VOL. I

The Philippines:

A PAST REVISITED

(Pre-Spanish – 1941)

by

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With the collaboration of
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(Vol. II: The Continuing Past)
(1941 – 1965)
British Puppet

The British were properly appreciative. They gave Silang the title of “Sargento Mayor, Alcalde-Mayor y Capitan a Guerra por S.M. Britanica.” A boat arrived carrying gifts for him. The British emissary also left behind with Silang 138 printed blank titles for governors and subordinate officials. The British probably appreciated most Silang’s enumeration of the products of his region. That he did so indicates his own interest in trade as well as his awareness of British objectives.

It should be noted that the British invasion was directed and financed by a trading institution, the East India Company, hence the commercial orientation of the British administration. The governor of Cavite, Mr. Brereton, wrote to Silang inviting him to send his boats to Manila for trade. Silang in another letter to commander Dawson Drake mentioned that he intended to send a junk of his to Manila for commerce. This alacrity to take advantage of the new opportunities provided by the new dispensation was by now a typical principala reaction. Silang’s own contact with the Manila galleons as a courier and the fact that his wife was a property owner in a prosperous town prepared him for these new commercial possibilities. In fact, the protest against Alcalde Zabala for his abuse of the indulto de comercio underscored the drive of the principalas to appropriate for itself some of the economic benefits of colonization.

Silang’s career was cut short by an assassin’s bullet. His wife, Gabriela, assumed command of the rebel force to avenge her husband’s death, but four months later she was captured and hanged.2

A Step in Political Awakening

Silang was the prototype of future leaders who would capitalize on the genuine grievances of the people. Though the people would find themselves repeatedly used and even betrayed by leaders from the elite, their experiences were not a total loss. Participation in actions like these revolts made them aware of their strength and gave them an education in struggle.

Each successive uprising was a step in their political awakening. Each local revolt was a contribution to national consciousness.

VIII

End of Isolation

As early as 1624, the English philosopher and statesman, Francis Bacon, had commented on the “brittle State of the Greatnesses of Spain” and prophesied that this greatness which rested on nothing more than the treasure that was the Indies would be “but an Accession to such as are Masters by Sea.” The English themselves soon proved the correctness of this forecast.

England developed a merchant marine that successfully challenged that of Holland, her rival sea power. Aggressive trading efforts based on a growing control of the sea allowed the English to conquer new lands as well as to penetrate the colonies of other rich empires.

By the seventeenth century, England had acquired important footholds in Asia, Africa, and America. The English colonized America during this century and acquired outposts in the West Indies during the same period. These possessions provided England with outlets for her manufacture.

Satellization of Spain

By 1700, England was no longer just a producer of raw materials for export. She had decreased raw wool exports and built up her own textile industry. In fact, she now imported wool and dyestuffs from Spain and exported finished textiles to that country for its internal consumption or for re-export to the Spanish colonies. Spanish gold and silver flowed to England to compensate for Spain’s unfavorable balance of trade. England proceeded to undercut the Spanish empire, first, by exporting goods to Spain for domestic consumption and second, by trading with the West Indies and thus penetrating the Spanish colonies in America.
This trade was the Spanish colony in Manila. Since Manila was merely a transhipment port through which Chinese goods were shipped to Mexico and Mexican silver flowed to the Chinese coast, the galleon trade had practically no effect on the economic life of the colony. No Philippine products were developed for export.

It was not the Spaniards, but the English and the Chinese who played important roles in the economic development of the Philippines and its opening to world commerce during the eighteenth century.

Solvent of Baranganic Society

Spanish colonization became a potent stimulus for Chinese immigration to the Philippines. Attracted by the economic opportunities presented by the Spanish settlements, the Chinese began to come in greater numbers until, by the beginning of the seventeenth century, more than twenty thousand Chinese resided in Manila and its environs, vastly outnumbering the Spanish settlers.

Since the Spaniards found the galleon trade and colonial government more profitable and more suited to their inclinations and dignity as the masters of the country, trade and artisanry quickly became dominated and practically monopolized by the Chinese. The natives could offer no competition for they had no capital and little experience in trading ventures. The Chinese therefore became an indispensable and established institution in Philippine economic life.

Through their buying and selling activities, the Chinese became the solvent of baranganic society. By penetrating the interior towns with their Chinese imports, they were able to develop new consumption tastes among the people. Their barter activities for the purpose of securing goods that they could ship out developed the production of abaca, sugar, and resin. These early ventures of the Chinese paved the way for specialization in agriculture. Access to sources of export products and to native markets for imported goods insured the development of wholesaling as a predominantly Chinese preserve.

