

# philippine studies

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*Philippine Studies* vol. 51, no. 1 (2003): 63–95

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Fri June 27 13:30:20 2008

## **Financing the Empire: The Nature of the Tax System in the Philippines, 1565–1804**

**Luis Alonso**

*Reconstruction of official data of the Philippine Treasury from 1565 to 1800 kept in the Archivo General de Indias (AGI) casts doubt on the accepted proposition about the fiscal dependence of the Philippines on the Mexican viceroyalty. This argument is supported by analysis of two data sets, the tribute and the Mexican situado or subsidy. Previous researchers have underestimated tribute figures because these did not appear in the tax statistics, and have failed to understand that a large part of the situado was kept in Acapulco. Corrections of tribute and Mexican situado figures suggest a more fiscally independent Philippines than had been previously thought.*

**KEYWORDS:** *Spanish Philippines; tribute; situado; fiscal independence; Mexican viceroyalty*

In Madrid in 1825, a few years after the declaration of Mexico's independence, Francisco Zea Bermúdez, secretary of state of King Ferdinand VII of Spain, received from his confidant Don Luís María de Salazar a confidential report on the Philippines, a former "dependency" of New Spain (Mexico). Among other issues, the unnamed author wrote:

In the two and a half centuries that Spain owned such precious islands, it failed to take advantage of trade with China. Instead, it allowed other nations less favored by circumstances to control the commerce in tea and Oriental textiles. From the 27 provinces comprising that most fertile country, Spain succeeded in amassing only

about 30 million reales in income. It was forced to send from Mexico an annual *situado* (subsidy) of five million reales, spending about 27 million reales on the government and administration of the Philippines. This indicates that the Spanish treasury gained a net profit of only three million reales.<sup>1</sup>

The quotation above is but one of several texts emphasizing how expensive keeping the Philippine archipelago had become for Spain, at a time when there were no longer any reasons for it to do so as the old viceroalties had disappeared. The document's late date, however, is rather unusual, especially given Zea's marginal note, "I do not agree with his viewpoint." Doubtless knowing what they were hiding, the royal official did not agree with the statistics forwarded in the confidential report. As Fontana once commented (1987, 10), public documents for general consumption, like the information that circulated among high state officials, were frequently purged of useless verbiage so that time would "not be wasted in such adornments, and all things would be called by their names."

The idea that the Philippine Islands entailed such great expense for Spain took root from the first moments of colonization (Morga 1971, 313).<sup>2</sup> Impossible dreams of transforming the islands into the embryo of a hypothetical Spanish spice empire or the jumping board for the conquest of China had to be set aside. Constructing an Asian empire was turning into a horrible reality worse than the black legend attributed to the prudent king. Since then, the demand to abandon the colony remained unabated—especially when earnings from the galleon trade began to fall<sup>3</sup>—and continued to rely on the same evidence: the statistics from the public treasury that showed a deficit. These statistics have become one of the most often cited references by scholars on the real state of Philippine affairs.

In more recent times, French historian Pierre Chaunu (1960) wrote: "Don Quixote and St. Therese provide a better account of the balance of payments of the Spanish Philippines." This surprising, enigmatic statement the author later clarified when he added, "The Philippines has cost Spain 10–15 percent of what the Indies brought it during its glorious age." Chaunu, who presented the idea that a colony running a deficit might be generating an important revenue, was undoubtedly the

first historian who suggested that a proper scientific investigation should examine the common belief about the Philippine deficit, in order to arrive at a true picture of the Manila treasury.

In the early 1980s, the U.S.-trained Filipino historian, Leslie E. Bauzon (1981), published his study on the subsidy extended by Mexico to Manila. His study was decisive in sustaining the thesis concerning the dependence of the Islands on foreign resources. Bauzon's study has turned out to be a model in many respects. His main conclusion, however, cannot be accepted without reservations. Bauzon argues that the insufficiency of funds for public expenses, which were considerable especially for military concerns, compelled the Crown to fill in the deficit by creating the *situado*, paid for by the Mexican treasury. But the figures he presented, including the deficit itself, the *situado*, and private loans, do not tally with the official income and expenses figures submitted to Spain and deposited in the Archivo General de Indias (AGI) in Seville. There were instances when the differences were quite substantial. The figures presented by Bauzon (op. cit., 41 and 48, graphs 5 and 6)<sup>4</sup> come from the reports of the governors and high royal functionaries in the Philippines, as preserved in the Archivo General de la Nación in Mexico or, more generally, as reported by Blair and Robertson (1903–1909) who obtained information from treasury officials, travelers, and scholars at the time. The data presented were never from primary sources. The information emphasized the insufficiency of resources in the Philippines. In reality the *tribute* and *forced purchases* from the indigenous population generated substantial income, but because these were not registered in the Manila treasury, it helped obtain succulent *situados* from the Mexican treasury (see Alonso 2000, 170–216).

The statistics presented by TePaske and Klein concerning the Mexican treasury helped *malgré lui* support the thesis (TePaske et al. 1976; TePaske and Klein 1982; 1988; Klein 1994) that certain remittances from the treasury of Mexico and Acapulco to Manila appear, but never, in fact, crossed the Pacific. Neither were these ever registered in the Philippine accounts that were archived in Seville.<sup>5</sup>

A work on the matter, although not well-known but useful in many aspects, is that of the Spanish historian Jose Cosano Moyano. He analyzes the fiscal structure of the Islands between 1750 and 1754, and

frequently mentions the *situado* covering for the deficit (see Cosano 1986, 173–74).<sup>6</sup>

Recently, Josep M. Fradera (1989) has written an exemplary essay on the liberal treasury of the Philippines. In its introductory chapter, he tries to interpret public finances from the sixteenth to the nineteenth centuries, many of whose conclusions I share. Yet the author uses the quantitative information Chaunu and Bauzon provide, using figures and raw data from the AGI (not, however, from the *Contaduría* series). He appears to be the first to question the thesis of the external dependence of the Philippines, but does so with extreme caution.

The thesis that the colony received compensatory tribute appears to support the proposition that the Philippines proved the exception among the Spanish colonies, where brutality was practiced to ensure the transfer of funds to the metropolis. According to this latter proposition, the Asian archipelago was spared from brutality because of the moderating role of the Church; but the evidence indicates otherwise.<sup>7</sup> An investigation of this topic requires a reconstruction of the annual data of the Manila treasury and, above all, a detailed study of the components of credit and debit, which will permit us to draw some conclusions that will provide light on the supposed fiscal deficit.

In the sections that follow, I shall proceed in this manner. First, I shall make a brief introduction on the nature of the economy of the Islands following the Spanish conquest. Then I shall transcribe the official statistics of the treasury available in the *Contaduría de Filipinas* in the AGI. Except for documents covering the first years (1565–1587), the rest are in mint condition. While their reading demands only minimal familiarity with paleography, it nonetheless requires large doses of patience. From the general picture presented about the tributes collected between 1580 and 1800, supplemented by yearly credit and debit reports, we will be able to generate certain conclusions on the fiscal dependence issue.

Third, I shall examine some of the controversial issues concerning the sources of income—particularly the components represented by the *situado* and the tribute—to show that contrary to conventional historiography neither was the tribute so insignificant, nor the *situado* so relevant to the income structure, except on those occasions when Spanish control of the Islands was threatened.

Lastly, I shall analyze the strategies that allowed the public treasury to adapt to the new situation resulting from the emancipation of New Spain—a development that would totally change the rules pertaining to fiscal matters, nonetheless allowing the colonial relationship between Spain and the Philippines to continue without Mexican aid.

