

philippine studies

Ateneo de Manila University · Loyola Heights, Quezon City · 1108 Philippines

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Philippine Studies vol. 11, no. 2 (1963): 195—231

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Fri June 30 13:30:20 2008

The Economic Development of the Philippines in the Second Half of the Eighteenth Century*

MARIA LOURDES DIAZ-TRECHUELO

THE half-century which forms the focus of this study is of special interest to the economic historian, for the eighteenth century was pre-eminently a century of economists. The intellectual movement which goes by the name of the Enlightenment had a markedly practical orientation. It sought to popularize and to reduce to practice theories and speculations which had been elaborated earlier; hence its development of economics as a science, a development which did not come about by accident but as the result of a historical process.

This awareness of the economy as a problem was felt even in so distant a country from Europe as the Philippines, particularly in the second half of the century, when a series of distinguished governors—the Marquis of Ovando, Pedro Manuel de Arandía, Anda y Salazar, and above all, Basco y Vargas, and his successors, Marquina and Aguilar—devoted considerable attention to the development of the natural resources of the Islands. During the fifty years with which the following pages are concerned the Philippine economy began to show profit instead of loss; ceased to be a burden and

* This is the first of a series of five articles by Miss Díaz-Trechuelo of the Escuela de Estudios Hispano-Americanos of Seville. They are translated from the Spanish by H. de la Costa.—EDITORS' NOTE.

became an asset to the mother country. The first shipment of silver to Spain from the royal treasury at Manila in 1784 marks the beginning of a new era in the economic history of the Philippines.

The present study is based on documents preserved in the State Archives of Simancas (Valladolid), the Archives of the Indies (Seville), the Ministry of Finance and the National Historical Archives at Madrid, and the manuscript collections of the Royal Palace Library, the Naval Museum, and the Royal Academy of History, also at Madrid. The most important source of information is, of course, the Archives of the Indies, whose Fifth Section, *Audiencia de Filipinas*, contains an enormous amount of material which for the most part still awaits study. I have myself carefully examined the correspondence of the Governors and Captains-General of the Philippines for the period in question, and the papers pertaining to specifically economic affairs and institutions: the *Consulado* of Manila, mining, agricultural and manufacturing enterprises, the bureau of audit, government revenues, etc. Files from other sections of the Archives, such as *Indiferente General* and *Papeles de Estado*, have also been utilized.

Section XVII of the Archives of Simancas, *Hacienda: Dirección General de Rentas*, also yielded important information which I have collated with data gathered in the other archives and libraries mentioned above. Specific references will be found in the footnotes and bibliography. I have tried in the course of my research to collect all the pertinent data, and to be as objective as possible in my interpretation of them, and if this study should help toward a better understanding of a particular aspect of the common history of Spain and the Philippines, I shall consider my efforts amply rewarded.

A grant from the Juan March Foundation in 1958 was what enabled me to conduct at Simancas and Madrid the research of which this study is the result; I would therefore like to take this opportunity of expressing my gratitude to the Foundation, which, in this and many other ways, so efficaciously promotes the advancement in Spain of the sciences, arts and letters.

THE ECONOMIC PICTURE IN 1750

It is not necessary for the purposes of our study to determine what were in actual fact the economic resources of the Philippine Islands during the period under consideration. What is important is for us to see the economic possibilities of the country as those men saw them who in the 1750's were beginning to look about them with interest in these things.

Two writers resident in the Islands at this time are particularly informative: the Jesuits Juan José Delgado and Pedro Murillo Velarde. The former is the author of a history of the Philippines, "natural, sacred, profane, political and religious," which is extremely useful for its treatment of the flora and fauna of the Islands. The second, in addition to his well known history of the Philippine Province of the Society of Jesus, wrote a ten-volume universal geography of which he dedicated nine chapters of Volume VIII to the Philippines. His observations are especially valuable in that they have the unique flavor and impact of direct experience, so different from the dry erudition of what is merely culled from other books. To these two sources we must add the monumental *Flora de Filipinas* of the Augustinian Father Manuel Blanco, prince of Philippine botanists, and the unpublished writings of those who had first-hand knowledge of the economic situation and possibilities of the country at the time.

Minerals

Father José Calvo, in the plan for trade development which he drew up in Mexico in 1753, begins his description of the natural resources of the Philippines with metals. But while he gives pride of place to gold, the only gold mine he mentions is that of Paracale, and then only because it is referred to in the *Recopilación de Leyes de Indias*.¹ He believes, however, that the systematic working of this mine, and of other deposits of which there were various indications, would eventually permit the extraction in the Philippines of as much gold

¹ Ley VI, título 20, libro IV.

as in any other province of the Empire.² If the Spanish colonists did not exploit this possibility, it was simply because the trade with New Spain rendered greater profits for much less labor.

Father Murillo, following Colin, estimates the average gold production of the Islands at 100,000 pesos annually, almost all of it panned by the natives. We shall examine later the various attempts made to extract gold during our period; suffice it to say now that the Philippines was not then considered to be particularly rich in gold, although gold is today its principal mineral product. This is doubtless because the richest deposits do not lie close to the surface, where it is obtainable by placer mining, but are deep veins accessible only by means of machinery which had not yet been devised in the XVIII century. There was never anything like a "gold rush" in Philippine history, because although many rivers had gold-bearing soil, the amount of gold in them was never such as to tempt the cupidity of the colonists. There was enough, however, for the Attorney-General of the Audiencia of Manila, Francisco Leandro de Viana, to place the annual gold production at a much higher figure than Murillo. In 1765 he estimated at 300,000 pesos yearly the value of the gold extracted by the natives in the mountains of the Province of Pangasinan; this, added to what was extracted in the rest of the Islands, reached a total of 500,000 pesos.³ Salgado in the notes which he appended to Viana's treatise brings this down to something more like Murillo's figure— 150,000. But no really reliable figure can be given, for as Don Simón de Anda y Salazar judiciously remarks, no estimates are possible in an item "regarding which there has been no accounting nor registry nor any other formality to be complied with except for the native or *mestizo* to

² "Proyecto que hace a S. M. el Padre Joseph Calvo", Mexico, 20 March, 1753, in Biblioteca de Palacio, Madrid (hereafter BPM), *Miscelánea de Ayala* V, 332. This is a copy; the original is in Archivo General de Indias (hereafter AGI), *Filipinas* 679.

³ "Demostración del misero deplorable estado de las Yslas Philipinas", parte II, capítulo iv, número 31, Museo Naval, Madrid (hereafter MNM), ms. 405.

mine what he could and sell it as he pleased.”⁴ This was because Philippine gold was exempted from the royal fifth; and that was why ornaments of pure gold or of the gold-copper alloy called *tumbaga* were carried on the Acapulco ship or exported to China and Batavia in significant amounts. This was the basis for Anda’s cautious statement that gold was to be found throughout the archipelago, and “in some islands abundantly.” Father Murillo is more specific: “In Caraga much is extracted; the mines of Paracale in Camarines are well known; mining goes on in Siraguay and all the islands and even near Manila; and quite recently rich deposits have been discovered between Iligan and Cagayan.”⁵

Father Calvo tries to show in his *Proyecto* that silver could also be mined in the Philippines, and cites as his authorities two accredited agents sent by the City of Manila to Madrid, Hernando de los Ríos Coronel and Magino Solá. Both claimed that the Igorots mined silver in their mountains. One of the official censors of the Franciscan *Crónica* says that “in other times silver was mined in Antique, on the island of Panay.”⁶ Against such vague conjectures we have the categorical statement of Father Murillo: “There is no silver; there used to be, but not much.”⁷ This, then, was the Philippine picture as far as the precious metals were concerned; gold was abundant, silver scarce. And because silver was scarce, it flowed in fabulous quantities across the Pacific from New Spain, not to remain in the Philippines but to flow out of it again to China and the other nations of Asia, in exchange for all the commodities and luxuries which found a vent at Acapulco.

