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Two and a Half Centuries of the Galleon Trade*

BENITO LEGARDA, JR.

THE recorded history of the commerce of the Philippines as a Spanish colony can be dated from Legaspi's settlement in 1565. But firm though his foothold in Cebu might be, it could be of little value to Spain unless a feasible return route across the Pacific to Mexico was found. His was the fifth expedition to reach the East Indies from the side of the Americas; not a single return voyage had yet been made.

On the first of June 1565, the San Pablo, under the command of Legaspi's grandson, Felipe de Salcedo, sailed from Cebu. The guiding spirit on this voyage was the navigatorfriar, Andrés de Urdaneta, who had been a sailor in Loaysa's ill-fated venture four decades previously. The San Pablo climbed north, and between thirty-seven and thirty-nine degrees encountered the westerlies that carried her to the American coast. She arrived the eighth of September at Acapulco, which Urdaneta had picked as the eastern terminus of the voyage because of its magnificent harbor. The route pioneered by Urdaneta came to be the approximate route followed by the Manila-Acapulco vessels in the next two centuries and a half. The main objective of the voyage had been accomplished. Al-

^{*} This article is a condensation of a chapter in Mr. Legarda's Ph.D. dissertation, submitted to the Department of Economics of Harvard University.

most as important from a commercial standpoint was the fact that the San Pablo carried a small cargo of cinnamon purchased in Mindanao for the royal account. This was the beginning of Philippine trade with New Spain.¹

Beginnings of the China Trade

During their early years in the Philippines, the Spaniards expended no little effort in investigating its trading possibilities, but they seem to have been disappointed. Cloves, the wealth of the Moluccas, did not grow there, although they did find cinnamon in Mindanao, and it made up their first cargoes to the New World. In 1568 the San Pablo, on her second voyage, carried 15,000 pounds of cinnamon for the King, besides 25,000 pounds for private individuals; unfortunately, she was lost in the Ladrones—the first disaster in the annals of the Philippine-Mexican trade. In 1569, Legaspi lamented to the viceroy in Mexico that the only article of profit which could be gotten from the Philippines was cinnamon.²

However, Moro vessels had appeared at Cebu laden with porcelain and silks from the north which were obviously not of native origin. This may have been the Spaniards' first intimation of the possibility of trade with China. The Moro traders seem to have been the initial trading intermediaries with the newcomers and provided them with their first export cargoes.

In 1570 the Spaniards conquered Manila, and the following year Legaspi transferred his headquarters there. In 1572 the old *adelantado* died, but by this time the foundations of Spanish power had been solidly established in the Philippines.

In the course of consolidating Spain's hold on the country, some of Legaspi's men under Admiral Juan Pablo Carrión had occasion to succor the crew of a Chinese junk which was found sinking in the waters off Mindoro. To this incident is attributed the opening of a new page in the history of Philippine commerce, the beginning of direct trading connections with China. The Chinese told their countrymen about their rescue by the Spaniards, and they returned to Manila in 1572 in company with other traders from the Celestial Empire.³ Whether this relation of cause and effect is strictly accurate is open to some doubt, since the Chinese had been trading with the Philippines long before the arrival of the Spaniards.⁴ However, it is not incorrect to say that this was the first direct trading contact of the Spaniards with the Chinese in the Philippines. It was a trading relationship that was mutually profitable to both the Spaniards and the Chinese. It was also to fix the course of the colony's economic life for the next two centuries and to leave its legacy down to the present in the form of a large Chinese community of traders which has a virtual monopoly of the country's retail and much of its wholesale business.

Three junks came to Manila in 1572 and five to other parts of the country. A half dozen called at Manila in 1574 and twelve to fifteen in 1575. By the following year the trade was firmly established and by 1580 forty or fifty junks came annually. Merchants from Mexico, attracted by the commercial prospects, began to establish themselves in the Philippines and to provide some of the professional direction that was needed in the conduct of the business.⁵

Ships from other countries of Asia also came, and a Franciscan friar in the seventeenth century mentions the diversity of nationalities which was to be found in Manila. Although the ports of the Spanish colonies were not open to foreign ships, commerce with neighboring Asian countries was countenanced by the early governors of the Philippines and later confirmed by royal decree. European vessels sometimes entered Manila flying the flag of some Asian nation.⁶