This situation was by no means peculiar to the Philippines. Europeans in neighboring countries likewise acknowledged their dependence on the Chinese for the purchase of goods from native producers. John Crawfurd in his History of the Indian Archipelago describes the control of trade in the East Indies by the Chinese in these words:
They are most generally engaged in trade, in which they are equally speculative, expert, and judicious. Their superior intelligence and activity have placed in their hands the management of the public revenue, in almost every country of the Archipelago, whether ruled by natives or Europeans; and of the traffic of the Archipelago with surrounding foreign states, almost the whole is conducted by them.  

English Penetration

While the increasing commercialization within the Philippines was the handiwork of the Chinese who did business with native producers, Spanish governors, and friars, it was the commercial activities of the British that eventually opened the country to international trade, thus radically modifying its economic life. British trade may be dated from the visit of the Seahorse to Manila in 1644. Because of the Dutch blockade, however, the early attempts did not prosper. English commercial penetration began in earnest with the Madras-Manila trade.

The objective of this trade was to acquire for the British a great proportion of what had previously been an exclusive preserve of the Chinese. The China trade had been characterized by the movement of luxury items to Acapulco via the galleons; the development of English “country trade” with Manila modified this pattern.

Indian cotton materials or “piece goods” began to figure importantly as an item of shipment to Acapulco after the trade between the Coromandel coast and Manila had been established. Indian and English merchandise secured a steady supply of silver for the English merchants engaged in the Manila-Madras trade. By 1708, the prospects were inviting enough to attract the participation of the powerful East India Company. English free merchants and Company servants soon occupied positions of importance second only to the Chinese traders. By the nineteenth century, the English had attained commercial primacy in Manila.

Evidence of the importance attached to the trade with Manila is the fact that the East India Company financed and directed the British invasion of the Philippines and its brief occupation from 1762 to 1764. Military and naval officers from the East India Company’s outpost at Fort St. George in Madras took part in the attack on Manila. Directors of the East India Company in London ordered that a civil establishment take over as soon as the capture of Manila was accomplished. Following Royal instructions, General William Draper turned over the government to the representatives of the East India Company.

The fact that British exports occupied a progressively larger share of the lading spaces in the galleons over the years may have had no material significance to the Philippine economy, but since British ships carrying British goods for the galleon trade brought back on their homeward voyages a variety of native products, this aspect of British commercial activity was certainly partially responsible for the economic changes that were occurring within the country. Aside from filigree vessels and gold plates made by Chinese artisans in Manila, the British ships brought back to Madras pearls, skins, tobacco, leather, and horses. Chinese middlemen gathered these goods from all over the country. Inevitably, they also became the conduits for the distribution of cheap English textiles to the provinces.

Infiltrating the Mercantilist Curtain

The British penetration of Manila was initially clandestine, for it was against Spain’s policy to allow rival European powers to trade with her colonies. The Spaniards could not sanction foreigners horning in on their preserves. But because the distance of the colony from Spain rendered supervision difficult, the English managed to violate the policy with relative ease.

Various techniques were employed in order to circumvent the prohibitions. Since only traders of Asian origin were allowed free entry into Manila, the English loaded their goods on vessels owned by Armenians, Moles or Hindus. Or, English-owned ships took on Asian, usually Hindu, names and were provided with Portuguese or Armenian captains and seamen. The Spaniards feared the Dutch, the English and the French; they had no cause to be apprehensive of the Portuguese or the Armenians. With an eye to the clergy, some ships were named after Catholic saints and the saints’ names rendered in Portuguese to fit the nationality of the captain. Thus the Nos Senhora de Boa Vista, the Sao Paulo, and the Nos Senhora Rosario effectively concealed their English provenance. Another technique used was to consign the goods to some well-known Hindu merchant in Manila to make it appear as his own import.

Circumvention was facilitated by the corruption of the officials at Manila. British trading activities enabled the governors and their assistants to tap yet another source of wealth.
High colonial officials and some religious orders were deeply involved in the illicit trade with the British. Since bribery was rampant, every English vessel was supplied with precious gifts for the officers of the city. It was customary for the captain, each time he put in at Manila, to call on the governor general bearing gifts.  

Economic Rethinking

In the course of the rise of capitalism in Europe, various economic theories were propounded to serve the ends of capitalist enterprise. At the core of these theories was the concept of free trade.

Spain did not escape the profound material and ideological changes that were sweeping Europe at the time. The growing English penetration of the Spanish colonies and the dependence of Spain herself on England, the Peninsular wars, and the loss of the Spanish colonies in Latin America were developments of far-reaching significance which resulted in various internal political disturbances and induced a rethinking of Spanish economic policy. A strong movement developed in Spain to restore her past greatness by the institution of vital economic reforms.