Father Murillo has little to say about the base metals: “There are some indications that iron is mined in certain regions. In some places rock with magnetic properties may be found, particularly in Paracale, where it is said that copper

⁴ Anda to Tomás del Mello, Madrid, 18 November 1768, AGI *Filipinas* 941.

⁵ Pedro Murillo Velarde, *Geographía histórica* (10 v., Madrid, 1752), VIII, 29.

⁶ “Proyecto”, BPM *Miscelánea de Ayala* V, 332v.

⁷ Murillo Velarde, *Geographía* VIII, 29.

exists.”⁸ And that is all. The fact is, however, that there were not a few iron deposits on the island of Luzon. As we shall show in detail later, an iron mine was operated during our period in Mambulao (Camarines Norte), several in the Province of Laguna, and others in the hills of Angat in the Province of Bulacan. “Iron is another valuable product of these Islands,” says Viana, “there are mountains whose ore yields as much as seventy-five per cent, only twenty-five per cent being lost in the extraction. Indeed, so abundant is the ore in those mountains that iron may be extracted to supply the entire world.”⁹

Other metals and minerals did not arouse the same enthusiastic prognostications. Copper deposits had been found, particularly on the island of Masbate, where, as we shall see presently, Don Francisco Xavier Salgado attempted mining operations. Lead was talked about during our period but not produced. Father Calvo mentions quicksilver mines on the island of Panay¹⁰ and deposits of sulphur, saltpetre and coal-tar in Zambales.

Agricultural Products

The prospect becomes much more promising when we turn to the products of the soil. All the writers of our period speak of cinnamon growing wild in Mindanao; of pepper and nutmeg; even of clove and vanilla; it was their unanimous opinion that the Philippines could have been the world supplier of spices, or at least could have given Dutch enterprise stiff competition in this field. Among these products it was cinnamon that those who had given some thought to the subject invariably chose as the most promising item. Viana, speaking of Mindanao cinnamon, admits that the first tests made of it showed that it was not so easy to remove the gum or film which made it inferior to the cinnamon of Ceylon; however, he points out that this is a defect of the wild, not the cultivated plant, for in Ceylon, which is approximately at the same latitude as Mindanao, wild cinnamon also has the gum. But even as a forest

⁸ *Ibid.*

⁹ “Demostración” II, iii, 17, MNM ms. 405.

¹⁰ “Proyecto”, BPM *Miscelánea de Ayala* V, 332.

product Mindanao cinnamon was very widely used throughout the Islands for cooking purposes, particularly to flavor chocolate; and the oil extracted from it was thought to have medicinal value. Viana thought that the cultivation of cinnamon would enrich the Islands themselves as well as Spanish commerce.¹¹

Cocoa was another plant that grew wild in the Philippines, and according to Father Calvo, it was "as good as that of Caracas, and better."¹² Sugar cane, which took only eleven months to mature in the Philippines, was especially abundant in Pampanga. But the export of sugar had been banned for some time, apparently on the basis of an erroneous interpretation of the regulations governing the trade. Viana was of the opinion that Pampanga alone could produce more sugar than India and China needed; and because sugar was a scarce item in those markets it would fetch a good price.

Wheat was already being grown in Luzon by the middle of the XVIII century, with particular success in the region around Taal and Balayan and in Ilocos.¹³ Its consumption, however, was limited to the Spanish population. The cereal of the natives was rice, which was grown everywhere and in such a wealth of varieties that Father Delgado alone enumerates ninety-three. Maize, imported from New Spain, had been acclimatized in the Visayas and elsewhere.

Tobacco flourished in all the Islands, "some of it better than that of Havana."¹⁴ The natives grew it, but some years were to pass before it attracted the attention of the Spaniards.

Another potential source of wealth was textile and dye-producing plants, which the Philippines produced in abundance. Indigo grew wild in many places and only the Chinese made use of them to produce a low-grade dye. There was also the

¹¹ "Demostración" II, iii, 16, MNM ms. 405.

¹² "Proyecto", BPM *Miscelánea de Ayala* V, 332.

¹³ Juan José Delgado, *Historia general sacro-profana, política y natural de las islas del Poniente llamadas Filipinas* (Manila, 1892.) p. 702.

¹⁴ Calvo, "Proyecto", BPM *Miscelánea de Ayala* V, 332.

plant called *sibucan*, very similar to brazil-wood and log-wood. To make colors fast the natives used *bonga* — the areca nut. Cotton grew easily and plentifully in Ilocos, where attempts were made to develop a textile industry using this raw material. Other fibrous plants such as flax were not indigenous to the Philippines and efforts to acclimatize them were unsuccessful.

Special mention must be made of the forests which covered all the Islands with the exuberant foliage of a bewildering variety of trees, many of which produced woods of great value. Father Delgado has left us in his work a lengthy description of the most notable varieties, beginning with the *molave*, the best known and most widely used in the Philippines. Because of its durability and resistance to decay it was justly called *la reina de las maderas*. As pillars or columns called *harigues* it was used extensively by Philippine builders, because it could be sunk even in damp ground; water petrified instead of rotting it. Beams were also made of it; but above all, naval construction claimed it for its own. Molave was the principal wood used in the galleons and lesser ships; with the exception of keel, masts and planking they were made entirely of molave.

Ebony was plentiful on the beaches and islets of the Visayas, where it was called *bantolinao* and little esteemed; but it was one of the products exported to Europe where obviously it was much sought after. A red wood used in cabinet-making, called *tindalo* by the Tagalos and *barnion* by the Visayas, could be found everywhere in the Islands, but in China was so rare as to be valued almost as much as silver. *Naga* or *narra*, an aromatic wood used for tables and doors, was also because of its resistance to decay suitable for posts, beams and flooring. Father Delgado observes that this wood colors water, in which it is soaked, blue, and attributes medicinal properties to it. It was especially abundant in Camarines and Albay. Without unduly prolonging this list we might simply mention the very dark wood called *ata-ata*, very similar to ebony but veined and whorled; *ipil*, encountered at that time only in the Visayas; and *dangcalon* or *palomaria*, widely used in the construction of sampans and canoes because of its resistance to salt water.

Father Delgado devotes a whole section of his book (Treatise VI) to palm trees, beginning with the coconut, of which he distinguishes seven different varieties and then proceeds to describe at great length its multiple usefulness in providing man with food, drink, clothing and construction materials. Another useful palm tree, quite characteristic of the Islands, was the *nipa*, whose generous leaves, growing almost at the level of the ground, were and are widely used for roofing. This palm also gave a sap from which was distilled a drink called nipa wine, great quantities of which were drunk during our period.

Fauna

Even a bare listing of the various species of animals known to exist in the Philippines in the XVIII century would be quite outside the scope of this study. However, our sketch of the economy of the period would be incomplete if we did not mention at least those which in one way or another formed part of the potential wealth of the country. We should distinguish at the outset those which the Spaniards brought with them and those indigenous to the Islands or at least already there when the Spaniards arrived.

The conquistadors brought the horse to the Philippines, as they had brought it to the American continent; and once established in the Philippines, the Spaniards also imported horses from China. Thus it was on Cebu, Panay and Luzon, the islands where they first settled, that horses increased and multiplied. The people of Manila were not very fond of horseback riding,¹⁵ and so horses were used chiefly to pull carriages, of which there were many in the capital of the colony, some of them quite luxurious, particularly toward the end of the XVIII century. In the 1750's the herds had grown to the point where the Philippines exported horse meat to China, where it was greatly appreciated. Asses and mules were also brought over from New Spain but were little used. The broken and overgrown terrain, frequently interrupted by rivers and streams, called for other means of transport and conveyance, chiefly by water.

¹⁵ Delgado, *Historia*, p. 857.

Another contribution from New Spain was cattle, of a large and sturdy variety easily acclimatized. A smaller breed was imported from China. In the XVIII century there were great cattle ranches in Luzon which supplied Manila and Cavite with meat, and near the other Spanish settlements cattle raising also developed.