The goods brought by these traders formed the eastward cargoes of the galleons. They included a wide assortment: Persian rugs; fine cottons from India; objects made of ivory, jasper, jade, copper and brass; spices, musk, borax, lead and camphor; porcelain and earthenware; pearls and precious stones; japanned boxes and inlaid escritoires and furniture. Sometimes slaves were carried despite official restrictions on this sort of traffic. Philippine products that figured in the trade were gold dust, wax, cordage, blankets and sail cloth from Ilocos, *lampotes* or gauze from Cebu, cotton stockings from Manila, bed coverlets from Lubang and Ilocos, petticoats and hammocks from Ilocos, linen sheets, tablecloths and bed canopies.⁷

Most important of all, however, were silk goods from China. "Silks in every stage of manufacture and of every variety of weave and pattern formed the most valuable part of their cargoes," writes Schurz.⁸ The Chinese were therefore the most important among all the foreigners whose ships converged on sixteenth-century Manila. They were, at least in the beginning, welcomed by the Spanish authorities, who seemed anxious to maintain friendly relations with the Chinese empire. There was no lack of schemes for invading and conquering China among the more impetuous Spanish officials like Governor Sande, schemes which called for ridiculously small military forces ranging from sixty to six thousand men. Philip II put an end to these in 1586 by ordering the governor to desist from such projects and to cultivate the friendship of the Chinese instead.⁹

Pancada and Feria

In the early years, trade between the Chinese and Manilans was virtually unrestricted. However, the Spaniards must have discovered that their soldierly abilities and religious fervor were no match for the commercial astuteness of the Chinese, and in 1586 a committee of citizens petitioned the Council of the Indies that purchase from Chinese and other foreign vessels should take some form of wholesale agreement. Bv 1589, when Philip II promulgated a royal decree sanctioning the arrangement, the pancada, a system of wholesale bargainning, had already been adopted at Manila. The governor and the ayuntamiento (municipal government) appointed two or three suitable persons, who negotiated with representatives of the Chinese importers the prices to be paid for the cargo of each incoming junk. To prevent corruption, the members of this committee could not hold their position a second year, and a rigid inspection of incoming junks was designed to make evasion difficult.

Among the reasons advanced for this system were that it would facilitate the problem of interpretation; that it would make it easier to oversee and regulate the trade; that it would cut down haggling and enable the Manilans to buy from the Chinese on more favorable terms; that it would lessen the outflow of silver from the country; and that it would shorten the duration of the stay of the numerous Chinese who came yearly with the junks and added to the already considerable Chinese population in the city.

There were of course evasions of the system by private merchants, either by smuggling, transshipments at sea, purchasing before the official prices were fixed (generally a lengthy process), or after the conclusion of the *pancada* and the completion of the galleon's cargo for that year, which meant a willingness to store the goods and ship them the following year.

The pancada proved unfeasible in the long run. As the Spaniards gained more experience their self-confidence in dealing with the Chinese returned. A relaxation of the system was noted early in the seventeenth century and it probably ceased by the third quarter of the same century. The *feria* or fair came to replace the *pancada* as the common mode of transacting business between the Chinese and the Manila traders. It is to be noted that the Japanese, who traded by barter and therefore did not take any silver away, and the Portuguese, who resented the restrictions of the system, were not subjected to it.¹⁰

The silver received by the Chinese in such large amounts was taken back to China, and so wide was its fame and circulation that until the beginning of the present century "dollars mex" or Mexican silver pesos were the most acceptable standard of value and medium of exchange in the Far East.

Chinese Immigration

The Chinese came not only as traders but also as workmen and artisans, and by their skill and industry soon made themselves indispensable to the Spanish authorities. Manila

was not only a trading center but also a military outpost, the most distant one in the far-flung Spanish empire, being a third of the way around the world and about three months' sail from the nearest point of succor, Mexico. Fortifications had to be constructed, ships built, metal worked and supplies for troops provided. Chinese artisans and laborers played a part in all these activities. The clergy were also desirous of seeing the Chinese come in, hoping to make many conversions among them. It was said of the Chinese that "they were abused by the natives and were protected by the authorities to whom they rendered services and whom they attempted to please in every way."¹¹

In order to keep the Chinese in a place where they could be observed and controlled, Governor Ronquillo in the 1580's built the Parian across the river from old Manila. This was the Chinatown of those times; Chinese retailers and artisans resided and kept their shops there. When the number of Chinese kept increasing, the Parian was transferred to what is now the general vicinity of Plaza Lawton.¹²