The ferment in Spain could not but affect the colony, thus making the hundred years between 1750 and 1850 a most significant period for the Philippines. The fabric of colonial society suffered drastic changes as a result of revisions in Spain’s outlook and the internal effect of Anglo-Chinese economic activities.

Changes in colonial policy produced more or less systematic efforts to develop the agricultural resources of the islands and attempts to widen the commercial contacts of the colony by opening direct trade with Spain and removing many of the restrictions that had hitherto hampered trade with other nations. These new policies were implemented by more vigorous public administrators who were adherents of the new economic thinking.

Beginning with Simon de Anda y Salazar and followed notably by Jose de Basco y Vargas, the governors of the Philippines after the British occupation instituted a series of economic reforms which contributed to the alteration of the economic landscape of the country.

Spain made earnest attempts at this time to encourage the production of cash crops such as sugar, indigo, tobacco, and hemp. The Spaniards were now discovering the possibility of utilizing the products of the colony. Whereas the Philippine government had hitherto derived most of its revenue from tributes and from customs duties imposed on the China-Manila trade and on the galleon trade with Mexico, using the situado to meet the balance of its expenses, the development of cash crops provided new sources of revenue which diminished dependence on the Mexican annuity. The financial independence of the colony from Mexico was accomplished with the establishment of the tobacco monopoly in 1781.

The objective of reorienting the commercial system of the country spurred the establishment in 1785 of the Royal Philippine Company. This company envisioned itself as the principal “investor, producer, and carrier” of Philippine agricultural products. Although its plans were too grandiose for fulfillment, it proved that, properly managed, an investment in Philippine agriculture could be profitable. A more important development was the opening of direct trade between Spain and the Philippines, thus reorienting the country toward Europe and away from Mexico. This facilitated the entry of the Philippines into the stream of world commerce.

The new economic policy also manifested itself in the partial relaxation of other trading restrictions. Where before trade with China had been limited to the junks from Amoy and Ch’uan-chow in Fukien province which supplied the galleon trade, by 1785 Spanish ships were being sent to Canton for Chinese goods. (Incidentally, this diversified the geographical origin of Chinese immigrants. Besides the Amoy Chinese, Macao now began entering the country.) By 1789, the Spaniards removed the restriction on the entry of European ships provided they carried only Asian trade goods, a proviso designed to protect the Royal Philippine Company.

These developments resulted in bringing the native economy and the Western economy closer together since the former was now encouraged to produce agricultural crops traded by the latter. Even the nature of the galleon trade began to change as more Philippine products found their way onto the galleons bound for Mexico.

Emergence from Isolation

A greater liberalization of commerce was achieved with the termination of the galleon trade in 1813 and the abolition in 1834 of the Royal Philippine Company which, though it
promoted export crops, was monopolistic in character. The decree ordering the dissolution of the company contained a provision opening Manila to world trade. Laissez faire had won the day even in the court of Spain.

From being a mere outpost of empire, the Philippines became officially a participant in world commerce.

The nineteenth century saw the transformation of the Philippine economy. Prior to the 1820's, the principal exports of the country were "bird's nests, beche-de-mer, wax, tortoise shells, sea shells, dried shrimps, and shark's fins." These were exported to China. The export picture changed radically with the rapid development of cash crops such as sugar, indigo, tobacco, hemp, rice and coffee. Foreign firms that were allowed to do business in Manila controlled the export trade. The British were pioneers in this line; they entrenched their position with the formal opening of the port of Manila. During this period, British imperialism was penetrating Asia, particularly China. In fact, the British became interested in the Philippines primarily because of their investments in China. The same was true of the Americans. In the beginning, British and American firms regarded Manila only as a base for their business operations in China but as Philippine trade grew in volume, it became important for itself.

British and American firms exported raw materials and imported manufactured products, especially great quantities of textiles from the Manchester and Glasgow mills. These were sold all over the country. By importing needed machinery and offering advances on crops, these foreign firms stimulated production of those agricultural crops the European and American markets needed.

Economic Transformation

The Philippines had emerged from its isolation. The capitalist linkage led to the dissolution of the natural economy of many regions. This process was greatly aided by the establishment of banking houses which promoted the monetization of the economy and the regional specialization of crops. European and North American entrepreneurs led in this activity. Rich families, businessmen, and the Church deposited their funds in these banks which then loaned them out as crop advances. Advances were likewise made to Chinese wholesalers to finance their operations. The Chinese distributed imports and purchased local produce for export. The merchant banks were thus able to control both purchasing power and sources of supply for the export trade.

