was key in the institutionalization of science in the English society (Chapter 1). The power of ideas as ‘a way of seeing things’ influenced the English national development strategy to secure a dynamic economy. The belief in the possibility of achieving industrial progress by the method of observation and experiment came to the 18th century England largely through Francis Bacon’s ideas, enlarged by the genius of Robert Boyle and Isaac Newton.²¹¹ In mid-16th century, Francis Bacon, a lawyer, a statesman, intellectual reformer, philosopher and champion of science wrote the essay, *Of Innovations*. In his *The New Atlantis*, Bacon elevated the stature of science – a new system of learning based on empirical and inductive principles and the active development of new arts and inventions, a system whose ultimate goal would be the production of practical knowledge for “the use and benefit of men” and relief of the human condition. The genius about the Scientific Revolution was in finally throwing off the shackles of dogma that had impeded human progress. Although 18th-century science was, of course, very different from the 20th-century science, Chris Freeman and Francisco Louçã argue that “an experimental, enquiring, rational spirit and approach was necessary condition for the work of scientists and inventors alike.” In fact, they point out that “the scientific revolution, dated either at the foundation of the Royal Society in 1660 or earlier in the century, *preceded* the

²⁰⁸ Ibid., p.276.

²⁰⁹ Michael Les Benedict, ‘Review of Michael Foley, The Politics of the British Constitution,’ H-Law, H-Net Reviews, October, 2000. URL: <http://www.h-net.org/reviews/showrev.cgi?path=13059971283349>.

²¹⁰ Chris Freeman and Francisco Louca, *As Time Goes By: From the Industrial Revolutions to the Information Revolution*. Oxford: Oxford University Press, 2001, p. 179.

²¹¹ Thomas Ashton, *The Industrial Revolution, 1760-1830*. Oxford: Oxford University Press, 1948, p. 155.

financial revolution, the commercial revolution, the transport revolution and the Industrial Revolution, as these overlapping changes are conveniently dated.”²¹²

It was when these visions and ideas left the hands of these intellectuals and were translated into political visions of rulers and economic goals of businessmen and ordinary people that the power of ideas was unleashed to transform English society. English political leaders took to heart the ideals of rational governance and the role of technology in the economy. Many economic historians point out that the monarchs from Edward III (1327-77) to the Tudors, especially Henry VII (1485-1509) and Elizabeth I (1558-1603), used developmental policies that would today be described as “infant industry protection”.²¹³ Protectionist policies were clearly practiced in England under Edward III (1312-77), but it was during Henry VII’s rule (1485) when emulation became a strategic economic policy of England.²¹⁴ During his visits to Burgundy, Henry VII of England realized that the wealthy areas were those with a woollen textile industry. So convinced that England should change its development strategy, the king deployed a combination of trade and innovation policies to build the English wool industry and make England a producer and exporter of manufactured textiles rather than an exporter of raw material.

These policies were continued by the English Parliament. For example, in 1721, Ha-Joon Chang notes, Robert Walpole, the first English prime minister, launched an industrial program “that protected and nurtured English manufacturers against superior competitors in the Low Countries, then the centre of European manufacturing.” Walpole declared that “nothing so much contributes to promote the public wellbeing as the exportation of manufactured goods and the importation of foreign raw material.”²¹⁵ Reinert (2007) points out that the economic policy toolbox included imposition of export duties to ensure that foreign textile producers importing raw material from England produced more expensive products than those of English producers. Wool manufacturers were also guaranteed tax exemptions for a certain period and granted monopolies in certain areas and for certain periods. The Tudor economic reform movement established a strong industrial sector, a raw material monopoly (wool), and overseas trade.²¹⁶ In fact, Chang notes, from Walpole’s time when Britain began to reduce its tariffs, the average tariff rate was between 40-50 percent, still high compared to France’s (20 percent) and Germany’s (10 percent).

The visions of a prosperous England were translated into economic activities of increasing returns as the ideas of reason and progress were embraced by English elites. These enlightenment ideals were promoted in English society with ‘industriousness’ closely associated with ‘productivity and profit making’ rather than holding public office. The English bourgeoisie, some of whom were also members of the Royal Society as scientists and politicians (e.g. Isaac Newton, Robert Boyle, and William Petty) came

²¹² Freeman and Louca, *As Time Goes By*, p. 179.

²¹³ See List, *The National System of Political Economy*, pp 35-56; Chang, *Kicking Away the Ladder*, pp 19-20.

²¹⁴ Reinert, *How Rich Countries Got Rich*, p. 17, 77-81.