### **The Economy of the Early Colonial Period, 1565–1804**

The Philippines—colonized rather late in 1565 by the Spaniards in the sense that the Indies had already been relatively consolidated by then and, in Asia, the Portuguese presence had become a reality—became a frontier of the Spanish American empire, administratively ascribed to the viceroyalty of New Spain. It had neither the precious metals nor the neighboring archipelagos' spices that were much in demand in the European markets.

Except for the Islamized south which was involved in the busy commercial routes of the region, the inhabitants of the archipelago were largely ignorant of agricultural technology, like the use of draft animals and the plow. At the time of Miguel de Legazpi's conquest, they were living in small villages called "barangays" and practiced subsistence agriculture.<sup>8</sup> But the arrival of Spaniards, which soon attracted large numbers of Chinese migrants from Fukien province, strained the agricultural economy of the barangays with the need to feed an expanded population.<sup>9</sup> To prevent the risk of aborting the conquest altogether, the Spaniards saw the need for a strategy that would subordinate local resources to the conquerors' interests. In devising such strategy, the Mexican experience provided the Spaniards with the platform from which to proceed.

The transformation of the indigenous economy was undertaken through dual pressure. The first was fiscal coercion, through the imposition of a tribute (paid in specie) as a sign of subjection to Spain. It meant that the peasantry had to work hard to produce the tribute, at a time when mortality rates were high and when many were being forcibly recruited for the frequent military campaigns. The only way to augment agricultural productivity was through the introduction of

technology—the use of the Chinese plow and the Asian buffalo, or carabao, as draft animal (Corpus 1997, 28).

By the 1590s the breakup of the indigenous economy of the barangays was completed when the inhabitants were forcibly moved to live together in pueblos or *doctrinas*, settled communities located in accessible sites. This *reducción* replicated the practice in the Americas. This setup assured greater strategic control of the pueblos and, above all, greater efficiency in the collection of tribute, which provided the material basis of the conquest. The organization of pueblos also facilitated religious instruction, which was yet another coercive mechanism in view of the dearth of European soldiers.

A marked difference, however, existed between the Mexican and the Philippine models. The Spaniards acted more efficiently in the Philippines than in Mexico, considering that, in general, they won over and transformed the indigenous aristocracy into collaborators in a project that was full of contradictions, triumphs, and setbacks. Co-optation of the native authorities minimized the costs of conquest for Spain. Thus, the indigenous *principalía* became the collectors of tribute, and in so doing assured continuous Spanish presence.<sup>10</sup>

Despite all the changes imposed by the Spaniards, the Islands did not immediately turn out to be profitable for the crown, at least not in the way the American territories were spoken of in terms of costs and benefits. With the illusion of a spice empire, along with the senseless idea of creating an Asian empire based on the conquest of China and Japan,<sup>11</sup> dissipated early on, Spain held on to the Philippines solely for strategic reasons. The idea to remain in the Philippines was inspired by the temerarious friar missionaries who quickly settled in the islands, a move which was also defended by some high-ranking members of the military. The archipelago, thus, became a base of support for Portuguese interests against the Dutch in Asia, particularly during the not exactly untroubled years of the union of the two Iberian crowns under Philip II. After the definitive separation of the two crowns in 1640, the Philippines remained useful in the defense of the American empire on the Pacific flank (see Diaz-Trechuelo 1956, 27–39).<sup>11</sup>

Woven and unwoven by the Council of the Indies in the last thirty years of the sixteenth century, this strategy would not have been pos-

sible had the crown not offered sufficient incentives to conquerors and colonists to ensure their continued presence in a region remote from the metropolis and isolated from the rest of the empire. After several failed attempts, the plan finally succeeded with the regularization of the galleon trade.<sup>12</sup> During the early part of the conquest, the Manila galleon trade provided the urban market and mining centers of New Spain with goods of autochthonous origin—ordinary cotton and abaca textiles (Manila hemp), the low-cost products of a rural domestic industry. By the 1590s, when prices of goods of prime necessity soared six-fold, the galleons were already ferrying Chinese goods that were unaffected by inflation, making them much cheaper than Philippine products (Alonso 2001, 181–206). Chinese traders from Fukien were interested primarily in the Mexican and Peruvian silver arriving in Manila in exchange for goods transported to Acapulco. The Chinese traders were interested in this precious metal which was the required specie to pay the tribute in Ming China, because of the high profits to be gained from the rate of exchange, which was much higher in China than in Mexico and the Philippines (see Flynn and Giraldez 1997, 259–79; and Chuang 1997, 281–85; Valdes 1987).

Trade with New Spain was formally regulated in 1593. The Portuguese in Macao and the Peruvians were excluded from the transpacific exchange. The Philippines thus became an intermediate economy between Asia and the Americas, a role it played with no major modifications until New Spain won its independence in 1820. The galleon trade stymied the potential for production of the archipelago until the beginning of the nineteenth century when, with the end of the Acapulco trade, the tobacco industry provided a strong incentive for agricultural activities (in sugar, textiles, etc.), at a time when there was demand for these products in the international market (see de Jesus 1980, 191–254).

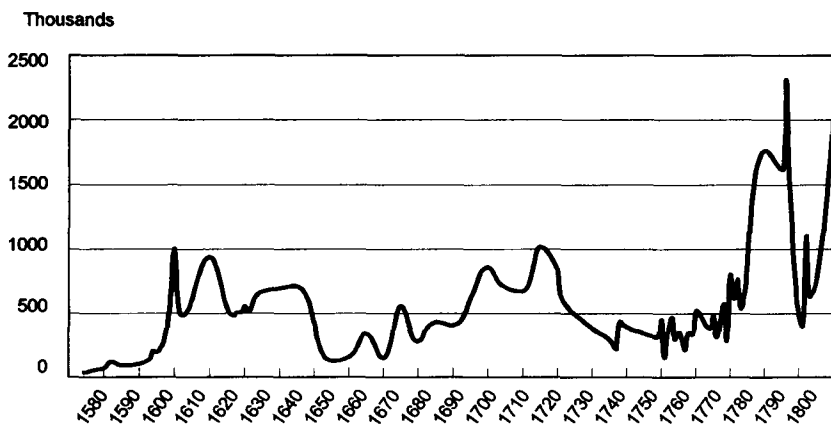
### **A Panoramic View of the Treasury Between 1565 and 1804**

Let us now look at public revenue, particularly those aspects of it that are usually mentioned to explain the fiscal deficit. Let us start with the official statistics of the imperial treasury.



Graph 1 presents the income of the Manila offices from which may be discerned five different phases.<sup>13</sup> The first, from the start of the conquest to the beginning of the seventeenth century, is characterized by the persistence of very low figures, pegging the income below an annual average of P80,000. The second period, stretching between 1604 and 1648, is characterized by a significant increase in income compared to the initial period, coincident with the rise in expenses during the Dutch wars, with the annual average amounting to around P560,000. The third period can be dated as occurring between the middle and the final decades of the seventeenth century, when income was lower than the annual average of P290,000. The fourth period can be seen as one of revenue increase that extended almost to the second decade of the eighteenth century, its high point being the formative years of the Quadruple Alliance against Spain, when the average annual income exceeded P700,000. The fifth period may be seen as starting with an average low income of P350,000. It included the British occupation of Manila in 1762, but it finishes during the nineteenth century when the annual average was higher than P960,000, the highest figure appearing in this study.

Graph 1. Income of the Philippine Royal Treasury, in pesos of 8 reales, 1580–1800.