The increasingly prominent role that these foreign firms played in the commercial life of the colony provoked many protests from Spaniards engaged in business in the Philippines and industrialists in Spain like the Catalan textile manufacturers. For instance, there was a hue and cry about English domination when it was discovered in 1841 that an English firm was trying to buy the Dominican hacienda in Calamba, Laguna. The government subsequently refused permission for the sale.

In 1851, the Spaniards tried to participate in the lucrative banking business by establishing the Banco Español-Filipino de Isabel II. Its declared purpose was to encourage the use of savings for commercial purposes. But most of the funds came from the obras pías and from the government. European firms who did business with Chinese nationals became guarantors of these Chinese with the bank, a fact which emphasized the Anglo-Chinese partnership which predominated at the time.

The colonial government tried to check the expansion of foreign companies by such means as the prohibition to own land and the imposition of corporate taxes and different tariff duties. None of these measures seriously affected the growing dominance of these foreign firms.

A fundamental transformation of Philippine economic life took place during the period from 1820 to 1870. The development of an export-crop economy finally produced an economic system within which the still distinct Western, native and Chinese economies became part of an interrelated whole. A national market was emerging; internal prosperity was noticeable. The economic unification of the country further fostered the regionalization of production. Tobacco became the main crop of the North, sugar the principal product of West Visayas, and abaca the mainstay of the Bicol region.

Manila Hemp

Abaca began to be produced for export only after 1820 when the U.S. Navy discovered that it made excellent marine cordage. Accordingly, the United States became the principal importer of Philippine abaca which came to be known the world over as Manila hemp. By 1842, two American firms, Sturges and Company and T.N. Peale and Company, had monopolized the export of abaca.

To stimulate production, these firms gave crop loans to the
growers. Spanish entrepreneurs attracted by the increased demand for abaca established large plantations in the Bicol provinces and also acted as agents for the export firms, collecting for their principals the produce of small native growers. A Spanish firm, Ynchausti y Compania, planted to abaca virgin lands in Sorsogon to supply its rope factory on Isla de Balut in Tondo.\textsuperscript{17} Hemp was also grown in Leyte, Samar, and Cebu.

By 1850, the enterprising Chinese began to enter the picture. Chinese buyers did not give crop advances. Their method was to establish stores in the abaca growing regions and to barter rice and other goods for abaca. Many small growers preferred the barter system because they seldom had money with which to buy their needs before their crops were ready for harvest, and because the shrewd Chinese offered them better prices for their abaca if they would take payment in goods instead of in cash. The Chinese were thus able to dislodge their Spanish competitors.

Although the Chinese in the Philippines seldom involved themselves in agricultural pursuits, some Chinese leased for a short period small plantations that had already been planted to abaca, waited for the crop to be ready for harvesting, had it stripped, and then sold it to exporters. Other Chinese owned abaca lands which they rented out to native producers.

The opening in 1873 of the ports of Legazpi in Albay and Tacloban in Leyte to international shipping was another stimulus to the abaca industry.\textsuperscript{18}

Beginnings of the Sugar Bloc

Before 1850, sugar cane was planted only in the small plots of native landowners in such provinces as Pampanga, Batangas, Pangasinan, Cebu and Panay. The alcaides of these provinces acted as commercial agents and gave crop advances to farmers. The alcaides sold the unrefined sugar at a profit to Chinese who travelled to the sugar-producing districts to buy up the supply. Refining was done by the Chinese who then sold the sugar to the foreign exporters in Manila. However, this pattern changed radically with the spectacular rise of the provinces of Iloilo and Negros as the leading sugar producers of the country. The one person who did most to transform these provinces into a region of sugar haciendas was a Scotchman by the name of Nicholas Loney.

Loney had been an employe of the British firm of Ker and Company in Manila. He was the British consul in Iloilo when that port was opened to foreign shipping in 1855. An open port in the Visayas was a great opportunity for expanding export trade in the region and Loney energetically seized the opportunity. He sold machinery on credit to sugar planters, stipulating that they pay him from the profits they would realize from using the new equipment. This was an attractive offer calculated to break down the resistance to change typical of the rural areas. Once they saw for themselves that the new machines increased production, many planters eagerly put in their orders. Records show that in a single year, Ker and Company imported 159 centrifugal iron mills and eight steam mills for Iloilo and Negros. Loney also provided capital for better sugar cane seeds from Sumatra.\textsuperscript{19}

The following figures attest to the phenomenal rise of sugar production in Negros: from a mere 14,000 piculs in 1859, the harvest rose to 618,120 piculs in 1880 and 1,800,000 piculs in 1893.\textsuperscript{20}

The new economic opportunities attracted quite a number of investors to settle in Negros and engage in large-scale sugar planting. Among the first sugar barons of Negros were Agustin Montilla, an Español-Filipino who had his hacienda in Bago, and Dr. Ives Germaine Gaston, a Frenchman whose sugar estate was in Silay.