²¹⁵ Ha-Joon Chang, ‘Protecting the global poor’, *Prospect*, July 2007, http://www.prospect-magazine.co.uk/article_details.php?id=9653

²¹⁶ *Ibid.*, p. 79-80.

from the landed class, especially from the gentry – men who did not regard their intellectual pursuits as a kind of professional activity, let alone a type of office holding. Ellen Meiksins Wood maintains that a different capitalist system first emerged in Britain in the agrarian sector of 16th-century England (Chapter 1). The expansion of wool exports induced the government to implement the First Enclosure Movement in 15th - and 16th-century England, resulting in the conversion of open arable fields to private pastures in areas suitable for grazing. This created market-dependent wage workers from the small peasant cultivators, and manorial lords rented their lands to large farmers. The growing disequilibrium between the fixed rent that landlords received and the higher economic rents expected from the adoption of new technology led to the Second Enclosure Movement in the 18th century.²¹⁷

The English agrarian ‘revolution’, regarded by many economic historians as the critical component of the Industrial Revolution, was characterized by intensive, integrated, crop-livestock husbandry systems. Intensive rotation of arable land between food grains and feed crops and the use of green forage and fodder were key innovations. The primary impact of the English agricultural ‘revolution’ was to increase land, not labour, productivity. According to Peter Timmer “[t]he agrarian revolution apparently did not supply surplus labour for an industrial army of workers. It did provide food for the rapidly rising population from which both an increased agricultural and industrial labor force were recruited.”²¹⁸ Agrarian capitalism had completely transformed the most basic human relations and practices, and had impacted a dynamic English economy in the 17th century and would eventually give rise to its industrial form in late 18th century. It had to wait for the Scientific Revolution when the pursuit of mechanical knowledge was widely applied in industry.

Margaret Jacob argues that varied ideas in regard to the utility of science generated different responses and consequences in the English and French societies.²¹⁹ Although it was from René Descartes²²⁰, a French philosopher and mathematician, that a new order of gaining knowledge based on scientific method and rational thinking had originated, England was much more successful in exploiting science for industry than France. The ideological responses were conditioned by the “very real social, religious, and political differences” that separated the English from the French. Under a constitutional monarchy, the Protestant English society was presented with a science within an ideological framework that encouraged material prosperity through the practical industrial application of new mechanical philosophies — the so-called *Newtonian synthesis* of Cartesian science. By contrast, in the Catholic French society, Cartesian science was “ideologically absolutist in politics”, directing the scientific energy towards promoting order in the state rather than towards the utility of mechanical science

²¹⁷ Yujiro Hayami and Vernon Ruttan, *Agricultural Development: An International Perspective*, revised and expanded edition. Baltimore and London: Johns Hopkins University Press, 1985, pp. 73-98.

²¹⁸ C. Peter Timmer, ‘The turnip, the new husbandry, and the English agricultural revolution’, *Quarterly Journal of Economics* 83, August 1969, p. 384.

²¹⁹ Margaret Jacob, *Scientific Culture and the Making of the Industrial West*, New York and Oxford: Oxford University Press, 1997, p. 52.

²²⁰ Margaret Jacob, *The Cultural Meaning of the Scientific Revolution*. Philadelphia: Temple University Press, 1988, p.59.

in industrial devices. It presents a similarity to Spanish-Philippine society not only in terms of politics but also the influence of religion in the education system. Jacob points out that there was popular secularization of Newtonian science as it became an essential part not only of the world of inventors and entrepreneurs but also of English people from all walks of life. Scientific culture was not a mere adjunct to the merging mechanized industry, it was its essential source. The applications of technological knowledge in practical aspects of life were widely discussed across broad sectors of society, with the proliferation of local clubs, societies and associations, creating a huge and enthusiastic audience for scientific demonstrations by itinerant London lecturers. Moreover, Jacob argues that “British education in mathematics was superior ... must be seen as one part in the complex story why Britain industrialized first.”²²¹

In England, the exclusion of the Dissenters from Grammar Schools and in Oxford and Cambridge led to the establishment of ‘Dissenting Academies’ where the Baconian-Puritan model of education was promoted. The schools emphasized empiricism and the natural sciences suitable for young men who were to go into business or profession in trades and engineering. There was little by way of separate education in science and engineering.²²² They desired education that was more relevant to daily life than classical curricula. Reformers called for replacing Scholastic studies with classes that taught a practical understanding of the world. As Dissenters were excluded from holding public office, able men were more likely to go into professions such as the Nonconformist ministry, a branch of medicine or into a family business so much so that industry first took root in Scotland and Glasgow. Charles Webster’s book, *The Great Instauration: Science, Medicine and Reform, 1626-1660* (1975), put beyond reasonable doubt the link between Puritan ideals, the promotion of science. It was not so much “the origin of revolutionary ideas”, as Peter Harrison argues, “but rather in the emergence of an ethos that would promote what we call a ‘scientific culture’, in which the values of utilitarianism, empiricism, and rationalism are given primary space.”²²³

Webster successfully established the “chronology and connexions of the movement, showing it to be more extensive, more deeply rooted, and more practically-oriented than generally imagined.”²²⁴ The Puritan intelligentsia battled for intellectual revolution and sought to promote rational reforms on many issues such as education, technological and agrarian improvement. But their reforming aims came to an end with the failure of the Revolution and the restoration of the monarchy in 1660. Consequently, Margaret Jacob argues that the reforms were taken up by one group led by Robert Boyle, John Wilkins, John Wallis, Walter Charleton, John Evelyn, Christopher Wren and others who “continued to advocate and engage in the organized pursuit of experimental science ... but they dissociated this project from any radical reform of church, state, the economy

²²¹ Jacob, *Scientific Culture*, p.58.