Source: AGI, *Contaduría*, legajos 1195-1291; *Filipinas*, legajos 858-871.

A first look at the structure of income during the initial years (see table 1)<sup>14</sup> reveals that tribute—to which we must add as a complement the royal subsidy (*real situado*)<sup>15</sup>—shows a marked increase until 1595 (when it represented 94.7 percent of total revenue), after which it begins to lose importance. Its diminished significance was due to the transfer of tribute collection to *encomenderos*. The *almojarifazgo* (import-export duties), which weighed down foreign trade, the second most important source of revenue, failed to contain the revenue fall; but the treasury made up for it by resorting to the *extraordinario*, sourced from the peasant economy.<sup>16</sup>

Beginning 1605 (officially since 1606, although accounts kept in Seville recorded the previous year's data), the Dutch Wars—especially

Table 1. Income of the Manila Treasury, in pesos of 8 reales, 1584–1604

Income	1584	1588	1590	1591	1592	1595	1603	1604
Tributes	22,000	30,404	26,364	25,297	32,053	21,777	24,282	12,714
Tithes of gold	4,000	3,909	3,732	3,604	3,533	493	1,245	1,815
Duties on merchandise from								
New Spain	6,000	—	—	—	—	—	—	—
Court expenses	1,000	1,274	1,994	294	563	115	27	655
<i>Almojarifazgo</i>	—	18,174	9,055	349	22,883	—	36,886	26,020
<i>Extraordinario</i>	—	4,352	25,893	15,160	17,559	3,741	54,329	134,794
Court penalties	—	1,884	1,920	1,910	1,661	570	1,095	1,378
Royal <i>situado</i>	—	—	—	11,532	37,652	66,868	13,984	21,953
3% tax on exports	—	—	—	32,311	—	—	—	—
Ecclesiastical tithes	—	—	—	3,732	6,933	—	442	1,399
Penalties allocated								
for war expenses	—	—	—	93	244	—	—	—
Balances of accounts	—	—	—	—	—	—	2,484	—
Other income								6,082
Total income	33,000	59,997	68,958	94,282	123,081	93,564	134,774	206,810

Source: AGI, *Contaduría*, legajos 1200–1206.

from 1600 to 1624 and from 1640 to 1647—and the aid extended to Portuguese possessions, made it necessary to approve an unprecedented expense. The figures in 1611 are meaningful in this second period, which divides the history of the Philippine economy (AGI, *Contaduría*, leg 1609, folio 464).

Table 2. Income and expenses of the Manila Treasury in 1611, in pesos of 8 reales

Income	Pesos	Expenses	Pesos
Balance in the treasury	856	Regular salaries*	37,744
Tributes	20,223	Extraordinary cost of	
Royal <i>situado</i>	10,904	warfare in Manila	177,258
<i>Extraordinario</i>	172,208	Defence forces of Manila	41,209
<i>Almojarifazgo</i>	31,725	Royal buildings	80,782
Court penalties	1,443	Ecclesiastical salaries	
Costs of justice	407	and expenses	14,950
Tithes of gold	2,888	Navy and marine works	6,196
Ecclesiastical tithes	33	Wages of day laborers	14,220
Payments to treasury	6,556	Donations	1,687
Restitutions	368	Salaries of <i>alcaldes mayores</i>	
Mexican <i>situado</i>	295,776	and <i>corregidores</i>	2,102
Sea fare	4,170	Loans to treasury	27,056
Duties on galleon	2,000	Galleys for coastal security	1,488
Passenger fares	50	Court penalties	858
Sale of official positions	2,320	Costs of justice	367
Royal warehouses	4,010	War in the Moluccas	40,947
Chinese license fees	23,032	Balance in the treasury	131,914
Total income	578,969	Total expenses	578,778

\*Government, justice, and treasury

Source: AGI, *Contaduría*, legajo 1609 fols. 464 & 464v.

From these figures we can glean how the tribute (at P20,000) lost importance, and was compensated for in part by revenue (P23,000) from Chinese residents, and also by the spectacular increase of the *extraordinario* (P172,000) coming from the indigenous economy. These were, however, insufficient to sustain the defense needs (see table 2 on the increased military budget for the war, the headquarters in Manila, and the war in the Moluccas). No wonder then that the governors

demanded a higher *situado* from the Mexican viceroy (almost P300,000, as shown in table 2), which appeared under the archaic designation "silver and reales coming from New Spain."

Table 3. Income and expenses of Manila Treasury in 1675, in pesos of 8 reales

Income		Expenses	
Balance in the treasury	56,313	Regular salaries	47,745
Half <i>annatas</i> in secular estates*	8,291	Warfare in Manila	42,879
<i>Mesada</i> taxes in monastic estates	719	Manila navy	41,482
<i>Almojarifazgo</i>	4,792	Ecclesiastical stipend	6,078
Documentary stamps	1,458	Transport of goods to Manila	12,938
Chinese license fees	17,023	Donations	400
Court penalties	58	Salaries of <i>alcaldes mayores</i>	
Sale of official positions	5,128	and <i>corregidores</i>	100
Balances of accounts	1,822	Royal works and buildings	2,949
Fortifications	3,208	Court penalties	522
Tributes	4,707	Hospital salaries and expenses	100
Embargoed goods	72	Royal buildings	4,000
Royal chapel charities	5,382	Day laborers	7,437
Royal <i>situado</i>	5	Purchases of royal warehouses	21,823
New Spain <i>situado</i>	96,099	<i>Extraordinario</i>	3,949
Other income	2,541	Balance in the treasury	366,643
Convictions	200		
Deposits in the royal treasury	334,104		
Calamba Estates income	100		
Government office duties	5,000		
<i>Extraordinario</i>	12,021		
Total income	559,043	Total expenses	559,045

\*Half of the annual salary withheld from public employees who joined the service for the first time and remitted to the treasury as a form of tax.

Sources: AGI, *Contaduría*, legajo 1240.

The signing of the Peace of Westphalia in 1648, which put an end to Hispanic-Dutch hostilities, prevented the danger of attack and with it the need to maintain a substantial *situado*. This development resulted in continued Mexican aid, but at a notably lower amount. In 1675 (table 3) the *situado* from Mexico totaled a little more than P96,000.

Table 4. The Royal Treasury before and after Cruzat's changes, in pesos of 8 reales, 1690–1700

	Average 1690–1695	Average 1695–1700	Balance
<u>Income where increases are obtained</u>			
Tributes	17,435	32,262	14,827
Tributes of vagabonds	3,827	11,891	8,064
<i>Almojarifazgo</i>	23,389	28,842	5,453
Acapulco galleon and Marianas vessel	3,507	7,500	3,993
Chinese license fees	13,301	23,278	9,977
Half <i>annatas</i> *	14,426	16,522	2,096
Game of <i>métua</i>	5,540	6,850	1,310
Sale of official positions	3,035	4,718	1,683
Documentary stamp	1,532	3,347	1,815
Court penalties	1,374	3,243	1,869
Duties of government secretary	2,799	4,183	1,384
Coal	0	525	525
Bacorán fisheries	1,025	940	-85
Total income	91,190	144,101	52,911
<u>Expenses where decreases were obtained</u>			
Purchases of royal warehouses	54,100	28,160	25,940
Remittances for purchase of goods	17,738	9,032	8,706
Expenses of provincial garrisons	27,190	14,265	12,925
Expenses of Manila garrisons	17,858	11,571	6,287
Total expenses	116,886	63,028	53,858

\*See note in table 3.