End of the Tobacco Monopoly

The tobacco monopoly established in 1781 compelled the cultivating of tobacco in hitherto undeveloped lands as well as in acreage formerly devoted to rice. Ilocos, Cagayan, Isabela and Nueva Ecija were designated as the main tobacco-growing provinces.

Although the tobacco monopoly brought serious hardship to the population (See Chapter 9), it proved highly profitable for the government. Nevertheless, responding to the prevailing concepts of laissez faire and free trade, Spain abolished the monopoly in 1883.

The large tracts of land on which the government had grown tobacco were ordered sold to private persons, including foreigners. Foreign companies, however, were not allowed to buy lands, and individual foreigners could hold on to their lands only while they resided in the Philippines. But there were few investors. In the end, only the Compania General de Tabacos de Filipinas (established in 1881) was engaged in cultivating,
manufacturing and distributing the higher-grade Philippine tobacco while the business in lower-grade tobacco became a Chinese preserve.

The Social Transformation

At this point, it is necessary to look into the social composition of the colony in order to facilitate an understanding of Philippine society prior to the Revolution. It is particularly important to take cognizance of a new element that began to assume importance at about this time: the Chinese mestizos.

There were five principal social classes in Philippine society during this period. At the top of the social pyramid were the peninsulares, Spaniards who came from Spain and who were given the choice positions in the government. Next in line were the creoles or insulares — Spaniards born in the Philippines who considered themselves sons of the country. They were the original “Filipinos.” Together with them, we may place the Spanish mestizos who tried to ape their creole brothers and regarded themselves as the social superiors of their brown brothers. Then came the Chinese mestizos who occupied a higher position than the natives, while the Chinese were at the bottom of the social scale.

Although these were distinct and separate groups, intermarriages did occur. Besides the unions between Chinese men and native women which produced the Chinese mestizos, there were also marriages between impoverished Spaniards and daughters of principales in the provinces. When the Chinese mestizos became rich landowners and merchants, they, too, intermarried with wealth-seeking Spaniards and Spanish mestizos and with children of principales.

The economic and social ascendency of the Chinese mestizos is certainly the most significant social phenomenon of the era from 1750 to 1850.

Chinese Mestizos

Although the Spaniards found the Chinese indispensable, there were latent animosities between the two races which manifested themselves in various ways, from the issuance of restrictive laws limiting the immigration and mobility of the Chinese, to the periodic expulsion and outright massacres of the Chinese population. One of the ways of attaining the assimilation of the Chinese was to encourage intermarriage with native women since there were very few Chinese women in the Philippines. This resulted in the creation of special communities of mestizos.

When these communities were still small, the mestizos often sided with the Chinese against the natives. Later they broke away, establishing their own gremios or guilds and competing with the Chinese. In this competition, the mestizos had the advantage of greater mobility. Since their native mothers did not bring them up as Chinese, they blended culturally with the native population. They were allowed to settle and do business wherever they pleased, not being subjected to the residence and other restrictions the Spaniards periodically inflicted on the Chinese “infidels.”

By 1750, the mestizos were already a recognized and distinct element in Philippine society. Spanish legislation now had three categories of tribute payers: the indios, the Chinese, and the mestizos. By 1810, out of a total population of about two and a half million, around 120,000 were Chinese mestizos. Their economic significance, however, far exceeded their numerical strength because they were concentrated in the most economically developed parts of the country.

Over sixty percent of them lived in Tondo, Bulacan and Pampanga. Half of this number lived in Tondo which then included, besides Binondo and Sta. Cruz, the whole of what is now Rizal province. An idea of the extent of their concentration in the more advanced provinces may be gleaned from the following figures: in Tondo, 15% of the population were mestizos; in Bulacan, 11%; in Pampanga, 11%; in Bataan, 15%; in Cavite, 12%.

Around Manila, most mestizos were retail merchants or artisans; elsewhere, they became retailers, wholesalers, and landowners.

Mestizo Progress

When in 1755 (and again in 1769) most non-Catholic Chinese were expelled from the Philippines and the five thousand or so allowed to remain were concentrated in Manila, the mestizos were quick to take advantage of the new economic opportunities. By 1800, they were replacing the Chinese in some areas of livelihood and offering them serious competition in others. They took over the business of supplying Manila and encroached into the traditional Chinese monopoly of retailing and
artisanry. With the rapid development of commercial agriculture, the Chinese mestizos found wholesaling most profitable. They bought up the produce in the provinces and sold it to exporting firms in Manila. In the rice-growing districts, they also became money-lenders.