Economic convenience and religious hopes were probably not the sole reasons that prompted the Spanish officials in the Philippines to permit the large-scale immigration of Chinese. Official venality was also partly responsible. And despite the existence of laws designed to safeguard their rights, the Chinese were often subjected to the exactions of mulcting bureaucrats. Those who wished to remain in the Philippines after the junks had gone home were required to pay eight pesos for a license, besides twelve *reales* as house tax and five *reales* as tribute (there were eight *reales* to the peso). This presented a fine opportunity to line private pockets with public money, and functionaries delegated to collect these taxes often demanded payment of the license fee several times in one year on the pretext that renewal of the license was necessary. The Chinese countered by resorting to wholesale bribery, and this aggravated the atmosphere of deceit and suspicion that was growing in Manila.13

For the Spanish authorities now began to be alarmed at the situation that confronted them. One of the consequences

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of the genius of men like Legaspi, Salcedo and Urdaneta was that the country had been subjugated with a minimum of military force. The Spanish military establishment in the Philippines was therefore not very large. In 1590, for example, the standing army organized for the colony's defence added up to the ludicrously low total of four hundred men. On the other hand, there were ten thousand Chinese in Manila in 1586, and ten years later twelve thousand remained in the city after a like number had been deported to the land of their birth by Morga. In 1602, the number of Chinese in Manila reached thirty thousand. And despite the fact that most of them perished in a sanguinary uprising in 1603, trade with China flourished the following year, and in 1605 there were again six thousand Chinese in the Parian.¹⁴

The Apogee of the Trade

In the meantime, however, in the approximately three decades since Sino-Spanish trade had begun in Manila, the galleon trade had attained its height and the city was seeing its most glorious days. This is the period of Philippine history that has been called its Golden Age by an eminent historian.¹⁵

Manila had discovered that its geographical position was the best possible one for drawing together Chinese and Japanese silk from the north, Moluccan spices from the south, and Indian cottons and Cambodian ivory from the west, and channeling them toward the seemingly limitless markets of the argentiferous Spanish colonies in the New World. The profits of the galleon trade were fantastic, and not only merchants but many other people—officials, soldiers, clergymen—took part in the trade. "If the Manileños lived dangerously in the midst of so many perils, they also lived luxuriously and recklessly, and it was the bountiful returns from the annual voyage of the Manila Galleon that provided the means for their lavish way of life."¹⁶

Some idea of the value of shipments on the galleon can be had from that of the *Santa Ana*, captured by the English privateer Thomas Cavendish off the Mexican coast in 1587.

The total sale value of this ship's cargo, it is estimated, would have been over two million pesos in the Mexican market, and represented an original investment at Manila of over one million pesos. The cargo included gold, silks, cotton goods, musk and civet, and pearls.¹⁷

The profits of the galleon trade made possible the first obras pias, or bequests to pious congregations, which in turn financed much of the later galleon trade. They made possible the expeditious construction of the city walls and buildings. They also made possible the establishment of educational and charitable institutions.

Restrictions on the Trade

But even as Manila was enjoying this golden age of the Galleon trade, the forces were set in motion which were to reduce it and to inaugurate a new era in so doing.

No duties were levied on foreign trade in the Philippines during the first few years of Spanish rule, although in theory the medieval almojarifazgo, an ad valorem tax on imports and exports extended by the Laws of the Indies to the colonies. should have been applied from the start. This was evidently in order to encourage the growth of foreign trade, especially that with China. However, in 1582, during the term of Governor Gonzalo Ronquillo de Peñalosa, a three-percent duty was levied on merchandise imports and exports by both Spanish Total collections from this tax ranged from forty and Chinese. thousand to sixty thousand pesos annually. In 1591 a twopercent export tax was imposed on the galleon trade by Governor Gómez Pérez Dasmariñas to finance the construction of Manila's walls. Upon completion of the walls six years later a royal decree forbade the continuation of this impost.

Most of the duties on the galleon trade, however, were collected at the Mexican terminus, due to the unpopularity of duties of any sort at Manila. At first a specific duty of twelve pesos per Spanish ton was levied on cargoes that arrived at Acapulco. In 1586 by an ordinance of Viceroy Villamanrique this was raised to forty-five pesos. In 1591 the duty was changed by royal decree to an *ad valorem* rate of ten percent.¹⁸ However unpopular these imposts may have been, they do not seem to have infringed seriously on the galleon trade, and it would be inaccurate to classify them as restrictions of the same order as those provided by later dispositions, since they represented what might be termed merely a normalization of customs procedure. Of a different and more serious tendency was the series of restrictive decrees that began in 1582 and culminated in the momentous decree of 1593.