Among the animals indigenous to the Islands only the carabao, a species of buffalo, was employed by the natives as a beast of burden and work animal. The forests teemed with deer, and deerskin was what was commonly used for shoe leather during our period. Pig, both wild and domestic, was plentiful; even before the arrival of the Spaniards pork was a common food. The colonists found goats in the Islands but not sheep. They imported two varieties of the latter, one of fine long wool from New Spain, another whose wool was thicker and coarser from the Coast of Coromandel. But since there was little demand for woollens in the tropics, no large flocks developed.

Special mention should be made of a wild animal, the civet cat, which was hunted because from it was obtained a pallid resinous substance of the consistency of honey, sharp to the taste and with an odor similar to that of musk; it was much sought after by the Chinese as a kind of stimulant. Edible birds' nests were another product which was exported almost exclusively to China, where, as is well known, they are considered a delicacy.¹⁶

Such, then, were the principal natural resources with which the Philippines challenged the industry of the people who lived in it; to them we now turn.

The People

We are here concerned only with that part of the population which was a significant factor in economic production. We thus prescind from the Igorots and Negritos who dwelt in the hills in a state of savagery and whose only contribution

¹⁶ These nests, made by birds akin to swallows, contain a gelatinous substance which is edible.

to the economy was the gold they panned in the streams and the beeswax they collected in the jungle. The Moros of Mindanao and Jolo were not only not a factor in the Philippine economy but a negative value, since by their piratical raids they disrupted the labor of the other natives and repeatedly laid waste their villages and harvests.

This leaves the two most numerous groups of Malay peoples, the Tagalogs and Visayans, whose advanced culture is of great interest.¹⁶ They constituted the human potential with which the Spaniards were able to raise the economic level of the country. Far from being diminished by the conquest, this native population increased steadily in numbers in all the provinces not affected by extraneous factors, as was the case with the Visayan Islands. These had always been subject to Moro raids, but more specially in the second half of the XVIII century, when the Moros took advantage of Spanish inability to fortify and defend them and Spain's involvement in the Seven Years' War. In contrast to the Visayans, the native population of Luzon registered a noteworthy increase during this period, with the exception of those provinces from which large numbers were attracted to Manila. Many natives of Cagayan, for example, came to seek employment as domestic servants, while Ilocanos filled the ranks of the Manila garrison as volunteers. And yet, in spite of this drain, the Province of Ilocos showed a 50% increase in population during the 30-year period 1758-1788.¹⁷

Mindoro is a striking example of the devastation caused by the Moros in the islands south of Luzon. Its towns all but disappeared under the impact of repeated raids. In 1788 only three towns were left standing. Those who could, fled to the hills of the interior; but many fell into the hands of the raiders and were carried off into slavery.

¹⁶ One should include other linguistic groups among the lowland people of Luzon, such as the Ilokano, Pampango, Bikol, etc.—TRANSLATOR'S NOTE.

¹⁷ City of Manila to Governor Félix Berenguer de Marquina, 22 November 1788, MNM ms. 135, no. 6.

Many of the writers of our period harp on the indolence and apathy of the natives as one of the principal obstacles to the economic development of the country. But there are not lacking those who attribute this stagnation simply to the lack of incentives. A good example of the latter was Francisco Leandro de Viana, who observed that the Spaniards were just as easy-going and indolent as the natives, and for this reason left them to their own devices, "neglecting both their improvement and our own."¹⁸ Some years afterwards the Directors of the Philippine Company in Manila expressed themselves in similar terms. "No one need be surprised," they said, "that the Islands should still be backward, or that the passivity of two centuries should still be prevalent, and hence that the laziness with which the natives have always been charged should continue to be attributed to them as part and parcel of their very nature;" but the injustice of this assessment has been laid bare by the establishment of the Company, which has proved conclusively that the natives are quite capable of sustained labor provided their efforts are suitably rewarded.¹⁹

Besides the native population there were the Chinese, about whose industry there was never any question. By taking native wives they raised a numerous *mestizo* Chinese progeny who inherited for the most part the economic virtues of their fathers.

It is difficult if not impossible to arrive at exact population figures for our period. Royal treasury records for the year 1753²⁰ give us a total of 64,229 tributes collected from the natives. If we allow five persons per tribute (husband, wife and three minor children), we have a population of 321,145 tribute-paying Filipinos. But this was not the total population by any

¹⁸ "Demostración" I, v, 14, MNM ms. 405.

¹⁹ "Informe de la Dirección de la Real Compañía de Filipinas en Manila sobre los medios de que se ha valido para adelantar la agricultura, industria y comercio de estas Islas", folios 37-38, accompanying a letter of Governor Rafael María de Aguilar to Diego Gardoqui, Manila, 22 July 1794, AGI *Filipinas* 463, no. 68.

²⁰ "Informes recogidos de las cuentas presentadas a la Contaduría por los alcaldes mayores," Manila, 13 March 1753, AGI *Filipinas* 463.

means, because there were large numbers who had not yet been brought under Spanish rule or had escaped inclusion in the tribute lists. The same source enables us to estimate the number of Chinese mestizos at 30,240.

According to Canga Argüelles²¹ the total population of the Islands in 1752 was 1,350,000; according to the Duke of Almodóvar, 1,300,000 in 1783; and in 1792, according to Malaspina, exactly the same figure as in 1783. But these are nothing more than guesses, since there was little to base a real estimate on. We have, perhaps, a somewhat more carefully worked out figure in that of the City Council of Manila: 1,391,523 for the year 1792.²² And yet, compare this with the figures given by Comyn²³ for the early years of the nineteenth century: 4,000 Europeans, 2,395,687 natives.

The Chinese started coming to the Philippines in large numbers soon after the Spanish conquest, attracted by the profits of trade. Many of these *sangleys*²⁴ stayed in the Islands as retail merchants and artisans. The Spaniards looked upon them as a menace, and found justification for their fears in several Chinese uprisings. These led to repeated decrees for their expulsion, decrees rendered inoperative by the fact that they had made themselves indispensable. They provided the labor force for various enterprises, and while supplying the capital from the Parian, brought articles of trade to the provinces also.

During the half-century under study the official attitude toward the *sangleys* underwent an interesting transformation. In 1755 Governor Arandía carried out a decree expelling the Chinese to the letter. He refused entry to Chinese of what-

²¹ José Canga Argüelles, *Diccionario de hacienda con aplicación a España* (3 v., 1833-1840).

²² Rafael Díaz Arenas, *Memorias históricas y estadísticas de Filipinas* (Manila, 1850), cuaderno 5.

²³ Tomás de Comyn, *Estado de las Islas Filipinas en 1810* (Manila, 1820).

²⁴ This is the generic name given by the Spaniards to the Chinese who came to the Philippines, and is probably derived from the Chinese term for "trader".

ever sort, even to master founders of ordnance of whom the Philippines stood in great need. Twenty years or so afterwards Don Simón de Anda y Salazar adopted the same decidedly hostile policy. Gradually, however, a more tolerant view prevailed, as the Spaniards became more and more convinced that the economic development of the country depended in great part on the hard-working Chinese, particularly with respect to mining and agriculture and the industries based on them.

As a result of the anti-Chinese policy of Arandía, Anda and others, the Chinese population in the environs of Manila had been reduced in 1788 to 1,500, of whom 1,200 were Christians and the rest catechumens. "They are a very capable and hard-working people," the City Council of Manila wrote of them,²⁵ "whose industriousness has always been of great public utility since they exercise it in every sort of art and craft and in agriculture." Not only that, but they had the rare ability of getting some work out of the natives. The councillors were convinced that when the Chinese were much more numerous, when there were as many as 15,000 of them in the Parian, they were a valuable asset to the economy, for they sold their merchandise at much lower prices than the few Spaniards who occasionally went into the retail business.