²²² David H. Pratt, *English Quakers and the First industrial Revolution: A Study of the Quaker Community in Four Industrial Counties - Lancashire, York Warwick, and Gloucester, 1750 – 1830*. London: Garland Publishing, Inc., 1985.

²²³ Peter Harrison, ‘Science and Dissent’, *Minerva: A Review of Science, Learning and Policy* 44 (2), April 2006, pp. 223-224.

²²⁴ See Roy Porter, ‘Review- The Great Instauration: Science, Medicine and Reform, 1626-1660’, by Charles Webster’, *The Historical Journal* 19 (4), December 1976, pp. 1026-1030.

or society.” Jacob further argues that “they did not cease entirely to be reformers, but couched their reforming sentiments in vague terms of improving man’s health and estate through science.” In fact, these reforms would progress without necessarily changing the prevailing social structure in the direction of greater social equity.²²⁵ Moreover, English scientists, inventors and entrepreneurs founded the Derby Philosophical Society and their ideas as to the ideal factory organization and division of labour led to the emergence of factory-based production, which defined the future paths to cost-reducing mechanization of the cotton textile, iron, and water power, railways and steam power industries.²²⁶ This replaced the pre-industrial small workshops of individual inventor-entrepreneurs and cottages of putting-out rural industries. The superimposition of new technologies, new procedures and new best practices supported a rapid increase in productivity and led to radical advances in the relative position of English industries and firms in the world economy. Considering the sorry state of science education in the Spanish Philippines it is understandable that the scientific and technological activities of the Economic Society of Friends of Manila during the Spanish time were unlikely to have any significant result.

Conclusions

This study traces the roots of the development challenge in the Philippines to develop its technological capability. The historical analysis was undertaken to locate the beginnings of the formation and the subsequent entrenchment of the dominant global historic bloc(s) in Spanish Philippines (1565-1898). A broader social environment created by an interacting nationalist historic bloc that nurtures innovation is crucial in technological innovation and industry growth. This chapter’s analysis shows Spanish colonialism to have established and entrenched a global trade- and financial-based economic interest in the Philippines comprising foreign merchants (Spanish, Chinese, English, and Americans) and their local counterpart, the landed, wealthy Filipino *ilustrados* who emerged from the political structure and the liberal economic reforms instituted by Spain. It was the colonial government’s economic policy of free trade and economic openness as a means of wealth creation, which facilitated the entrenchment of trade interests. A trading economy does not create massive employment opportunities. Generating high profits through the mere buying and selling of goods, traders generally do not by themselves venture into manufacturing, which entails more risks.

While global trade with more advanced nations, initiated by the Spanish and Chinese merchants, gave the Philippine economy the impetus to move from a condition of backwardness into making advances in agriculture, the colonial free trade regime from the mid-18th century was a wrong path as far as development of the productive powers of the local economy was concerned. If List had been heard, restrictions on commercial

²²⁵ James Jacob and Margaret Jacob, ‘The Anglican origins of modern science: the metaphysical foundations of the Whig Constitution’, *Isis* 71 (2), June 1980, pp. 251-267. <http://www.compilerpress.atfreeweb.com/Anno%20Jacob%20&%20Jacob%20Anglican%20Fdn%20of%20Modern%20Science.htm>

²²⁶ Freeman and Louçã, *As Time Goes By*, pp. 169-70.

activity would have been imposed to promote the growth of production and service industries. The interaction between an existing Chinese world system and an expanding European system provided the milieu in which foreign trade activities by the Chinese during the pre-Spanish period and the subsequent strengthening of this trading activity in alliance with the Spaniards and then later the English and Americans, created an institutional constraint which channelled the economic activities of the local élites towards wealth-creation based on land and crop exportation. It did not provide the venue for an industrial transformation; instead a rural proto-industry, a precursor for mechanized manufacturing industry, was ruined.

Spanish colonialism engendered a fragmented local élite and nationalism. The more cosmopolitan *ilustrados* which had a hispanized national identity, cultural and economic affinity with the colonizers did not have nationalist sentiment. Hence their agenda was for assimilation. However, the nationalist segment of the *ilustrados* provided moral and intellectual leadership to the masses as well as combat help during the 1896 revolution. Through a robust alliance of the middle class and the masses, the historic bloc established what Quibuyen calls a “hegemonic nationalist-popular will” which toppled the three-and-a-half century Spanish rule over the Philippines. The valuable lesson learned was that nationalist sentiment borne by educated nationalist middle class and the poor farmers was a potent force for ‘change’ in Spanish Philippines. The formation of a global historic bloc committed to free market democracy has been presented by some scholars as a quintessential phenomenon in the era of globalization. But countries which have colonial experiences, such as the Philippines, have been confronted with such a constraining structure a long time ago, and the formidable challenge faced by these countries is how to create a counter-hegemonic nationalist developmental bloc. Moreover, the analysis shows that among the major institutional bottlenecks which hindered the development of industry in Spanish-Philippines besides free trade are lack of financial capital, technology, and a conservative educational system that did not promote an ethos of scientific culture.

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