The restrictive Spanish policies imposed on the Chinese gave a tremendous impetus to mestizo progress. The development of Cebu, Iloilo, and other Visayan ports was largely due to mestizo activity. By the middle of the nineteenth century, they were so firmly in the saddle that Sinibaldo de Mas could prophesy that they would become a threat to Spanish power in the Philippines.25

By this time, out of a population of four million, there were 240,000 Chinese mestizos, 20,000 Spanish mestizos and 10,000 Chinese.26 In terms of geographic distribution, the mestizos were still largely concentrated in Central Luzon but were now pushing into northern Luzon, particularly Nueva Ecija.

Re-enter the Chinese

In 1850, responding to the urgent need to encourage economic development in the Philippines, the Spanish government rescinded its restrictions and once more allowed free Chinese immigration. It even permitted the Chinese to reside anywhere in the country.

The timing was perfect for the Chinese. By this time the Philippines had a thriving export-crop economy based on sugar, abaca and coffee, and imported the products of European factories. The export-crop economy provided many opportunities for Chinese business acumen and experience. For example, it created a demand by foreign firms for Chinese stevedores and warehouse laborers. Coolie labor was used in Manila even for public works projects. The result was a profitable coolie brokerage business for Chinese businessmen in Manila. The Chinese also made money on monopoly contracting. The opium monopoly is an example.

The Chinese saw the economic advantage of controlling the sources of supply of export products. By means of the pacto de retroventa, (see next topic) Chinese money-lenders began acquiring lands in Cagayan, subsequently renting them out to their former native owner-cultivators. But after the abolition of the government tobacco monopoly in 1881, the Chinese concentrated more on tobacco purchasing, buying up the cheaper grades left by the Compania General de Tabacos, or Tabacalera. The Chinese were able to corner the market of lower-grade tobacco because they established stores in the farm areas and agreed to barter store goods for tobacco. Some Chinese buyers even engaged in the practice of buying the still unripe crop from needy cultivators at one-third the expected price, and then harvested the tobacco themselves. Their Cagayan operations enabled the Chinese to set up cigar and cigarette factories. There were as many as two hundred of these factories in Manila at one time producing cheap imitations of popular brands.27

Chinese participation in the Philippine economy quickly increased so that by 1898 the Chinese had not only regained the position they occupied prior to their expulsion but in fact greatly exceeded it.

The Shift to Landowning

Chinese competition forced the Chinese mestizos to shift to agriculture. The export-crop economy made landholding a status symbol and the new means of wealth. The mestizos, now a prosperous class, concentrated on the acquisition of land and began amassing large landed estates, particularly in Central Luzon. Many an hacendero owed much of his property to that notorious contract known as the pacto de retroventa. That much property was amassed in this manner is proved by the fact that the typical landholding pattern is that known as “scattered-holdings.” In other words, numerous small plots within a given area but not necessarily contiguous to one another fell into the hands of one proprietor via the pacto de retroventa.28

The pacto de retroventa, or pacto de retro as it is popularly known, was a contract under which the borrower conveyed his land to the lender with the proviso that he could repurchase it for the same amount of money that he had received. Meanwhile, the borrower usually became the tenant or lessee of the lender. It was seldom that the borrower could accumulate the necessary amount to exercise his option to repurchase. Moreover, even if he did so, an unscrupulous money lender could deny that he ever had such an option. Since most contracts were signed without benefit of a lawyer, and since resort to courts of law was expensive and uncertain for those without influence, thousands of small landowners lost their lands in this way. It was to the advantage of the money-lender that the borrower be unable to exercise his right to repurchase. In this way, the landlord got the land cheap, for the money loaned in a
pacto de retro was only between one-third and one-half the true value of the land.

The background of the Chinese mestizos made their shift from commerce to agriculture a natural one. It will be recalled that when the order of expulsion caused most Chinese to abandon the wholesaling and retailing of rice in Central Luzon and Manila with much of its rice needs. Inasmuch as they were now engaged in rice trading, the mestizos were greatly encouraged to acquire rice lands by means of pactos de retroventa and to lease other lands from the religious estates. Most of the lessees of the friar landlords were Chinese mestizos. They apportioned their holdings to kasamas or sharecroppers, appropriating half of the harvest without doing any work. As inquilinos, many mestizos prospered and eventually graduated to the status of landowners. The mestizo inquilinos of the religious estate in Binalan, Laguna, for example, were able to buy lands in a neighboring town and hire the former owners as their tenants.