Source: Archivo Histórico Nacional, *Consejos*, legajo 21022.

On the other hand, tributes (not registered in the Manila treasury since the third decade) were down to P4,707, but the tax burden was shouldered by the Chinese whose payments for *licencias generales* amounted to a little over P17,000. Note that the large figure under the heading “deposits” (P334,104) is of no importance, in the sense that it signified an amount to be paid back and which served as a long-standing public debt.

The relative peace that prevailed in the area surrounding the China Sea, after the signing of negotiations with Holland at Wesphalia, dramati-

cally decreased the fiscal aid received by Gov. Fausto Cruzat in the last decade of the seventeenth century. The Mexican situado dipped from P250,000 to P139,000.<sup>17</sup> The relative increase in overall income noted during the period was due to a balancing act effected in the public treasury, made possible by the intensified collection of the almojarifazgo, which became the cornerstone supporting the treasury; a decrease in expenditures, especially in connection with purchases of the royal warehouses and the military budget; and the unmitigated pressure on the collection of debts the residents of Manila had contracted with the treasury.<sup>18</sup>

Table 4 compares the fiscal situation before and after the Cruzat reforms. As is evident, the increase in tributes—an item not shown in the accounts in Seville—reached almost P15,000, to which we must add the further P8,000 collected from vagabonds. Important, too, is the increase in collections from the licenses of the Chinese and the almojarifazgo. The total increase in income reached more than P53,000. As for savings, outstanding is the result from purchases of the royal warehouses—obtained actually through *forced sales*, as we shall see—and a reduction in military expenses.

In 1725, as seen in table 5, noteworthy are the payments from the licenses of the Chinese (P20,100), the almojarifazgo (P19,318), the extraordinario (P22,286), and deposits (P30,725). At around this time, the monopolies started (alcoholic beverages would take on great significance in later years). A significantly low Mexican situado amounting to P57,311 entered the picture that year.

Between the signing of the Peace of Cambray and the British occupation of Manila in 1762, military expenses, which had already diminished previously, decreased to even more modest figures (51,000 reales, see table 6). Income from the almojarifazgo, the extraordinario, the general licenses of the Chinese, and the monopolies remained on the same level. The Mexican situado was increased significantly to P756,866 in 1780 (see table 7).

The thesis that fiscal dependence cannot be insisted upon in absolute terms can be made at this point. As the above figures show, no such link existed during the first forty years of colonization. The connection instead surfaced in the second half of the seventeenth century, and after the peace with the Quadruple Alliance was established, up till the British

Table 5. Income and expenses of the Manila Treasury in 1725, in pesos of 8 reales

Income	Pesos	Expenses	Pesos
Balance in the treasury	44,049	Regular salaries	39,738
Half <i>annatas</i> *	10,539	Salaries of Spanish &	
<i>Extraordinario</i>	22,286	Pampango infantries	66,711
Balances of accounts	10,612	Cavite & New Spain Army	
10 percent tax on exports	3,891	& Navy	74,817
Rental monopolies	17,861	Zamboanga garrison	8,047
Chinese license fees	20,100	Day laborers	9,027
Tributes: vagabonds	3,351	Purchases of materials	21,910
Tributes: registered	394	Purchase of royal warehouses	1,671
Tributes: reserved estates	632	Ecclesiastical stipends	16,598
Government licenses	5,805	Donations and charities	2,166
Government office duties	101	Money remitted to provinces	6,339
Rent of official positions	366	Embargoed goods	8,071
<i>Almojarifazgo</i>	19,318	Royal chapel	64
Duties on anchors	450	Colegio de Santa Potenciana	500
Documentary stamps	1,271	Royal hospital	148
Tributes: Christian Chinese	510	Vacant bishoprics	4,916
Colegio Santa Potenciana	1,504	Freights	51
Royal chapel charities	6,406	Returned half <i>annatas</i>	20
Duties on entitlements	20	<i>Extraordinario</i>	11,100
Reserves	3	Grants to military	
Additional accounts	495	on official mission	183
Fines	18	Restitutions to <i>encomenderos</i>	89
Papal bull	50	Balance in the treasury	1,885
Donations	804	Debt against treasury	
<i>Mesada</i> taxes in monastic estates	83	(1688–1726)	351,158
Deposits	30,725		
Exemptions	130		
Court penalties	59		
Tributes: remaining balance	45		
Excess of salaries	1,271		
Mexican <i>situado</i>	57,311		
Ecclesiastical stipends	13,390		
Savings from vacant prebends	156		
Sale of official positions	490		
Debt against treasury (1688–1726)	351,158		
Total income	625,654	Total expenses	625,209

\*See note in table 3.

Source: AGI, *Contaduría*, legajo 1262.

Table 6. Income and expenses of Manila Treasury in 1755, in pesos of 8 reales

Income		Expenses	
Balance in the treasury	96,230	Regular salaries	44,318
Half <i>annatas</i> *	10,150	Wages of infantry and	
Tributes registered	7,857	Manila camp	95,514
Tributes: reserved estates	767	Manila navy	51,576
Fines and convictions	841	Day laborers of Cavite port	6,552
Santa Potenciana revenue	1,334	Aid to day laborers in	
Sale of official positions	1,552	Cavite port and camp	868
Rent of official positions	4,090	Purchases of royal warehouses	6,299
Donations	3,050	Ecclesiastical stipends	16,416
Balances of accounts	10,163	Donations and charities	1,690
Surplus of grants	957	Money remitted to provinces	8,764
<i>Extraordinario</i>	39,267	Balance of accounts	1,465
Chinese license fees	17,836	Freights	425
Restitutions	157	Colegio de Santa Potenciana	597
Documentary stamps	1,757	Army against Jolo and Paragua	15,596
<i>Almojarifazgo</i>	24,450	Grants	845
Duties on anchors	470	<i>Extraordinario</i>	3,264
Duties on land	10	Returned deposits	7,184
<i>Mesada</i> taxes in monastic estates	89	Purchase of goods	994
Duties on sales	1,281	Zamboanga garrison	14,599
Deposits	2,817	Royal chapel	224
Returned salaries	10,147	Royal hospital	502
Rental income	28,500	Returned half <i>annatas</i> *	36
Exemptions	190	Debt against treasury	2,956
<i>Expolios</i> <sup>†</sup>	10,170	Balance in the treasury	71,513
His Majesty's chamber	2,756		
Bulls	4,303		
Dispensations and forced offerings	234		
Mexican <i>situado</i>	50,598		
Ecclesiastical stipends	15,524		
Cathedral vestry: Manila and			
Nueva Cáceres	400		
Vacant bishoprics and prebends	1,253		
Royal exchequer	37		
Debt against treasury	2,956		
Total income	352,193	Total expenses	352,197

\*See note in table 3.

<sup>†</sup>Ecclesiastical income remitted to public treasury after a bishop's death.Source: AGI, *Contaduría*, legajo 1279.