In the beginning, Peru bade fair to surpass Mexico as an outlet for the goods of the Orient. The luxury, extravagance and ostentation of the Limeños of that period were proverbial. A decree of April 14, 1579 gave royal sanction to the Chinese-Philippine trade with Mexico, Peru, Guatemala and the Spanish Main. The first ships were sent to Callao in Governor Ronquillo's time, one in 1581 and a second the following year. Both turned out to be very lucrative speculations, and both the Manilans and the Peruvians looked forward to a bright future for their trade.

However, a royal order of 1582 cut this commerce off at its very inception and caused the suspension of direct voyages from Manila to Callao. The reason was that the goods brought by the Manila ships competed with those coming from Spain via Porto Bello. Laws protecting the Spanish silk industry, among them a decree of Charles V in 1523, had been passed prior to the occupation of the Philippines. This protection was one of the cardinal principles of Spain's commercial policy. Silks from Asia introduced into the American market were underselling the Andalusian silks which had theretofore enjoyed a monopoly in the Spanish possessions in the New World. The flow of Oriental silks, therefore, had to be contained in order to safeguard the interests of the domestic manufacturers. The royal government was also perturbed by the heavy drain of silver from its American colonies.¹⁹

A series of laws passed in 1591, 1592, 1593, 1595 and 1604 prohibited trade between Peru, Guatemala, Tierra Firme, or any other part of the Spanish West Indies, and China or the Philippines; Mexico was the sole exception to this rule. Governor Luis Pérez Dasmariñas attempted to send a ship to Panama to make contact with Peruvian traders, but without success. The penalties for infraction of these regulations were extremely severe, which showed how deeply concerned the Spanish government was about protecting its domestic industry and keeping its precious metals within the empire.

There was, however, a temporary legal loophole. It was still possible for the Peruvians to procure the silks from Acapulco, and the Manila merchants welcomed their presence there because they always came well supplied with silver, and their bidding in competition with the Mexicans contributed to raise the price of the galleons' cargoes. In 1585, however, Viceroy Villamanrique levied export duties on shipments to Peru; in 1587 Philip II issued a ban on trade in foreign goods between the two viceroyalties; in 1589 Villamanrique suspended the traffic temporarily, alleging local reasons. Philip II's order was repeated in 1593 and twice in 1599; this definitely closed this particular legal loophole that permitted Oriental imports into Peru.

However, permission was given for two ships to carry to Peru 200.000 ducats' worth of purely Mexican products. This provided still another means for circumventing the law, for the limitation proved impossible of enforcement. The only other way that occurred to the Spaniards of carrying out the objectives of the original decree was the rather drastic one of completely suppressing all trade between Mexico and Peru. This was decreed in 1604. Some index of the fidelity with which this decree was observed may be gleaned from the fact that it had to be reissued in 1609, 1620, 1634, 1636 and 1706. It was even necessary to prohibit imports of Chinese goods into Peru under any pretext whatever, whether religious or charitable. Thus was a lucrative market shut off by law to the commerce of the Manila galleons.²⁰

There remained, however, the Viceroyalty of New Spain (Mexico), also a flourishing outlet for silks, manufactured goods and other products of the East. The merchants of Cádiz and Seville could not regard with equanimity the inroads made into their market there, formerly an exclusive preserve, any more than they had in the case of Peru. But to protect their inter-

ests the Crown could not resort to sweeping prohibitions, as it had in the case of the southern Viceroyalty. The Philippines was ruled from Mexico and could not be cut off from it administratively. Furthermore it was the most remote of Spain's colonial outposts, being separated from the court of Madrid by the whole width of the Atlantic, the North American continent, and the Pacific. It was difficult to send out administrators, officials, soldiers and colonists; and the profits from the galleon trade, in which the entire Spanish community in the Philippines could participate, was the only lure which could induce a sufficient number of Spaniards to go to the distant archipelago and help to carry out the policies of the Crown.

Philip II, therefore, was faced with two alternatives: prohibit the galleon trade and relinquish the Philippines, or retain the Philippines but keep the galleon trade within certain limits. The Andalusian interests, of course, would have been only too glad to see the king adopt the first alternative, and all throughout the history of the galleon trade there were intermittent proposals in Spain to abandon the Philippines, as in 1586, 1604, 1621 and in the later 1760's.