Mestizo power was growing apace with the development of the economy. The only barriers to their ascendancy were the governors with their indulto de comercio, the priests, and the Chinese. The economic objectives of the rising mestizo elite would find expression first, in the demands voiced in a number of nineteenth century revolts for the abolition of the indulto or at least for the dismissal of too enterprising governors, and second, in the growing resentment against the friar estates which would reach its peak in the Revolution. As for the Chinese, the mestizos did not clash frontally with them; rather, each group found its own sphere of operations within the developing economy. By the time the Chinese returned and assumed their former occupations as coastwise shippers and wholesalers, the mestizos were already so powerful economically and socially that they could, without much strain, abandon these middleman operations and concentrate on becoming large landowners.

Thus the mestizo became more native than Chinese not only because of upbringing but also because of economic compulsion.

Rise of Haciendas

Together with the religious corporations, the Spaniards, and the creoles, the Chinese mestizos were now active participants in the acquisition of land. They invested in land the capital they had accumulated from their previous commercial ventures as competitors and later as temporary replacements of the Chinese.

The growing capitalist linkage with the world which created a demand for cash crops made landowning very attractive. The onset of the Crimean War (1854-1856) which caused a steep rise in the price of sugar, and the opening of the Suez Canal in 1869 further stimulated agricultural production. The introduction of machines in agriculture and the improved means of communication which facilitated the transport of products to the ports were two other factors that made plantation agriculture more profitable.

The population increase — from around 667,000 in 1591 to almost 6,000,000 in 1885 — also spurred the cultivation of hitherto idle lands. Once under cultivation, many of these newly productive lands fell into the hands of land-greedy plantation owners either through pactos de retro or through "legalized" land-grabbing.

Land-grabbing

The various land laws, particularly those of 1880 and 1894, which provided for an easy way of registering land and obtaining title thereto not only confirmed the ownership and legally defined the boundaries of lands granted by the king or bought from the public domain, but unfortunately also gave legal sanction to land-grabbing.

These laws set deadlines for registration. The Royal Decree of February 13, 1894, better known as the Maura Law, gave landholders only one year within which to secure legal title to their lands. After the deadline, unregistered lands were deemed forfeited. Naturally, only those cognizant of the law were able to register their lands. Many small landowners in the provinces did not even know that such royal decrees existed. The situation was ready-made for land-grabbing. Many owners of small plots suddenly found their lands included in the titles of big landowners and were left with no other recourse but to accept tenant status. According to a study by Donald E. Douglas of the land tenure situation at the turn of the century, at least 400,000 persons lost their lands because they failed to acquire title to them. They were thus reduced to tenancy. No other these royal decrees were very popular with the upper classes.
Royal grants, purchase of royal estates or realengas, the pacto de retroventa, and land-grabbing via the land laws — these were the principal ways by which vast estates were amassed. These estates became the foundation of the hacienda system as we know it today. Among the large landowners were the religious orders, particularly the Augustinians, the Recollects, and the Dominicans.

The royal grants were responsible for two huge haciendas in Luzon: the Hacienda Luisita and the Hacienda Esperanza. The Hacienda Luisita in Tarlac which encompassed territory in the towns of Tarlac, La Paz, Concepcion, and Capas was given as a royal grant to the Tabacalera Company in 1850. The Hacienda Esperanza which encompassed territory in four provinces — Pangasinan, Nueva Ecija, Tarlac and the Mountain Province — was a royal grant given to a Spaniard in 1863.3

The big haciendas created out of royal grants and purchases from the realengas were later partitioned into sub-haciendas as a result of division among heirs. The Chinese mestizos acquired many of these smaller haciendas and by the twentieth century had practically replaced the Spaniards as big hacenderos. Their aggregate holdings of smaller haciendas had an acreage almost as large as the haciendas of the Spaniards during the closing years of the nineteenth century.

The hacienda system was a new historic form of exploitation to meet the needs of the new period. Although the hacienda retained feudal characteristics, its practices having been inherited from the original religious estates which had in turn adopted in modified form the ancient practice of sharecropping, the growth of the hacienda system was an offshoot of capitalist development.

Social Rearrangements

The new economic horizons opened by the export-crop economy also benefited members of the native principia, although to a lesser extent than the commercially-minded mestizos. In fact, there is evidence that the mestizos in many instances displaced the traditional cabezas as community leaders and even acquired the old communal lands that the native heads had appropriated.

The economic position of the Chinese mestizos provided them with a social status which allowed them to take the leadership of the emerging Filipino society. By the time many of the haciendas had passed into the hands of the Chinese mestizos, they had already been assimilated into native society and had become the elite of that society. They identified themselves as members of linguistic or provincial groups and were accepted as such by the indigenous inhabitants. From their ranks came many ilustrados who later figured in the movement for reform and revolution.