Table 7. Income and expenses of Manila Treasury in 1780, in pesos of 8 reales

Income		Expenses	
Balance in the treasury	349,366	Royal hospital	10,129
Documentary stamps	1,585	Production of gunpowder	4,569
Mexican <i>situado</i>	756,866	<i>Extraordinario</i>	8,631
Excess of salaries	80,733	Royal foundry	5,703
<i>Extraordinario</i>	114,890	Unspecified duties	83,655
Balances of accounts	32,249	Regular salaries	66,026
Bulls	5,842	Cavite arsenal	41,734
Cockfighting monopoly	19,731	Fortifications	114,395
Duties on sales	31,507	Navy expenses	71,384
Donations	31,306	Santa Potenciana	2,020
Playing-cards monopoly	1,438	Coal	1,822
<i>Almojarifazgo</i> : exported goods	5,243	Purchases of royal warehouses	93,272
Tributes	28,039	Wages of troops	188,264
<i>Mesada</i> taxes in monastic estates	782	Factory expenses	13,418
Restitutions	128	Anti-Moro privateers	12,192
Rent of official positions	358	Garrisons	14,207
<i>Almojarifazgo</i> : less 3%	31,972	Cavite <i>plaza</i>	2,151
<i>Almojarifazgo</i> : less 6%	33,957	Ecclesiastical stipends	24,431
Duties on anchors	1,575	Supplements	21,124
Wine and <i>nipa</i> monopolies	45,128	Excess <i>almojarifazgo</i> , 3%	983
Fines and convictions	688	Returned deposits	2,649
Duties on entitlements	137	Sale of official positions	2,870
Government duties	9	Government duties	416
Sale of official positions	440	Vestry objects	800
Deposits	43,355	Excess <i>almojarifazgo</i> , 2.5%	103
Betel nut monopoly	15,765	Balance in the treasury	977,878
<i>Almojarifazgo</i> of Acapulco	7,267		
Ecclesiastical stipends	22,324		
Ships and fort building	100,000		
Vestry objects	800		
Savings from vacant prebends	91		
Confiscated goods	1,216		
Total income	1,764,787	Total expenses	1,764,826

Source: AGI, *Filipinas*, legajo 868.

occupation of Manila in the late-eighteenth century. Until the end of that century, the treasury was self-sustaining, as table 7 shows. Without the more than P750,000 from the Mexican subsidy, general revenue from economic activities amounted to a little more than P1 million.

We can appreciate the enormous expenses that were not, in fact, spent—they appear under the rubric “balance in the treasury,” reaching more than P970,000 and yielding a surplus of more than P200,000. The Manila authorities could have prescinded from the Mexican *situado*, but they refused to do so for fear of a new British invasion.

Other proofs can be shown to modify the thesis of fiscal dependence, as I shall presently explain, beginning with the nuanced evaluation of the tribute and the analysis of the structure of the *situado* itself.

### **Clarifying the Figures:**

#### **The Tribute and the Mexican Situado**

The tribute, which the colonizing power as sovereign imposed on the indigenous population as in the rest of the empire,<sup>19</sup> was exceptionally low in the islands.<sup>20</sup> With some exceptions, it was generally fixed at eight reales per household—the unmarried paid one half—although in 1590 it went up to ten reales, a rate that continued during the two centuries under study.<sup>21</sup> In Mexico, particularly in Peru, they imposed a much higher sum.<sup>22</sup> This moderation in the Philippines has been emphasized by authors over the years, at times with exaggeration in order to “confirm” the justice that the Spanish crown exercised on behalf of its poorest subjects within the empire. Nonetheless, the evidence here turns out to be deceptive, since the tribute was paid in kind at a rate fixed by Legazpi himself, which, in the absence of a recognizable market at the start of the conquest, was pegged at extremely low prices. This was how the first regulation was drawn up to guide the *conquistadores* in collecting the tribute, until it was finally set at eight or ten reales for each indigenous household. The result was that the households paid, not eight or ten reales exactly, but in amounts six times higher, as inflation worsened. This amount was too much for people who lived on a subsistence economy and hardly generated any surplus. Thus, the Span-

iards decided to introduce technological changes as mentioned above in order to produce the needed surplus. Thus we are confronted with a phenomenon that was widespread throughout the empire, namely, a taxation system that forced the colony to produce for the market (see, among others, Tandeter 1992).

As a whole, revenue collected from tributes by the Manila treasury reached a substantial sum, though the figures were modest compared to other years. In the first forty years of Spanish presence, they were the main source of income of the royal treasury, peaking at 94.7 percent in 1595 when tributes totaled P88,645 (AGI, *Contaduría*, leg. 1200–1206).<sup>23</sup>

In the first decade of the seventeenth century, the situation apparently changed because income from tribute was decreasing and it lost its initial importance. Other sources of income, however, began to increase. But did the tribute really decrease? Or, put more clearly, did the fiscal dues, which under this concept the indigenous peasant population was obliged to pay, diminish? The answer has to be necessarily negative because the *encomienda* system had been forcibly implemented in the colony. The new *encomienda* was introduced in the Philippines at the start of Spanish rule; it was imposed by the crown with the promulgation of the New Laws in 1542. The decree indicated only a temporary transfer of the right to collect the tribute to individuals who were outstanding in their military service. In this way, the Crown voluntarily ceded part of the revenue to the soldier-*encomenderos* as an incentive to ensure that the conquest would continue.<sup>24</sup>

This transfer of the right to collect tribute explains why the tributes disappeared from the accounts of the Manila treasury. It was transferred to the jurisdiction of local treasuries, administered by the *corregidores* and *alcaldes mayores* in the provinces, which resulted in a significant increase in their revenue collection, as can be verified from the available sources. Toward the end of the seventeenth century, during the *residencia* of Gov. Fausto Cruzat, for example, revenue from tributes totaled more than P82,000 annually, to which must be added the P50,000 accruing to the *encomenderos*—for a total of P132,000 (AHN, *Consejos*, leg. 21022).

Even under the deficit thesis which posited the necessity of external funds, the tribute must be mulled over, even if it does not appear in the record of the central treasury, since it was used to defray expenses like stipends of the friars who took charge of the doctrinas (P100 for every 500 tributes, paid in specie and in kind); the couriers who brought the collections to the provincial capitals; the collectors (P3 for every 100); and the *alcaldes mayores* and *corregidores* (whose salaries varied per province and per *corregimiento*, more or less amounting to P100). Further, during emergencies provincial authorities used the collected tribute to finance local defense expenses. As such, *alcaldes* and *corregidores* should have been theoretically able to liquidate the net sum of the tributes, which added up to a significant amount. In practice, however, this was not done. Rather, it was used for personal gain in negotiating supplies for the capital, a practice that spurred innumerable court cases, among which the *juicios de residencia* spared only some exceptional cases (see Alonso 1998a, 197–232; 1998b, 269–78).

The importance of the royal tribute was heightened toward the end of the seventeenth century when titles to the *encomiendas* started to be annulled and were reincorporated as crown patrimony and when military activity diminished (upon the end of the Dutch Wars, the separation of the Portuguese crown, and the relative stability of the conquered territory).<sup>25</sup> Since then, the amount of tributes increased considerably because of the greater control exerted by the central treasury over the provincial treasuries. These tributes, which continued to be deposited in the Philippines, were not officially accounted for among the sources of revenues of the Manila treasury (AHN, *Consejos*, leg. 21022).

It was only in the second half of the eighteenth century when the tributes were once again deposited into the central treasury. Table 7, above, which puts together the income and the expenditures for 1780, shows the importance of the tributes in the total fiscal revenue.

The tributes collected and deposited in the provincial treasuries accounted for a significant portion of the public income, even if these did not figure in the central treasury. Still, there were other mechanisms not accounted for that presupposed the enforcement of a tax system in the countryside which yielded substantial income for the Manila authori-

ties. I refer to the *forced sales* and *obligatory public service*, two instruments of fiscal coercion, which inexplicably have not been considered under the prism of the tribute in Philippine historiography (except Phelan 1959, 99–102).