Reasons of state, however, precluded such an alternative. First, the Philippines in the heyday of Spanish power was Spain's bridgehead in the Orient, the base from which her great captains could sally forth on their various expeditions about the Far East. When Spain's power declined, it became a beleaguered bastion and a defensive outpost for the western shores of Spanish America against adversaries who might issue forth from Far Eastern waters. Secondly, Spain's national pride could not brook the idea of abandoning the far-off colony to possible capture by her enemies, the Dutch and the English. Thirdly, the religious motive was a strong factor in Spanish colonial policy. The Church always supported the retention of the colony not only to protect the predominantly Catholic population but also because the Philippines was the almacén de la fé - the storehouse and showcase of the Faith - from which issued forth missionaries bent on the conversion of neighboring lands. Fourthly, the Crown enunciated in regard of the Philippines the quixotic principle, characteristically Span-

ish, that "a king holds some states because he needs them, and others because they need him." Finally, it was said that the monarchs had a weakness for the city which they styled *la* insigne, muy noble y siempre leal ciudad de Manila — the illustrious, most noble and ever loyal city of Manila.²¹

For these reasons it was decided to protect the Andalusian interests not by an absolute prohibition on Oriental imports but by a limitation of the trade. This gave rise to one of the most important decrees in the history of the Manila galleon trade, that of January 11, 1593. By this decree a permiso, or a kind of export quota, was established. The annual value of the cargo which could be sent from Manila to Acapulco was limited to 250,000 pesos; the upper limit on the return remittance from Mexico was set at 500,000 pesos. The number of vessels that might cross yearly was limited to two, not to exceed 300 tons each. A third vessel was to be kept at Acapulco as a reserve No subject in the Spanish-American colonies was pership. mitted to trade with the Orient. This was a privilege reserved to the citizens of Manila, who, however, could not undertake trading voyages to other Asian countries themselves but had to await the coming of ships of those nations to Manila Bay. The reason for this was apparently a military one: the Spanish authorities had no desire to see the few Spaniards then stationed in the Philippines scattering themselves all over the East at a time when their services might be momentarily required to repel invasions or to quell uprisings. Manilans also could not consign their cargoes to merchants in Mexico, in order not to contravene the royal prohibition forbidding trade between residents in Spanish America and the East; this necessitated the sending of supercargoes on the galleons and the holding of an annual fair at Acapulco during which the goods might be disposed of to Spanish-American buyers.²²

The allowance of 500,000 pesos for the return remittance did not quite represent an officially permissible profit margin of one hundred percent, as the *situado* or subsidy sent to Manila from Mexico to meet the operating expenses of the insular administration was included in the figure. The tribute exacted from the Filipinos was, especially in the early days, collected in kind and stored in government warehouses in Manila. These were then exchanged for Oriental goods when foreign traders put into port, and the merchandise thus acquired was shipped for the royal account to Acapulco, where the returns on the sale of these goods and the proceeds of the *almojarifazgo* at Acapulco made up part of the *situado*. When these returns did not suffice to cover the administrative expenses of the Philippine establishment, a sum equal to the deficiency was added to complete the *situado*. This did not constitute an act of special generosity on the part of the viceregal treasury, but was a common practice in the fiscal system of the Spanish colonial empire. There was no uniformity in the value of the *situado*, although it was fixed at 140,000 pesos in 1700; the actual amount responded to the needs of the moment.²³

Had the decree of 1593 been scrupulously observed when it was promulgated, consternation and disorder would have seized the commerce of Manila. However, historians seem to be agreed that this was not the case, and the decree was ignored for years. The available testimony points to the year 1605 as the start of the period of restrictions.

The Boleta System

In view of the limits established by the *permiso* it became necessary to regulate and assign cargo space in the galleons, and to allot rights to such space to those who wished to make shipments to Acapulco. For this purpose an elaborate system which might be labelled the *boleta* system was instituted. Α committee appointed for the purpose measured the ship's hold and divided the volume of space into equal parts corresponding to a bale, or fardo, of definite and uniform size. Each bale was in turn subdivided into four packages, or *piezas*. On the earlier galleons these packages averaged 21/2 feet in length, 2 feet in width and 10 inches in depth; but uniformity in these dimensions was of course not absolute. The cargo space was officially divided into four thousand shares, each corresponding to a *pieza*, although in practice this was seldom adhered to.

The right to ship on the galleon was represented by a *boleta* or ticket — in modern usage tantamount to an export

license — which corresponded to one *pieza*. A person's right to lading space was therefore represented in terms of *boletas*. On the basis of the officially permitted return of 500,000 pesos and of the officially prescribed division into four thousand *piezas* (and therefore four thousand *boletas*), the value represented by a *boleta* should have been 125 pesos at Manila. Although this was, again, seldom the case, the figure of 125 pesos provided a convenient criterion for the assessment of duties and the making up of statistical returns. In practice, the value of a *boleta* was much greater — at one time as high as 1500 or 2000 pesos — and it was sometimes further subdivided into thirds, sixths or other fractions if the value of the entire *boleta* was especially high.