Here we have an indication of the swing to a more favorable attitude toward the sangleys. It finds support in the King's Lieutenant, Francisco Muñoz y San Clemente, who noted a decline in the population of the Visayas and proposed that it be remedied by encouraging Chinese immigration. This would be very great, he said, if they are given the assurance that they would be admitted and protected. Thus much of the unoccupied land in the Visayas and Luzon would be put under cultivation, and in a few years the tribute from such hard-working settlers would mean a significant increase in the royal revenues. In support of his proposal Muñoz cites what

²⁵ City of Manila to Governor Marquina, 22 November 1788, MNM ms. 135, no. 6.

the Dutch had been able to accomplish in Java by encouraging Chinese immigration there.²⁶

The Spanish population of the Islands was never very great. It was largely made up of military and civil officials who after their term of office returned to Spain. There were the merchants, of course, many of whom came from Mexico to establish residence in Manila in order to take part in the easy profits of the Acapulco trade; but these usually returned to New Spain after a few years. Finally, there were the members of the various religious orders which had charge of the evangelization of the country. A population made up of such social groups could not obviously effect any strong racial mixture, or even form a *criollo* class (that is, Europeans born and bred in the colony) capable of exerting an influence on the development of the country. The scarcity of *criollos* and *mestizos* was one of the reasons for the lack of economic activity in the Islands. That is why, among the reforms undertaken in the second half of the XVIII century, great importance was given to the encouragement of Spanish emigration to the Philippines. The measures adopted to this end began to show results in the following century. In 1876, the population figures compiled by the Archdiocese of Manila²⁷ give a total of 13,265 Spanish residents in the Philippines who had no official capacity; while the Spaniards in the clergy, the army and navy, and the colonial civil service numbered an additional 24,983. Even allowing for errors in enumeration, these figures clearly show a distinct increase in the proportion of Spaniards to total population in the closing years of the Spanish regime.

Why did so few Spaniards settle in the Philippines? One reason, of course, was distance from the mother country, and the aggravation of distance caused by the length of time it took to get to the Philippines via Mexico. True, the journey was shortened somewhat when the route by way of the Cape

²⁶ "Reflexiones de don Francisco Muñoz y San Clemente sobre el comercio de las Yslas Philipinas", *BPM Miscelánea de Ayala* XLII, 106v-107.

²⁷ José Montero y Vidal, *El archipiélago filipino y las islas Marianas, Carolinas y Palaos* (Madrid, 1886), p. 157.

of Good Hope was opened to Spanish ships; but in spite of this, and in spite of the transportation facilities provided from 1785 on by the Royal Philippine Company,²⁸ no appreciable increase in emigration resulted. Some explanation other than distance must be sought. We might suggest as a more fundamental reason for the scarcity of Spanish settlers in the colony a radical defect in its economic organization which effectively precluded all incentive to develop its natural resources, and which was nevertheless kept in being for two centuries in spite of all efforts to remove it. We refer to the monopoly of the trade between China and New Spain which was granted to the merchants of Manila; a monopoly which, in order to protect Spanish manufacturers from competition by cheaper China goods, was subsequently placed under such severe restrictions as to preclude all normal expansion.

A third reason was the climate, which the white man did not find too healthy, and which seems to have prevented the Spaniards from producing a progeny in proportion to the numbers that came to the Islands during the three hundred years and more of their domination. In this connection, the observation of Father Delgado is highly suggestive. "There seems to be something in this region," he says, "that does not agree with peninsular Spaniards, for they survive in it only to the second and at the most to the third generation;" and he adds that if new settlers did not come from Spain every year the settlement would soon disappear.

"Of the peninsular Spaniards I met in Manila previous to 1728 not a single one remains. And if any of their sons are still in Manila, they are so far inferior to their parents that they have not been able to maintain either their reputation or their riches, and they are hardly ever thought of when there is question of filling an administrative or military post in the commonwealth."

There were, of course, exceptions; there were criollos of "great intelligence and ability, quite capable of competing on

²⁸ This will be taken up in greater detail when we discuss the Royal Philippine Company.

an equal basis with peninsulars; but how many of them are there?"²⁹

Climatic conditions were also partly to blame for the fact that the small Spanish population was almost entirely an urban population, since the moist heat of the tropics rendered them incapable of undertaking such toilsome occupations as farming and mining. Anda had good reason to say in 1768 that "settlers are absolutely necessary, for today, almost exactly two hundred years after the conquest, all the Spaniards to be found there are the few in Manila, there being not a single one in the provinces."³⁰ This is confirmed some years later by the City Council of Manila,³¹ who reported that with the exception of certain provinces such as Camarines, Iloilo, Cebu, Ilocos and Cagayan, whose capitals had a few Spaniards, "in almost all the others, generally speaking, no white men have ever been seen except provincial governors and the religious who have charge of the mission stations." Anda came to see the problem quite clearly, during his first sojourn in the Islands, and on his return to Spain represented to the King what the lack of Spaniards was doing to the colony. He was accordingly authorized to look for possible settlers among the mercantile class of the Peninsula, and to offer them transportation to Manila at government expense.³²

Appointed governor of the Philippines, Anda brought over with him a small group of young people who intended to settle permanently, and took pains to find for each one a job suited to his abilities. But this was not enough, for he discovered on his arrival that "never before has the number of Spaniards fallen to so low a figure." He sought to remedy the situation by writing to New Spain to send over "a number of poor but honest young men, with whom that kingdom is usually well supplied." He blames the scarcity of Spanish settlers to the cause we have

²⁹ Delgado, *Historia*, pp. 855-856.

³⁰ Madrid, 7 July 1768, AGI *Filipinas* 940.

³¹ City of Manila to Governor Marquina, 22 November 1788, MNM ms. 135, no. 6.

³² Julián de Arriaga to Anda, 17 June 1769; Anda to Arriaga, Manila, 13 July 1772; AGI *Filipinas* 492.

already mentioned, namely, the restrictions imposed on the Acapulco trade; but he puts forward as an additional reason the fact that the domestic trade of the Islands was in the hands of the provincial governors, who used the Chinese as their agents. Thus, prospective settlers who lacked capital saw no opening for themselves, and consequently no good reason why they should undertake so long a journey to spend the rest of their lives in that distant land. Anda's solution was to expel the Chinese and then to grant to every Spaniard who asked for it a permit to reside and set up a business in the provinces. Some degree of racial fusion resulted from this measure, as some of these Spaniards married wealthy native women and mestizas of the provincial towns, particularly in Ilocos and Iloilo. Anda was convinced that this was the only way of propagating the Spanish language throughout the Islands and with it effective Spanish sovereignty. But it did not succeed as much as he hoped it would; the Spanish mestizo population never attained very large numbers. In 1850 Díaz Arenas³³ gives a total of 8,418 and attributes the smallness of the figure to climatic conditions.

HISTORICAL SETTING

Spanish trade in the Philippines began almost with the conquest. In order to promote the settlement of the country, settlers were granted entire freedom of trade from 1565 to 1604. They were allowed to sell the products of India, China and other Asian countries to Peru, New Spain, Guatemala and all Spanish America without limitation either of quantity or value. This untrammelled trade made the merchants of Manila fabulously wealthy during the thirty-nine years that it lasted. But Asian goods gave European goods such brisk competition that the Seville merchants, who exported the latter to America, felt their interests imperilled, and by their complaints succeeded in having restraints imposed on the trade from the Philippines. Beginning 1604, Manila could send only one ship a year to Acapulco, with a cargo not exceeding 250,000 *pesos fuertes* in value. A margin of profit of 100% was permitted,

³³ *Memorias*, cuaderno 5.

that is to say, up to 500,000 pesos in money or goods could be returned to Manila. Some time later the maximum values allowed — the so-called *permiso* — were doubled: half a million for the outward voyage, one million for the homeward.

The Acapulco trade, thus reduced to a monopoly, nipped in the bud the economic development of the Philippines. It set up in Manila a privileged social class, the shippers on the galleon. This chosen few made large profits with little exertion, since all they had to do was purchase on their own doorstep the goods brought by Chinese junks or Armenian and Portuguese ships. With these goods they made up their bales for Acapulco, where they were sold at the annual fair, and in due time the galleon brought back both capital and interest in good Mexican silver. It is difficult to conceive of a type of trade more restful for the trader, and more useless for the country in which he resides. Manila was simply a Phoenician trading post with no appreciable relationship with the hinterland.