Forced sales in the Philippines—known as *bandala* in the Tagalog region—refers to the method of the *repartimientos de dinero* and rarely that of goods.<sup>26</sup> Through them the royal functionaries obtained certain products—mainly food and textiles—at a very low price from the native population, based on fixed prices for the tribute. I do not want to prolong my discussion on the implications of this Mexican tradition (see Alonso 1998, 5–20). I merely wish to treat it from the perspective of the treasury. The same thing is true of personal services—known as *polo* in the Tagalog region—a concept also “imported” from Mexico and, in general, from the Americas, where it was basically used to mobilize the indigenous labor force in the mines (as legal provision, the polo approximated the Aztec *cuaquetil* and the Peruvian *mita*). In the Philippines, *polistas* were employed to produce lumber needed for construction, especially of galleons that were used to transport merchandise (gathered from the *bandalas* and the tribute) to the cities, especially to Manila. *Polistas* were also required in military and domestic service.

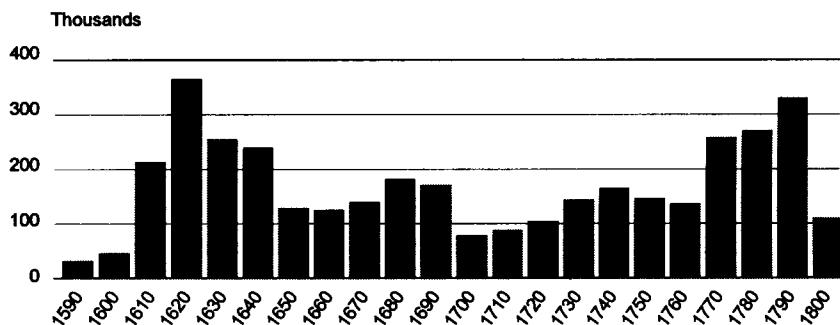
In general, the pressure exerted on the peasant population in the form of tributes, *bandalas*, and *polos* constituted the major source of revenue for the Spaniards in the islands. Their value exceeded the Mexican *situado* and the rest of the tributary items. Because of their relative obscurity—being limited to local contracts in the territorial treasuries but unrecorded in the Manila treasury, a lack that made it quite difficult to quantify the royal revenue figures—they served as a pretext to justify payments from outside. When the revenue of the royal treasury is reconstructed, the tributes could be included, but the value of the *bandalas* and *polos* would be hard to quantify without the local territorial treasury records.

Just as the tribute collected from the peasant population had been underestimated, the Mexican *situado* and its role in offsetting the alleged fiscal deficit had also been overestimated. Perhaps the nature of the Caribbean *situados* has something to do with this perception. In

the Caribbean, virtually no revenue had been collected from economic activities, thus it was easy to assign importance to the amount forwarded to Manila from the Mexican treasury.

In graph 2,<sup>27</sup> official subsidies registered under this heading in the Mexican treasury were high, ranging between P100,000 and P500,000 annually, averaging P250,000.<sup>28</sup> This figure coincides with the *situado* theoretically sent to Manila. As Bauzon tells us, as Fradera himself confirms, and as I, too, verified from the records of accounts the amount indicated as *situado* did not reach the Philippine treasury.

Graph 2. Mexican *situado* to the Philippine Islands, 1590–1800, in pesos of 8 reales

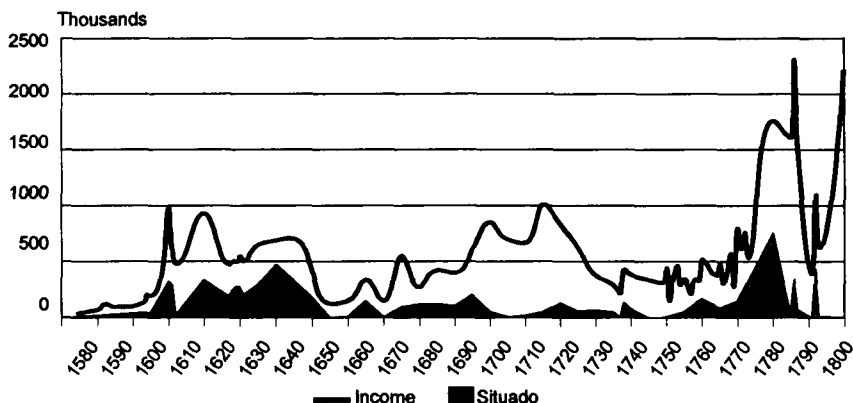


Source: TePaske and Klein 1988; Klein 1994, 130.

As already documented, the differential between what Mexico liquidated and what was registered in Manila constituted payment to the bureaucracy in Acapulco and the American share of the galleon trade. These were the administrative expenses of intermediation, which were assumed by the Mexican treasury. Thus, the figures, insofar as they concern revenue from Mexico, appear as big amounts; but we can hardly ascertain if these corresponded to what was actually transmitted to Manila.

Bauzon and Fradera explain that not all the amounts constituting the *situado* were fiscal compensations. A greater portion actually consisted of reimbursements of the *almojarifazgo* received by the crown in Acapulco, which should be considered Philippine revenue.

Graph 3. Income of the Philippine Treasury and the Mexican *situado*, in pesos of 8 reales, 1580–1800.



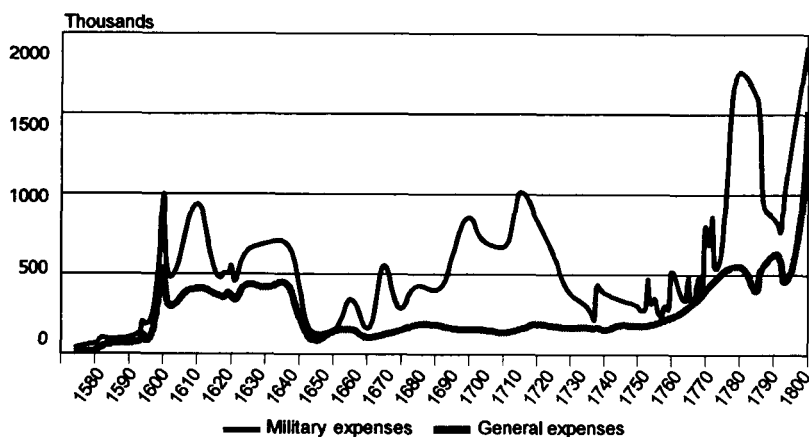
Source: AGI, *Contaduría*, legajos 1195-1291; *Filipinas*, legajos 858-871.

Graph 3 again shows the official figures in the treasury arranged in five-year periods. The value of the situado is also seen clearly in the graph. Now we can reconstruct the accretion of deficit over the long term.

The Mexican situado underwent an evolution jointly with the entire treasury. Fiscal self-sufficiency characterized the first thirty years that extended until 1606, when the situado was officially established (in reality, equivalent sums were approved since 1605). The Dutch wars and the obligation to defend the territories under Portuguese control increased military expenses. Given the diminished income from the tribute (because of the *encomienda* privilege), the crown decided to establish the yearly situado financed by the Mexican treasury, in order to fund the military whose expenses were on the rise, as graph 4 shows. With the 1648 Peace of Westphalia that ended the war with Holland, and with the definitive separation of Portugal from the Spanish Crown, the situado markedly decreased, particularly toward the end of the seventeenth century. In those years, Gov. Fausto Cruzat decided to revert to self-financing, which was the normal fiscal practice, in order to reduce the Mexican subsidies to the lowest level possible. Theoretically,

he reduced the situado to P139,000, although in practice the decrease was bigger (it slid from P202,273 in 1695, to P52,334 in 1700, and further to P6,361 in 1705). Just as the situado decreased, the revenue derived from *almojarifazgo* and collection of debt payments increased. Above all, expenses, especially on military activities, decreased as the graph shows.