The decree of 1593 provided that "all the citizens of those islands, in proportion to their wealth, in order that everyone may share in the advantage and profit of this traffic," were eligible to be *boleteros*. This was based on the theory that the merchant class and the body of citizens were identical, hence the references to the *ciudad y comercio* — city and commerce — as if they were synonymous; it assumed, as a consequence, that every *boletero* was a galleon trader who made actual use of his license to ship. In the early days of the trade this was not far from the truth; later on, however, it ceased to correspond to the facts.

The distribution of *boletas* in the early days of the trade seems to have been the exclusive prerogative of the governor without the intervention of any other element in the colony. A decree of Philip III in 1604, however, directed him to share his power with an *ex-officio* committee representing the principal interests of the community: the royal government, the Church and the "city and commerce." This *junta de repartimiento*, or board of distribution, included the governor, the senior judge of the *audiencia* (supreme court), the *fiscal* or attorney-general, two *regidores* or members of the city council, and the archbishop of Manila.

When the identity between city and commerce began to break down, it was found that the merchants were being allotted too little space on the galleon, whereas others who could not trade on their own account continued to be boleteros. Trading in boletas, therefore, arose between the merchants. or those who could trade on their own account but did not have sufficient lading space, and other boleteros, who had lading space but not the means with which to trade. A law of 1620 reproached the governor for granting boletas to the latter kind of people, and a decree of 1638 prohibited the transfer of *boletas* without the sanction of the *junta*. Those unable to make use of their *boletas* were required to turn them in to the junta which would make them available to some shipper in need of more cargo space and indemnify the original holder at the assessed value of the *boletas* for that year. The regulations of 1734 confirmed the principle of the decree of 1638, but made an exception in favor of "the poor and widows," who might sell their boletas outright to merchants.

The distinction between "city" and "commerce" was given legal form in 1769 when the *consulado*, composed of merchants, was instituted as the governing body of the trade at Manila, including among its functions that of assigning *boletas*, subject to the control of the governor. Its membership consisted of a *prior*, two *consules* and four deputies.²⁴

Viana's Critique of the System

Francisco Leandro de Viana, former attorney-general for the Philippines, singled out the *boleta* system as the root of all evil in the galleon trade, in a report which he made in 1780 to the Council of the Indies.²⁵ Viana was strongly in favor of putting the trade in the hands of merchants and looked with a jaundiced eye on all other *boleteros*. He contended that the system of distributing *boletas* was founded on conflicting principles. On the one hand the encouragement of trade was aimed at by trying to facilitate the issuance of *boletas* to merchants; on the other hand, the issuance of *boletas* to the needy opened a loophole by which merchants were deprived of what should rightfully have been theirs, forcing them to acquire *boletas* from other *boleteros* at a premium. He advocated the assignment of *boletas* only to bona fide merchants and deplored the despotism, corruption and greed of the governors, the intrusions of the clergy, the military and the bureaucracy, and the inclusion of widows, orphans and the poor among the *boleteros*.

As a remedy Viana proposed that the churches, pious foundations, widows, orphans, soldiers and city councilors should not be deprived of the distribution quota "with which it has been customary to help them," but that they be given in money the same amount they would have received by the sale or conveyance of their boletas. This payment would be guaranteed by the cuerpo de comercio — the body merchant who could then assign all *boletas* to qualified individuals. This financial aid, however, was not to be perpetual, but was to last only until such time as the beneficiaries could amass a sufficient endowment; this time limit he placed at ten years, after which the merchants could ship in their own vessels or buy boletas directly from the government. The individuals considered as qualified *boleteros* were natives of the Philippines 25 years of age or over who were heads of families or households, who were engaged in some branch of commerce, and who had eight or ten thousand pesos of their own capital; and Spaniards of equal wealth with at least ten years' residence in the Philippines.26

Viana adds the following recommendation, which strikes a new note amid the maneuvering and jockeying that characterized the galleon trade:

The division [of the lading space] of the vessel among enrolled merchants should be made in proportion to the wealth of each one, to the length of residence, to the occupations they may have exercised or still exercise, to the merit of the aid which they may have given to Your Majesty, and principally to those who may distinguish themselves in developing with their capital agriculture, manufactures and industry; observing among these their respective merits so that they may be rewarded with boletas according to the greater or less capital invested in said fields.²⁷ [Italics supplied]

Here he seems to be proposing a scheme of what would nowadays be called export certificates as a prize to those who invested in productive enterprise and economic development.