Wholly absorbed in the trade, the colonists did not bother to understand or exploit the natural resources of the country. The only Philippine products shipped on the galleon — and that only if there was lading space left over — were beeswax in limited quantities, the sacking and rattan used to pack the bales, and provisions for passengers and crew. The few items of local manufacture remained in the Islands or were occasionally bought by the Chinese.

This lack of foresight and enterprise led in a few years to a state of almost complete stagnation. However, we must be careful not to attribute this stagnation solely to the strait-jacket imposed on the Acapulco trade. We must take into account the changes in the total situation caused by variable economic factors. During the initial period of free trade, the port of Manila was crowded with shipping from every corner of Asia, where goods were abundant and silver scarce. Thus the high purchasing power of their silver enabled the Manila merchants to buy cheap and sell dear, for they sold in a market where conditions were the exact opposite: in Mexico, silver was plentiful and goods scarce.

The limitation of their trade to a maximum investment of 250,000 pesos, by reducing their purchases, necessarily reduced the number of ships calling at Manila, and this had the effect of raising prices. Even so, however, the Manila merchants continued to make good profits at the Acapulco fair, because the *flota* or convoy system, whereby the merchantmen from Spain had to cross the Atlantic together under armed escort, could not adequately supply the needs of the vast and opulent Viceroyalty of New Spain. When the flotas were discontinued, the situation changed completely. The numerous special permissions given to the merchants of Cádiz and the increasing volume of goods brought into Spanish America by the contraband trade made it less and less easy to dispose of the cargo of the Manila galleon, and reduced considerably the profits on the goods that still had a sale.

It was under these adverse conditions that the Philippine establishment was maintained throughout the XVII and a good part of the XVIII century; but its precarious finances soon made imperative the sending of a yearly *situado* or subsidy to pay the salaries of civil and military officials and the stipends of the clergy, and to meet other obligations of a colonial treasury whose revenues, derived from a country so completely undeveloped, were very far indeed from covering its expenditure. Because the Islands had thus become a heavy burden on the Empire, there were repeated proposals that they be abandoned; proposals which the Crown, for religious, political and strategic reasons, just as repeatedly rejected.

But in the XVIII century, and especially in its latter half, a change takes place. The exploitation of the natural resources of the country becomes a predominant interest; projects of every sort are drawn up, and some of them are actually realized with noteworthy results. It is this transformation precisely that is the object of this study.

In mid-eighteenth century the Spanish population of the Philippines was still small, and still concentrated in Manila and its port, Cavite. In the walled city or *Intramuros* there were no less than twenty-five public buildings, most of them

churches with their respective convents; a glance at a contemporary plan of the city will show at once what a large area these establishment occupied. The rest of the available space was occupied by some 900 private houses, as we learn from Father Delgado who was in the city in 1749³⁴ The spacious central *plaza* or square was the principal meeting-place of the citizens, for that was where the cathedral was located, the town hall, and the royal palace or hall of the Audiencia, the seat of the colonial government.

The outward appearance of Manila improved considerably during the period under study, particularly in the last decade of the XVIII century, when the main square and the most important streets were paved, and lamp posts with oil lamps were erected around the square and along the street leading to the Parian. But Intramuros remained an "official" city, without a single shop in it.³⁵ The residents had to do their shopping in the Chinese quarter or Parian, opposite the gate of the same name. That was where most of the tradesmen were to be found, so that when Governor Arandía took the decree expelling the Chinese from the colony seriously, there was grave risk of the city running short of provisions. Chinese too, for the most part, were the populous suburbs of Tondo and Binondo on the right bank of the Pasig; here were artisans of every sort, carpenters, masons, shoemakers, ironmongers; but above all and most of all, merchants.

The Chinese, in fact, cannot be left out of any study of the economic organization of the Philippines, for it was on them that the entire commercial life of the colony hinged. Every year, during the months of April, May and June, the junks from China dropped anchor in Manila Bay, and out of their holds came the silks, cottons, damasks, grosgrains, ribbed Cantonese stuff, Cambodian weaves, *sayasayas*, velvets, raw silk, fans, porcelain, and all the other articles which Manila transhipped to New Spain.

³⁴ *Historia*, p. 55.

³⁵ Anda to Mello, Manila, 7 July 1768, AGI *Filipinas* 940.

THE SECOND HALF OF THE XVIII CENTURY

During this period Spain was governed by two sons and a grandson of her first Bourbon ruler. She was still a great European power. The pacific foreign policy of Ferdinand VI was followed by the more aggressive dynastic ambitions of Charles III, concretized in the Third Family Compact which involved Spain in the Seven Years' War as an ally of France against England. But in spite of their many cares and pre-occupations, the Spanish monarchs did not neglect that remote outpost of the Empire, the Philippine Islands. One proof of this is the consistently high caliber of the men they sent there to take up the post of Governor and Captain-General, a post which, in the words of a contemporary writer, was "one of the most distinguished employments within the power of the King to grant in the Indies, by reason both of the extent of its territory, the latitude of its discretionary powers, and the magnitude of its emoluments."³⁶

The first of these officials with whom we shall have to deal was Don Francisco José de Ovando y Solís, Marquis of Ovando, of a noble family of Extremadura. He was a naval officer, but in spite of this devoted a great deal of attention to economic affairs. His first care on taking office was to amass as much information as he could on the country in all its aspects. On the basis of the data thus acquired he embarked on a number of development projects, and had the good fortune to be assisted in this work by two men whom we must try to know better, because we shall find them intimately involved in many of the questions relating to the economy of this period.

One of them was Francisco Xavier Salgado, "a native of the Capital City of Madrid,"³⁷ where he was born in 1713. He came to the Philippines in 1735, a young man of twenty-two, and never saw Spain again; for although he asked for and obtained permission to go home via Mexico in 1766³⁸ he does

³⁶ Murillo Velarde, *Geographia* VIII, 55.

³⁷ Salgado to the King, Manila, 1767?, AGI *Filipinas* 737.

³⁸ The King to the Governor of the Philippines, Madrid, 22 January 1766. On 15 July 1767 Governor Raón certifies that Salgado had been notified of the royal permission. AGI *Filipinas* 682.

not seem to have actually made the journey. We cannot be sure of the date of his death, but he certainly reached the ripe old age of 78, since he was still writing letters in 1791.

During his first years in the Philippines Salgado found employment in the colonial civil service, first in the office of the colonial secretary, then in the bureau of audit, rising in the latter office to the category of permanent clerk. In 1747 he sailed as supercargo in the advice ship *Santo Domingo*, which made the round voyage to Acapulco that year. He also served in the army — as commandant of the Zamboanga garrison and as a captain of Spanish infantry. He was appointed Deputy to the Governor and Captain-General for the Province of Camarines in 1750, when the supreme executive was held *ad interim* by the Bishop of Nueva Segovia, Fray Juan de Archederra (1745-1750).³⁹ Doubtless it was this appointment which gave him the opportunity to acquaint himself with the mineral riches of that province, which he later tried to exploit; for Salgado was, first and foremost, an active, resolute and daring entrepreneur. This side of his character first came into prominence in 1748, when he submitted a bid for the arrack farm of Manila and environs.

Salgado is of great interest to us, not only because of his mining, agricultural and manufacturing enterprises, but also because his active life covers practically the entire period of our study. Indeed, his career can almost serve as the background for the panorama we intend to sketch, since he knew and had dealings with all the governors of our period, from Ovando to Marquina. Ovando held him in high regard, describing him as "an honest citizen, well known for his efforts to develop industry, and to promote those mechanical arts which are most beneficial to the public."⁴⁰ He gave full official backing to Salgado's enterprises, and thus enabled him to explore the possibilities of the iron mines of Mambulao (Camarines), and more importantly, those closer to Manila, in the mountains of San Isidro and the valley of Lanatin.