Graph 4. General and military expenses of the Philippine Treasury, in pesos of 8 reales, 1580–1800



Source: AGI, *Contaduría*, legajos 1195–1291; *Filipinas*, legajos 858–871.

The decrease in military expenses, however, weakened the defense of Manila, which became an easy prey for the British in 1762 (AGI, *Contaduría*, leg. 1195–1291; *Filipinas*, leg. 858–871).<sup>29</sup> From then onward, revenue increased in sizable sums, until it surpassed P1 million, with annual peaks exceeding P2 million (graph 3). The Mexican subsidy itself reached very high levels, a situation spanning the last third of the eighteenth century up to the beginning of the nineteenth. By then the tax system had changed substantially.

The preceding discussion leads us to reconsider the incidence of fiscal compensations. If we could reconstruct the accounts by adding up the income borne by the peasant economy (tribute, *bandalas*, and *polos*), the dues imposed on the resident Chinese, and the dues gener-



ated by the Asian and American trade, we could conclude that the public treasury was actually self-sufficient, a fact which the book of accounts and interested opinions could not show us.

### **The Emancipation of New Spain and the Adaptation of the Tax System**

One question remains, which I consider basic in keeping with the objectives of this study. It pertains to the modification in the treasury after the suppression of the *situado* in 1804 on the eve of the emancipation of New Spain. This modification in the treasury which resulted in low subsidy did not create negative social reactions, although the whole economy (especially the galleon trade) depended on it in large measure. How else could one explain the shift from dependence on the *situado* to a self-sufficient treasury if not because of the change in the structure of the treasury itself? As de Jesus (1980, 205) points out, how else could one explain why the Manila treasury was able to remit considerable amounts of money, above all from the tobacco monopoly, to the Spanish treasury to the point of surpassing, in Fradera's (1999, 127) opinion, the amounts received as *situado*?

Examining the revenues of 1809, five years after the *situado* officially ended, we can see the striking distribution of figures. Table 8 presents this reality.

The highest income came from the monopoly generated from the

Table 8. Royal Treasury net income in 1809, in pesos of 8 reales

Income	Pesos	%
Tobacco monopoly	506,754	27.94
Tributes	364,474	20.09
Wine and betel nut monopolies	221,426	12.21
Customs duties	257,179	14.18
Mexican <i>situado</i>	250,000	13.78
Other income	213,485	11.77
<b>Total income</b>	<b>1,813,318</b>	<b>99.97</b>

Source: de Comyn 1820, appendix 6.

production of tobacco (more than P500,000), a produce of general consumption among the people, both male and female, which together with monopolies (wine and betel nut) exceeded P728,000. Tribute was the next most important revenue source, totaling nearly P365,000. Next in value were customs duties (the old *almojarifazgo*), which exceeded P250,000. In the fourth place was the *situado* (P250,000) which, despite its legal termination, continued to be listed, although it was only an occasional and sporadic item (and was more than offset by the amounts from the tobacco revenue sent to Spain). A number of minor taxes, which constituted a little more than 10 percent of the income, accounted for the rest. From this time onward, the nineteenth-century figures would firmly be in the direction set in 1809 (Fradera 1999, 129). We would witness, on the one hand, the emergence of the tribute which the provincial treasuries abandoned definitively and, on the other, the outstanding growth of state monopolies and the demonopolization of foreign trade. The spread of Bourbon reforms throughout the empire during the last third of the eighteenth century would thus be evident.

It is well-known how—with the succession to power of the Bourbon dynasty at the start of the eighteenth century, but especially during the rule of Charles III—the state posited the question of the modernization of the metropolis, at the cost of a more efficient exploitation of the American empire, in imitation of the British model.<sup>30</sup> For this purpose, they drew up a well-defined plan. The British occupation of Manila and Havana (1762)—two strategic enclaves of undeniable importance—led to the plan's gradual implementation, first in the Antilles as an experiment, and then in the rest of the empire. The plan, which assured to endow the imperial treasury with greater resources for the defense of the empire against foreign aggression, and the remittance of silver from the colonies to the metropolis, had three bases:

1. Organizational reform via the establishment of the *Intendencia* in America and Asia.
2. Commercial reform via decrees of free trade with Cuba and Puerto Rico in 1765, and between Spain and America in 1778 (which ended the monopolies between Cadiz and the American ports); and
3. Reforms in the collection of the tribute.

These reforms included the introduction of the Spanish tobacco-monopoly model in the Indies.

In the Philippines, organizational reforms hardly succeeded, since the Intendancy was maintained for only a few years (see García de los Arcos 1983). Commercial reforms marking the end of the monopoly of the galleon trade were carried out only partially with the creation of the Royal Philippine Company (Díaz-Trechuelo 1965). Yet the establishment of the tobacco monopoly (and the reorganization of the alcohol sector) experienced unprecedented success, which explains in great part the changes in the treasury (signaled by data in table 8) when the *situado* ended.<sup>31</sup>

Nonetheless, the introduction of the monopoly was not meant to improve revenue collection only. It also redefined economic development during the greater part of the nineteenth century. In other words, this new fiscal policy stimulated the economy. Commercial agriculture penetrated into the interior of the colony, the tobacco industry spearheading the exploitation of the mountainous areas, particularly in northern Luzon, which were unexplored until then. It also favored the spread of complimentary cash crops (such as sugar and abaca), a move encouraged especially by the Chinese, the social group that in the nineteenth century took advantage of the opportunities offered by international trade.

The Bourbon reforms in America profoundly changed socioeconomic relations. It created a starting point for the revolutionary movements that the creole elite headed. In the Philippines, the Bourbon reforms created a self-sufficient treasury and established the basis for promoting agricultural growth in the nineteenth century. These reforms also enriched certain elites such as the Chinese and the native aristocracy that were linked to the Spanish administration, a group similar to the American creoles. They had no need to be independent from Spain, until in the 1870s, together with other factors, when the fall in the price of sugar in the international market lowered their income considerably. They then adopted strategies which later on ended in the separation of the Philippines from the Spanish crown.

## Notes

Rene Salvania and the editor are responsible for the final translation of this paper from its Spanish original.

1. The memorandum, originally in Spanish, is titled "Politico-Commercial Transaction to Obtain the Greatest Possible Benefit from the Very Remote Philippine Islands, and to Neutralize the Insurrection in Mexico, Peru, and Chile More Effectively than through Naval Expeditions, that are Extremely Costly, if Not Impossible Given the Actual Situation of the Treasury, and the Policy Recently Adopted by the Cabinet of St. James. Confidential." It is signed "A Good Spaniard," whom Don Luis Maria de Salazar indicates is "a subject I esteem" (Archivo Historico Nacional [Madrid], *Estado*, 3188, legajo 2, no. 423 [henceforth AHN]).

2. According to Morga, one of the early chroniclers, "As a result, our lord the King derives no material profit whatever from the Philippines, but rather incurs no mean charges, which are set off against his revenues from New Spain" (Morga 1971, 313).

3. On the galleon trade by the end of the eighteenth century, see Yuste 1984.

4. Both series, which provide the strongest empirical evidence to support the thesis of fiscal dependence, constitute the exception rather than the rule, to the extent that these bring up the figures based only on two periods when the situado was increased because of the circumstances of war: the first in the middle of the seventeenth century (Dutch wars), and the last third of the eighteenth century (conflicts at the end of the century with England and France).