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It is noteworthy as one of the few instances in which someone thought of linking the galleon trade with the development of the country's internal resources. There is no record, however, that Viana's proposed reforms on this point were ever adopted, and the *boleta* system seems to have persisted to the end in about the same state as it was with the establishment of the consulado.

Irregularities and Evasions

It is clear enough from the Laws of the Indies what the galleon trade should have been; but it should be noted that its history is made up in large measure of the various ways in which the laws were evaded. The restrictions on the number of *piezas* that might be carried, the value of the cargoes that might be loaded, and the tonnage of the galleons that might be used. were ignored with cynical consistency.

Although the officially permissible number of *piezas* was four thousand, there were galleons that carried six or seven thousand, and one, the *San José*, sank with twelve thousand in her hold. The *Rosario* of the mid-eighteenth century had space for 18,667 *piezas*. The tonnage limits were also not enforced. Although the decree of 1593 prescribed the maximum tonnage of a Manila galleon as 300 tons, there were ships of 700 tons in the service and even thousand-tonners before 1614. In 1718 the galleons used in the trade were of 612, 900, and 1000 tons. The *Rosario*, in service from 1746 to 1761, was of 1710 tons, and the *Santísima Trinidad*, captured by the English in 1762 and taken as a war prize to Plymouth, had a tonnage of 2000.²⁸

The most flagrant evasions, however, and those which were most provoking to the mercantile interests of Cádiz and Seville, came in the matter of limitations on the value of the cargo. As has been seen, the original *permiso* of 1593, reaffirmed in 1604 and 1619, prescribed an outward cargo of no more than 250,000 pesos and a return of no more than 500,000. What the values of the actual cargoes were is of course not easy to determine from official figures due to the universal

interest at Manila to keep the truth from the prying eyes of the Andalusian merchants. However, estimates are available from officials conversant with the trade, and from the value of the cargo on vessels captured by the English. It was calculated that in 1601 the Santo Tomás carried two million pesos over the permiso. In 1688 the attorney-general at Manila declared that the galleons usually returned at least two million pesos. The San Francisco Xavier was said to have brought 2.070,000 pesos ten years later, and the Rosario an equal amount the following year. The permiso was raised to 300.000 pesos outward (600,000 inward) in 1702; and again in 1734 to 500,000 outward and 1.000,000 inward; but mercantile practice continued to run ahead of official theory. When Anson captured the Nuestra Señora de Covadonga off Samar in 1743 as it was coming in from Mexico, the prize was worth about a million and a half pesos.29

The profits from a trade which was rife with illegal practices must have been quite high. Although not as high as the five hundred percent that Manila's enemies alleged, nor as low as the five or ten percent which the Manilans would admit to, nor even as low as the arbitrary eighty-three percent permitted by the central government, they probably ranged from one hundred to three hundred percent.³⁰

As a consequence, the Manila merchants paid good prices, "like gentlemen" as Schurz puts it, for the goods that were brought them from elsewhere in the Orient. And they led a life of ease and luxury for their business activities were confined to the active trading season and consisted simply of taking over part of the merchandise brought to Manila by Chinese and other Eastern traders, supervising their packing, going through the official formalities necessary for registering their consignments for the galleon at the treasury and making out the invoices for the galleon's manifests, and seeing to it that the goods were embarked at Cavite, where the galleons usually loaded. This whole process consumed three months in the latter part of the eighteenth century, which left the Manila merchant with nine or ten months of every year during

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which he might do as he pleased. On the galleon's return he simply collected the proceeds from his shipment.³¹

The Obras Pias

If he did not have sufficient funds he could always borrow some from the obras pias. These were pious foundations which had been built up with money bequeathed by wealthy persons and entrusted to the management of a lay brotherhood affiliated with some religious order or chapter; for instance, the Hermandad de la Misericordia endowed, according to one source, in 1596. Toward the end of the galleon era, the terms of these bequests usually provided that the original endowment be divided into three parts: one-third to be lent on the Acapulco trade, one-third on ventures to China and India, and one-third to be retained as reserve fund. The money thus allocated to commercial purposes had the character of both bank loans and marine insurance. The premium on advances for the Acapulco trade fluctuated between twenty and fifty percent; in Comyn's time (1810) it was between twenty-seven and forty-five percent. Not all such bequests were earmarked for foreign trade; some endowments were allocated to investments in land and buildings, but the frequency of earthquakes and the official legal limit of five percent on such mortgages made them unattractive. Sometimes interest-free loans were made to the government in times of need, as when the situado failed to arrive, or when the country was threatened with foreign invasion, as happened in the 1790's during the term of Governor Rafael María de Aguilar. When the original endowment had been built up to a certain sum, specified in the terms of the bequest, the income was earmarked for pious and charitable works.32