³⁹ Salgado to Arriaga, Manila, 25 August 1765, AGI *Filipinas* 682.

⁴⁰ Ovando to the King, Manila, 12 July 1754, AGI *Filipinas* 270.

There was also in Manila during those years a man named Nicolás Norton Nicols, who was, like Salgado, frequently consulted by the Marquis of Ovando. These two were very often together at Government House, and must have had much in common. In his *Proyecto de comercio*⁴¹ Norton says of Salgado that he was "a man of inquiring and tenacious mind," and collaborated with him in a pilot project to manufacture indigo which achieved a certain measure of success. Salgado, for his part, followed with interest Norton's attempts to raise cinnamon in Mindanao, an enterprise which he later undertook on his own account, as we shall see.

Ovando was succeeded by Don Pedro Manuel de Arandía, a man of headlong character whose administration has been the subject of controversy. A military man by profession, he paid more attention to military than to economic affairs. He executed promptly and literally the decree expelling the Chinese, and then tried to fill the gap they left in the retail trade by organizing a joint-stock company which would take care of provisioning Manila. This was a scheme suggested to him by Don Pedro Calderón Enríquez, a member of the Audiencia. Not only was it disapproved by Madrid but it folded up by itself after less than a year of operation.

The Chinese question occasioned a conflict between Salgado and the new governor. Salgado had just opened his Santa Inés mine, and needing master workmen to take charge of his foundry for the manufacture of ordnance and anchors, he sent for them from China without official sanction early in 1758, spending more than a thousand pesos for their passage. This was what he told the governor later, when he called on him to request that they be allowed to stay. Arandía, obviously annoyed at Salgado for bringing in Chinese without first obtaining a permit, told him to submit his petition in writing. When Salgado returned to present petition in person he was very coldly received and his petition curtly refused. It was in con-

⁴¹ BPM *Miscelánea de Ayala* II, 262.

sequence of this quarrel with the governor that Salgado suspended operations on his mine, as we shall see in due course.⁴²

Arandía's death in 1759 was followed by the interim administrations of Bishop Miguel Lino de Ezpeleta of Cebu and that of the newly arrived Archbishop of Manila, Don Manuel Antonio Rojo. It was while the latter was in office that the British made their surprise attack on the Philippines. By this time the Audiencia of Manila already counted among its members two men who were to play an important part in the history of the colony. One of them was Don Francisco Leandro de Viana, a fellow of the Old College of San Bartolomé of the University of Salamanca. He had been an undergraduate in the same college, and was later to be its rector. He was appointed attorney-general of the Audiencia of Manila on 13 May 1757.⁴³ As soon as he arrived in the Philippines he took a great deal of interest in analyzing actual conditions and working out ways and means for their improvement. For some reason difficult to determine he conceived an intense dislike for Salgado. Salgado himself attributes it to certain differences of opinion which they had when the Bishop of Cebu was interim governor. This prelate, being not only a clergyman but new to the Philippines at the time, found the task too much for him and sought Salgado's advice on every question that came up. This was how Viana's antipathy towards him originated, according to Salgado. The analysis is not very convincing, but the fact is undeniable. We have it on the testimony of another member of the Audiencia, Don Simón de Anda y Salazar, who arrived in the Philippines a year after Viana,⁴⁴ and who is the other outstanding figure in the history of this period.

⁴² Report of Salgado dated 9 April 1760, accompanying a letter of the Bishop of Cebu to Arriaga, Manila, 17 July 1760, AGI *Filipinas* 680.

⁴³ As he himself reports, 3 July 1757, AGI *Filipinas* 183.

⁴⁴ See Anda's petition requesting permission to embark for the Philippines to take up his post, undated, but a marginal note indicates that it was taken up in the Council of the Indies on 14 June 1757; AGI *Filipinas* 183.

The Seven Years' War between France and England had disastrous consequences for the Philippines. Because of its almost complete isolation, the first inkling it got that Spain had entered the war was the entrance into Manila Bay on 22 September 1762 of a powerful British squadron. It will not be necessary for us to follow the course of the ensuing hostilities⁴⁵ or give a detailed account of the prominent part played by Anda, which in any case cannot be unfamiliar to the readers of this survey. Suffice it to say that while Manila and Cavite surrendered to the enemy after a brief resistance, Anda's energy and resolution succeeded in keeping the rest of the Islands for Spain.

During this time of trial Francisco Xavier Salgado was Anda's right-hand man. With Archbishop Rojo and the other members of the Audiencia made prisoners of war by the British, Anda assumed the office and powers of governor and captain-general, and among the patriots who formed his staff Salgado was one of the most distinguished. His name figures prominently in the list, sent by Anda to Spain after the war, of persons who had earned the King's gratitude. This was what encouraged Salgado to submit a petition for a Castilian title of nobility, a petition of great value in determining the particulars of his career, since in it he develops at great length his claims to deserve the honor. His martial exploits during the war with the British may be omitted here as not being germane to our inquiry, but we should note that many of his war-time services were in the field of public finance. He must already have been quite wealthy when the war broke out, for we find him maintaining peace and order in several provinces at his own expense, provisioning Anda's troops, arming dispatch boats by which Anda sent messages and orders to various points of the Islands, and defraying the cost of transporting the silver bullion brought to the Philippines by the galleon *Filipino* from Camarines to Anda's headquarters in Pampanga. No wonder he enjoyed Anda's entire confidence. Anda gave him full powers to negotiate the armistice with the British,

⁴⁵ See my *Arquitectura española en Filipinas, 1565-1800* (Seville, 1959) pp. 104 ff.

charged him with the provisioning of the ships which were to take away the British troops after the signing of the peace, and appointed him to the commission into whose hands the British commanders formally restored Manila and Cavite.⁴⁶

Francisco Leandro de Viana's record during this period was, by comparison, hardly a brilliant one. His conduct, while not treasonable as Salgado claimed,⁴⁷ was at least pliable. Nevertheless it did not affect his career adversely, for he was a useful servant in other ways, observant, intelligent and active. His grasp of local conditions and problems, only a few years after his arrival in Manila, enabled him to draw up a closely reasoned plan for increasing the revenues of the government, and this we shall examine in its proper place.

RECONSTRUCTION: 1764-1778

With the end of the war and the return of Manila and Cavite in virtue of the Treaty of Paris of 1763, the colonial government was faced with the task of pulling together the shattered political and economic organization of the country. The Spanish residents of Manila, plundered by the British troops and compelled to pay a heavy ransom for their lives, were ruined. Spanish sovereignty itself was imperilled, for the natives of the provinces had taken advantage of the British occupation to rise in revolt. These uprisings were eventually suppressed, but the hitherto unquestioned prestige of Spanish arms had suffered a heavy blow from the capture by an enemy of the capital and its port. Thus, when the King's Lieutenant, Francisco de la Torre, arrived in Manila as interim governor, the outlook was none too promising.

During his term of office, which lasted a little over a year (17 March 1764 to 6 July 1765), he methodically took the first steps toward repairing the damage caused by the war. Two rehabilitation projects of great interest are worked out and submitted at this time: a proposal to revise the fortifications of Manila and Cavite, by the military engineer Miguel

⁴⁶ Salgado to the King, Manila, 1767?, AGI *Filipinas* 737.

⁴⁷ *Ibid.*

Antonio Gómez,⁴⁸ and the comprehensive economic development plan of Francisco Leandro de Viana, a milestone in Philippine economic history which we shall have occasion to study in detail.⁴⁹

The war was of course a serious blow to the traditional commercial interest of Manila, the Acapulco trade; and not only the war itself but the royal decree which was a direct consequence of it, and which closed all Philippine ports to European vessels other than Spanish. This prohibition, combined with an older one (in force since 1593) forbidding Manilans to send trading ships to China, gave the Chinese what was in effect a complete monopoly as suppliers of the galleon trade. However, this monopoly was circumvented to some extent by English and French traders whose vessels were able to enter the port of Manila under the registry of some Asian nation, with an East Indian or Armenian on board to act as the owner of the cargo.