5. These figures are included in graph 2. See also van Bath 1989.

6. Nevertheless, the author feels intuitively that things were different.

7. As is well known, under the Spanish colonial government the archipelago did not have large European population groups, such that the missionary friar was the only Spaniard known to the majority of the native population.

8. As a residential and territorial unit, the barangay originated from the pre-Hispanic Malayan settlement. See, among others, Scott 1992 and 1997; and Patan e 1996.

9. Literature on the Chinese presence in the Philippines is abundant. See, in this regard, Ang See 1997. Wickberg (1965) offers a different historical perspective. On Chinese commercial strategies, see Dobbin 1996.

10. I cannot resist quoting a sixteenth-century text I believe is unknown to researchers of the period, which dramatically describes the beginnings of this process. The text, "Relaci n verdadera de c mo se tomaron y sustentan las Philipinas," needs no lengthy comments. It reads: "Seeing, then, how the Spaniards treated their native leaders, the *Indios* withdrew their obedience and took no account of them. Hence, although the native chief may want to compel the Indio to pay the tribute or to do other things, the latter refuses to obey. In many places,

the chiefs give up their leadership, and there is no one who wants to take charge of the barangay, for the chief will be more maltreated and humiliated, even by their own slaves, as the latter witness how they lost the power to command and the authority they formerly enjoyed. All this keeps this land in turmoil, because the authority of the traditional lords is failing" (Archivo del Museo Naval [Madrid], ms. 135, doc. 2, fols. 175–78).

11. In any case, one would have to talk of an empire of cinnamon, the most widespread Philippine spice in Mexico and in the metropolis, although in those times scarcely competitive. On this regard, see Garcia-Abasolo 1982, 55–88.

12. Schurtz's *The Manila Galleon* (1939) remains the basic work on the galleon trade. On specific aspects of the foreign trade of the Philippines toward the end of the eighteenth century, see Yuste López 1984.

13. Archivo General de Indias (henceforth AGI), *Contaduría*, leg. 1195–1291, and *Filipinas*, leg. 858–871. My own interpretation. Data collated for five-year periods.

14. AGI, *Contaduría*, leg. 1200–1206. My own synthesis. Blanks in table 1 indicate that no tribute was collected or the record is not available.

15. The *royal situado* must not be confused with the *Mexican situado*, which will be discussed later. The former was introduced in 1590 to finance the troops of the city. It was imposed on the indigenous peasantry together with the tribute, but was remitted to the Manila treasury separately. See note 21 below. Henceforth, we shall use the terms "royal situado" and "Mexican situado" (or simply "situado") to avoid confusion.

16. The *extraordinario* consisted of revenue derived essentially from the sale of excess goods in the royal warehouses (which came from forced sales) and the liquidation of tribute in kind. Likewise, although on a lesser scale, it included revenue from *condenaciones*, *derechos de escribanía*, the lease of shops in the Parian, debts collected by the treasury, and private loans. In any case, the bulk of the revenue came directly or indirectly from the peasant economy.

17. By royal *cedula* of 27 June 1696 the crown approved the decrease of the situado to P110,178, amending that of 16 June 1665, which had fixed it at P250,000. In this regard, see Nuño de Villavicencio 1737, 48; de la Concepción 1792, xiv, 48–50.

18. Cruzat's pressure on delinquent debtors and borrowers from the treasury reached a point that major charges were filed against him during the assessment of his term of office.

19. Literature on the Mexican tribute is quite abundant, but the classic work and manual of reference continues to be, even after many years, that of Miranda (1952). For the Philippines, a good monograph on the first years of the colony is by Hidalgo (1995). We also have a very useful bibliographic compilation by Hidalgo and Muradas (2001).

20. In 1591, Governor Dasmariñas described the tribute as "so low that the

Indios here pay eight reales and in New Spain twenty-four and thirty-two" (AGI, *Filipinas*, leg. 6, R. 7. n. 81).

21. The difference between eight and ten reales, that is to say, the two reales that signified the increase imposed in 1590 by Gov. Gomez Perez Dasmariñas, constituted the royal *situado* mentioned above. It was intended to pay for the field troops in Manila—none yet until then—and for all other needs. This amount, deposited in the central treasury, was imposed on all tributes, including those granted to the *encomenderos*.

22. In his well-known work, the royal treasury official in Mexico, Joaquin Maniau, refers to the evolution of the Mexican tribute and indicates that its rate was decreasing, such that in 1601 it amounted to thirty-two reales only (besides the four reales of the royal service). The amount differed per village. Toward the 1790s, the tribute oscillated between P1 and P3 per head. See Maniau 1914, 87.

23. The tributes due the crown included the addition of 2 *tomins* in the royal *situado* which, since 1591, was added to the total (those due to the crown, as well as to the *encomenderos*). In 1592, the royal *situado* was aggregated with the *almojarifazgo*, and I had to separate the two using a linear equation.

24. On the Philippine encomienda, see Hidalgo 2001, 21–134. The encomienda system was studied from a paradigmatic viewpoint by the American Hispanist who died prematurely, John L. Phelan (1959).

25. It must be insisted that the occupation of the Philippines by the Spaniards did not follow the model followed in the Americas, because vast areas in Luzon and in the Visayas were not colonized until well into the nineteenth century. In these mountainous areas dwelt those described in contemporary writings as *indios remontados* or *igorotes* with whom, notwithstanding bans, the Hispanized communities maintained commercial relations. See Scott 1969 and 1982, 39–56.

26. On the Mexican *repartimiento*, see among others, Hammet 1971a, and 1971b; Pietschmann 2000, 115–21; Menegus 1994, 231–51. For a recent neoclassic interpretation, see Baskes 1996. On the *repartimiento* in the Philippines, similar to what prevailed in the Mexican region of Oaxaca, see Alonso 2000, 170–216.

27. In reconstructing the figures of the gross *situado*, all the amounts accounted for in the Mexican treasury were taken into account, under the name "aid." For the period until 1700, I have used the figures of TePaske and Klein (1988), based on five-year intervals to smoothen out the annual variations. After this date, the Mexican treasury underwent a change in accounting practice but "Philippine expenses" continued to be listed under the general entries of "war." This situation was not settled until the last decades of the eighteenth century, when again in the section "Philippine situado" new deductions appeared. Data for the intervening period, which do not appear explicitly in the official accounts, were taken from Klein 1994, 130. The slight differences in both series, most evident when the figures overlap, do not seriously alter the profile of the graph.

28. The exact amount of P251,464 was obtained by adding the averages and dividing them by the number of decades listed.

29. My own analysis, using quinquennial totals. The defense expenses included the items of entries that, in different epochs, appeared under these classifications: *gente de Guerra, gastos de Guerra, Guerra, Guerra de Mindanao, galeras reales, gente de mar, Maluco extraordinario de Guerra de Manila, gente de Guerra del campo de Manila, Guerra del Maluco, mar de Manila, mar de Maluco, prisioneros, presidio de Zamboanga, fortificación, gastos de armada, corso contra moros, presidios, plaza de Cavite, arsenal de Cavite, Marina y arsenales, ramo de Artillería*, and other minor categories.

30. Fundamentally, I follow the interpretation of Fontana 1982; Delgado 1990, 455–583; Fradera and Delgado 1993; and Fradera 1999a, 87–105.

31. See the excellent monograph of de Jesus 1980 on the tobacco monopoly. For the implications relating to the tribute, I depended heavily on Fradera 1999b, 191–254.

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