The development schemes of the Spaniards towards the latter part of the eighteenth century plus the activities of foreign entrepreneurs resulted in unifying the nation into an economic whole. It was therefore only during this period that a national consciousness could emerge.

Pre-Spanish commerce between communities based on natural economies played but a small role in the development of consciousness. This is because the pre-Magellanic communities lacked the cohesiveness that could lead to the articulation of economic desires. The natural economies constantly reproduced their status in the same form until after the qualitative multiplication of ties which slowly led to the creation of a totality that emerged as a nation. The commercial relations that the early communities experienced made inroads into their basic social structure but these were not decisive. The impact of commerce was largely superficial, especially in relation to labor. The early traders could buy all the commodities they wanted but they could not buy labor. They were merely dealers in products which the people produced or gathered from the mountains and the accessible mines.

But eighteenth century developments led to qualitative changes. Communications were improved, the national market became stable, the country was linked to the outside world.

The New Principia

The economic transformation of the Philippines in the eighteenth and the nineteenth centuries saw the development of new classes and the alteration of old ones. The interrelated phenomena of extended landlordism and commercialization of the economy modified the class structure of Philippine society.

The effects of the evolution of new forms of land tenure and property relations were visible in the changing status of the chiefs. From administrators of the communal lands of autonomous barangay communities they became brokers of the colonial rulers and, through appropriation of the old communal lands and participation in colonial exactions, exploiters of their people.
A PAST REVISITED

With the advent of a flourishing domestic and international trade there emerged an entrepreneurial class composed mainly of Spaniards, Chinese and Chinese mestizos, with some urbanized natives. When these classes, particularly the Chinese mestizos, acquired vast landholdings to meet the demand for export crops, they displaced and dispossessed many of the old landlord principals.

The old principia succumbed to the pressure of the Chinese mestizos whose commercial activities made them a more dynamic force. Members of the old principia were either absorbed by the new rising elite through intermarriage or depressed to the status of tenants. Studies made by Marshall S. McLennan and John Alan Larkin in certain provinces of Central Luzon have turned up evidences of this development in the gobernadorcillo lists where the old native names gradually disappeared in the late eighteenth and the nineteenth centuries and were partially displaced by Chinese mestizo surnames. Moreover, since many mestizos dropped their Chinese surnames and assumed Spanish family names, it was possible that some gobernadorcillos bearing such common Spanish names as Reyes, Ocampo, de Leon, etc. were in fact Chinese mestizos. Other mestizos Hispanicized their surnames by combining the names of their fathers, viz. Lichauro, Cojuangco, Yapinaya. These practices have made it difficult for us to appreciate the full social dimensions of the Chinese mestizo group in Philippine society.

Thus, when the Philippines was becoming a nation, a new elite composed of Chinese mestizos and urbanized natives had already taken over from the old principia. Whereas the old principia was barrio-based or at best its horizons encompassed only a small town, the new principia, through a system of economic alliances and intermarriage, became a provincial and later on a national force. When the economic ambitions of this group collided with the restrictive policies of the colonial order, its discontent merged temporarily with the age-old grievances of the people.

The new principia then began to articulate its demands as those of the emerging national entity.

IX

Progress and Protest

The end of Philippine isolation which took place between the middle of the eighteenth and the beginning of the nineteenth centuries involved more than the physical opening of the country to foreign commerce; it also facilitated the entry of the ideas of the Enlightenment that had been sweeping Europe for some time. These new ideas, particularly the tenets on individual liberty which formed the core of the ideology of developing capitalism, found fertile ground within the country precisely because the new Spanish economic policies for the colony had created social forces which required for their own development an atmosphere of greater freedom.

Spread of Liberalism

The French Revolution had fostered ideas of freedom in Spain; the growth of liberalism in Spain had its repercussions in her colonies. Realizing that their economic interests conflicted with those of Spain, the creoles in the Latin American colonies led popular revolts which finally resulted in the dissolution of Spain's empire in the New World.

In Spain itself, the people's resistance to the Napoleonic invasion brought about the temporary ascendancy of the Spanish Liberals who produced the Cadiz Constitution of 1812. A typical liberal bourgeois document described as "a constitution written by free men to set men free," this Constitution extended the rights of man not only to Spaniards in the peninsula but also to all subjects of Spain.

The Cadiz Constitution was the result of the efforts of Spanish patriots who organized a provisional government in behalf of King Ferdinand VII while Spain was still in the grip of the Napoleonic occupation. But after the downfall of Napoleon