The controversial administration of Field-Marshal José Raón presents us with two notable events: the *Buen Consejo* affair and the expulsion of the Jesuits. The *Buen Consejo*, Captain Juan de Caseins, was the first Spanish ship to make the direct voyage from Spain to Manila by way of the Cape of Good Hope. It thus inaugurated a route which had been often variously proposed and which we shall study in greater detail.

The arrival of the *Buen Consejo* caused great consternation in Manila. The merchants saw in it the beginning of the end of the comfortable vested interest which they had enjoyed for two centuries, while the colonial officials perceived that the old saying about the Philippine assignment, that there was really no hardship connected with it except that of "being too close to Madrid," would now have a literal instead of an ironical meaning. All this served to surround the unhappy vessel with an aura of hostility, and things came to such a pass that

⁴⁸ "Testimonio del informe y proyecto de fortificación de Manila, por el ingeniero Miguel Antonio Gómez", AGI *Filipinas* 482.

⁴⁹ "Demostración", MNM ms. 405.

she found great difficulty even in getting fitted and provisioned for the return voyage. We have in Anda a reliable eyewitness to these doings, for he was to go back to Spain on the ship. He tells us of the many times he heard Manilans, and the governor himself, quiz the ship officers as to why precisely the King had sent them. But the climax of the affair came when the merchants of the city caused the little wheat that was on the market that year to disappear completely, while Raón made no effort whatever to see to it that the *Buen Consejo* got any other supplies.

Once again, Don Francisco Xavier Salgado leaps into the breach. "I sent funds to China," he tells us, "to purchase a shipment of wheat and to freight a vessel to bring it here in time to relieve this emergency. I got it, in spite of the fact that in the said Kingdom of China there is a ban under very heavy penalties against exporting foodstuffs to any foreign settlement; and the wheat arrived none too soon, for by that time no one either in Manila or Cavite had bread, and the last picul of wheat had sold for nineteen pesos."⁵⁰ One gathers from this that the scarcity of wheat was real, but was probably accentuated by the general lack of enthusiasm which the sight of the *Buen Consejo* riding in the harbor had aroused. Be that as it may, Salgado, by supplying the ship with biscuit made from his wheat (which he sold at cost — 7 pesos the picul — when he could have asked the current price of three times as much), once again earned the gratitude of the King.

Anda claims that the provisions which the ship took in were spoiled, and because of this thirty-seven died on the leg of the journey between Ascension Island and Cádiz; "and if the trip had been fifteen days longer, no one would have lived to tell the tale." He adds that there was dirty work at Cavite; someone had drilled a hole in the ship's bottom which came near to sinking her in blue water.⁵¹ But in spite of these difficulties the *Buen Consejo*, which left Manila in February 1767, took only five months to reach Cádiz, a considerably

⁵⁰ Salgado to the King, Manila, 1767?, AGI *Filipinas* 737.

⁵¹ Madrid, 7 July 1768, AGI *Filipinas* 940.

shorter trip than that by way of New Spain. Thus the new route would really have brought the Philippines much closer to Spain and its adoption could not fail to be mutually beneficial; but a small group whose selfish interests were threatened by it raised such an outcry against it that the plan was abandoned.

Two years after the departure of the *Buen Consejo* a royal decree (6 December 1769) created the *Consulado* of Manila — another milestone in Philippine economic history. Hitherto “city and commerce” — the municipal government and the community of merchants — had formed a single undifferentiated body; now the merchants were to have a corporation of their own similar to those already in existence in Spain and America. Considering the extent of Philippine trade at the time, this was probably to provide too small a body with too large a head. Nevertheless it was an indication, as was the experimental voyage of the *Buen Consejo*, that under Charles III a forward-looking policy regarding the Philippines was taking shape which would reach maturity during the administration of Basco y Vargas.

The other noteworthy event that took place during Raón's term of office was the expulsion of the Jesuits. The decree of expulsion was transmitted to the governor of the Philippines by the Count of Aranda on 1 March 1767. It was to have been executed without warning, but it seems that the secret was not kept. This gave rise to many grave charges brought against Raón during his *residencia* (the statutory inquiry into an official's conduct in office), in the course of which he died. This is a question quite outside the scope of study, and so we need not go into it; we should however note what effect, if any, the expulsion of the Jesuits had on the economy of the Islands.

It is difficult to disentangle the facts from the passionate accusations and equally passionate rebuttals in which this whole question is involved. What emerges with sufficient clarity is that the confiscation of the farm lands and cattle ranches of the Philippine Jesuits resulted in no great profits

for the royal treasury. The government found itself saddled with a group of estates which it was in no position to manage directly. It therefore sold them at a loss or leased them to persons whose object was to extract the greatest possible returns from them, with the result that they exhausted the soil and ruined the estates in the course of a few years.

The man appointed to succeed Raón was Anda, who because of his earlier sojourn in the colony knew it and its problems better than any of his contemporaries. It was for this reason precisely that he was asked to take the governorship, although his services during the war with England had won him a seat in the Council of Castile. He returned to the Philippines in 1770 and died in office in 1776.

Anda took great interest in the economic problems of the Philippines, which he did not cease to study even during his sojourn in Spain (1767-1770). During these years his views on them were frequently sought by the government. For instance, he drew up a lengthy paper discussing the advisability of establishing direct trade relations between Spain and the Philippines. He was also asked to comment on Viana's economic development plan, and the animadversions which he submitted give evidence not only of a close study of the plan but of a broad knowledge of the country and its possibilities.

It was therefore only to be expected that a governor with such a background would set in motion a number of development projects. He gave strong encouragement to the mining industry by sending out numerous expeditions to locate iron deposits, causing studies to be made of the most advantageous sites for mills, and drew up himself an ambitious production plan which we shall consider later. He gave government support to Salgado's experiments with cinnamon cultivation. And it was under his auspices that an important exploratory voyage was made to establish a new trade route to New Spain passing around the southern extremity of the archipelago. The object was to see whether a sailing ship could make the voyage to Mexico no matter what the season of the year, in order to eliminate once for all the interdiction of the annual voyage and the loss of ships caused by the typhoons of the Pacific. This

problem was brought forcibly to Anda's attention during the first years of his government when the galleons could not make the crossing and silver currency as a consequence became critically short.⁵²

DEVELOPMENT: 1778-1800

After the brief interim administration of Pedro Sarrio, the governorship of the Philippines passed to a man truly representative of Spain's new economic policy and the principles of enlightened despotism which inspired it, Don José de Basco y Vargas.⁵³ His nine years in office (July 1778 to November 1787) are of supreme interest to our study, not only for what he did himself but because they saw the elimination of trade restrictions within the Islands, the foundation of the Royal Philippine Company, and the creation of the military intendency.

The outstanding character traits of Basco are enumerated for us by the Bishop of Nueva Cáceres, Fray Juan Ruíz de San Agustín; "the Governor," he says, "is active, zealous, just, and a man of integrity."⁵⁴ In spite of which he was violently at odds with the Audiencia almost from the very beginning, and an anonymous publication of the period entitled *La Bascoana* subjects him to scathing criticism from every angle. There can be no doubt that his intentions were of the highest, but

⁵² See my study of this voyage, "Dos nuevos derroteros del galeón de Manila (1730 y 1773)", *Anuario de estudios americanos* XIII (Seville, 1956).

⁵³ Basco was a native of Ronda and was for a time connected with the royal arsenal there. He was later conferred a knighthood in the Military Order of Santiago. He joined the navy, and was a simple frigate captain when he received his appointment to the governorship of the Philippines. He was ill received by the Audiencia of Manila for this reason; they considered it an affront to their dignity that they, who were by custom addressed as "Your Excellencies" (*Señorías*), should have for their superior a man whose social rank only rated a "Sir" (*Usted*). But the new Governor soon won the respect of everyone, and his accomplishments during his term of office won for him from Charles III the resounding title of "Conde de la Conquista de las Islas de los Batanes".

⁵⁴ Letter to the King, Manila, 3 December 1779, AGI *Filipinas* 687.

his manner was authoritarian, his temper short, and he was incapable of appreciating any opinion different from his own. A good illustration of this was his treatment of Francisco Xavier Salgado. Salgado got off on the wrong foot by sending to Spain samples of the cinnamon he had grown without troubling to check with the governor, who was deep in his own scheme of producing Mindanao cinnamon. The production of indigo occasioned another dispute. Salgado had obtained a fifteen-year monopoly of this from Anda. Basco did not honor the contract but allowed the free manufacture of indigo and even gave government backing to the indigo factory of the Augustinian Fray Matías Octavio.

Basco had no sooner landed in the Philippines than he made it clear that he intended to stir up the sluggish Philippine economy. Less than a year after his taking office he published a "General Economic Development Plan." When it was received with that total absence of enthusiasm which in the Philippines had always greeted similar proposals, he followed it up with "A Friendly Reminder" recalling it to the attention of the public. This too was cold-shouldered; but Basco was not the man to let his ideas waste their sweetness on the desert air. His next move was to found a society similar to that originated in the Basque country by the Count of Peñaflores, a *Sociedad Económica de Amigos del País*. It is a good indication of how thoroughly he had made contemporary Spanish economic thought his own, and of his great interest in Philippine development, that he organized the Manila Society before receiving the royal decree (27 August 1780) ordering him to do so. His inaugural address to the Society was yet another statement of his economic development program which we shall consider in detail.

The creation by royal decree of the Royal Philippine Company (10 March 1785) was of capital importance to Philippine economic development. Its importance might have been greater still if the merchants of Manila and their Consulado had realized the opportunities it offered and had been willing to take advantage of them. But wedded as they were to the age-old practice of the galleon trade, they regarded the

Company only with hostility. Basco gave the Company his full support, not only in obedience to the royal wishes but from personal conviction. However, the uncooperative attitude of the Manila merchants could not have been surprising to him, since he had already had occasion to write to Gálvez that "the business community here has nothing but disdain and aversion for the guilds of Madrid, the Company of Ustariz, and anyone else who comes to disturb their antiquated system of *nao* and *boleta*. This is a lopsided carriage with broken axles — no coachman can possibly do anything with it."⁵⁵ He saw what a struggle it would be to introduce the necessary reforms. "The administration of the Philippines," he said, "is completely disorganized, and hence in no condition to profit from the great projects that are being contemplated. Our first task must be to level the massive mountain of prejudice that stands in the way of the enlightened purposes of the central government."⁵⁶

One of the administrative reforms proposed by Basco and adopted by Madrid was the creation of an Intendancy of the Army coordinated with the colonial Department of Finance (royal decrees of 17 and 26 July 1784). It was abolished three years later (23 October 1787), but it served to bring out in Don Ciriaco González Carbajal, whom Basco recommended as Intendant, another of the distinguished colonial administrators of this period.

A good instance of what Basco was trying to do was his proclamation reviving and refurbishing one of the "Ordinances of Good Government" framed by Governor Sebastián Hurtado de Corcuera in 1642. The 17th of these Ordinances established freedom of trade between provinces as a means of encouraging agricultural production by assuring easy access to markets. Basco specified that no barrier whatever was to be placed in the way of trade passing from one province to another, whether the traders be Spaniards, natives, mestizos, or persons of any other race; and small boats for river navigation required no license to travel.

⁵⁵ Basco to Gálvez, Manila, 10 May 1780, AGI *Filipinas* 497, no. 17.

⁵⁶ Basco to Gálvez, Manila, 10 May 1780, AGI *Filipinas* 497, no. 15.

It took all of Basco's energy and tenacity to encompass the establishment of the tobacco monopoly; but it was worth it. The revenue derived from this source was what finally balanced the budget of the Philippine government and made possible the discontinuance of the annual subsidy which had made it dependent on Mexico for two centuries. It was also at this time that the government assumed exclusive rights to the manufacture of gunpowder, and in 1787 the sale of arrack ceased to be farmed out and came under direct government control.

Basco's administration was not above criticism, but there can be no doubt that by the measures which he either introduced himself or recommended to the central government, and by his intelligent application to Philippine conditions of the imperial policy adopted by Charles III, he laid the foundations of the subsequent growth of the Philippine economy. Exhausted by his long tenure of office, Basco submitted his resignation in 1787. It was accepted, and the self-effacing and efficient Don Pedro Sarrio took over the interim administration of the colony a second time until the arrival (1 July 1788) of the new governor, Fleet Brigadier Don Félix Berenguer de Marquina. Since Marquina had also been appointed concurrently Superintendent of the Colonial Treasury, the Intendancy created under Basco was automatically abolished.

Marquina proved to be another enterprising administrator keenly interested in the economic development of the country. His *Plan de reformas del gobierno de Filipinas*⁵⁷ proposed a series of measures which if adopted would in his judgment increase the royal revenues in the Islands and eventually make the yearly subsidy unnecessary. His policy regarding the Chinese was a distinct departure from that followed by his predecessors. He believed that Chinese immigration should not only be allowed but encouraged, since the exceptional aptitude of the Chinese for trade and industry would have a beneficial effect on agriculture and the economy as a whole.

⁵⁷ Marquina to Porlier, Manila, 23 January 1790, cited by Montero y Vidal, *Historia general de Filipinas* (3 v., Madrid, 1887-1890), II, 323-326.

We have seen that the port of Manila had been closed to foreign trade since the War of 1762; Marquina recommended that this closure be lifted. He also proposed that the *avería* tax, which had been conceded to the Consulado since its creation, should revert to the treasury, since the Consulado had apparently mismanaged these revenues. But a really radical proposal of his was that the boleta system, by which fixed shares in the lading space of the Manila galleon had traditionally been assigned, should be replaced by a system of bidding, and the Royal Philippine Company allowed to bid for lading space. The mere fact that Marquina could make such a proposal is an indication of how times had changed. No one before him would have dared to make such an attack on the established shippers to Acapulco. There was no longer any doubt that the galleon trade had begun that swift decline which would lead to its final extinction in the early XIX century. Among Marquina's other recommendations were that farmer settlers from Catalonia, Valencia and Galicia be encouraged to emigrate and assist in the development of Philippine agriculture; that placer gold mines be exploited on a planned basis, and that a mint be established in the colony, an idea which had already occurred to his predecessor.

The XVIII century closes with the governorship of Don Rafael María Aguilar y Ponce de León. He was given the Marquina Plan and directed to form "a special commission composed of the King's Lieutenant, the senior member of the Audiencia, the auditor of the colony, the royal treasury officials, and the chairman of the Consulado for the purpose of giving it mature consideration; and whatever shall be agreed upon should be duly recorded and submitted that His Majesty may take the appropriate action."⁵⁸

It was during Aguilar's administration that the opening of Manila to foreign trade was decreed for a limited period. The benefits of this measures became apparent almost immediately. In a letter to his friend Jacinto Sánchez Torado the governor wrote that because of it the Philippines would become in three

⁵⁸ Royal order of 16 September 1793, *ibid.* II, 344.

or four years "the most valuable colony in the world;" for as soon as the natives realized how much of a demand there was for the agricultural products of their country, they would expand production very rapidly; it might in fact be estimated that "by the year 1796 [Aguilar was writing in 1793] total agricultural production will reach two and a half million pesos; and it will continue to rise indefinitely, for the King's dominions here are so extensive, so valuable and so productive that there are no limits to their possibilities."⁵⁹

We may close this rapid survey of the second half of the XVIII century on this cheerful note, observing merely that subsequent developments did not altogether make good the high hopes that had earlier been entertained.

⁵⁹ Letter dated Manila, 4 December 1793, published in part by W. E. Retana in his *Aparato bibliográfico de la historia general de Filipinas* (3 v., Madrid, 1900), I, 431-432.