The End of the Line

An institution that had survived as long as the Manila galleon trade was bound to be overtaken by events. In the last decades of the Line, new forces came into play in world trade and world politics. The Pacific Ocean, long virtually a Spanish lake, was broken into more and more by other po-

wers. Spanish public policy began to revise the acts and practices of previous years of lassitude. Other objectives loomed larger than the mere maintenance of the galleon trade. Competition was encountered in the Mexican market from goods brought in by foreigners and by the Royal Philippine Company.

In 1794 Viceroy Revilla Gigedo wrote of the decline of the galleon trade as an inevitable consequence of industrial progress in Europe, the increased public demand for English and European cottons, and the decreased esteem in which Asian silks and cottons came to be regarded. Only Oriental muslins maintained a part of their market, and even this was being cut into by European muslins, especially those from He also reported that in the years 1790-1792 in-Catalonia. clusive the Royal Philippine Company had landed 450,000 pesos worth of East Indian goods at Veracruz, which further cut into the market for the Acapulco ships. As a consequence customers with ready cash at the west Mexican port had been scarce and the last two galleons had not been able to hold fairs. In 1804 the Manila consulado reported that three ships -Rev Carlos, Montañés, and Casualidad-had lain in Acapulco harbor without being able to dispose of their merchandise. In 1811 Mexican separatists seized the silver that was to constitute the galleon's return cargo.

The end was not far off. On the recommendation of the Cortes of Cádiz, Ferdinand VII on October 25, 1813 decreed the extinction of the Line. The last voyage was made by the *Magallanes*, the galleon of 1811, which cleared Acapulco for Manila in $1815.^{33}$

The Problem of Imperial Policy

The judgments passed on the Manila galleon trade at different epochs have been uniformly unfavorable, perhaps because they were made from the point of view of purely Philippine interests, and because they were premised on the theoretical and practical desirability of free trade. Comyn, for instance, characterized it as "a system unjust as it is absurd... this singular system that has been the cause of so many disorders.³³⁴ Sinibaldo de Mas arrived at the following conclusion: "The profits, therefore, of that trade for which Manila was only a port of call or a port of exchange were divided among the merchants who held a monopoly of the Galleon, but the wealth of the territory derived few advantages from it.³⁵ Azcárraga applied to it the adjectives absurd, irritating, tyrannical, prohibitive.³⁶ Bourne, on the other hand, while not denying the evil effects that flowed from the system, took a more sophisticated view of the matter:

All the old travelers marvel at the possibilities of the islands and at the blindness of Spain, but the policy absurd as it may seem was but a logical application of the protective system not essentially different from the forms which it assumes today in our own relations to Porto Rico, Cuba and the Philippines.³⁷

Given a somewhat more detached and critical approach to political institutions, it might be possible to explain the apparent blindness and hard-heartedness of the Spanish Crown without blinking at the historical facts. For the problem was one of imperial policy, and politics is the art of the possible. Even a powerful monarchy will ignore the representations of its subiects only at the risk of its own existence. The Spanish Crown was not willing to take that chance. It faced the task of reconciling the desires of seemingly conflicting interests at the opposite ends of a far-flung empire. To have pleased Andalusia, it would have been necessary to jeopardize the maintenance of Spanish power and prestige in the Orient; to have pleased Manila, it would have been necessary to ignore Andalusia and thus to provoke political discontent at home. Either alternative was too extreme, and the scheme that was evolved in practice was a compromise. As such it was satisfactory to neither of the contending parties. But it was tolerable. And from a strictly political point of view its best justification is that the Spanish empire, by measures such as this, held together for three centuries, although for the major part of that epoch Spain was no more than a second-rate military power. Few empires have done better. And if the spectacle of wrangling interests at the Spanish court is an unedifying one, it is no more so than that presented in modern democracies by the antics of pressure groups and the political gyrations of congresses and parliaments. Moreover, the dazzling battery of economic restrictions which has been unlimbered in the present day makes Spain's clumsy and heavy-handed efforts of the sixteenth and seventeenth centuries look like kindergarten exercises.

So far as the particular issue of restrictions on the Manila galleon is concerned, however much they might be deplored, it is difficult to see what else the Spanish Crown could have done in view of the prevailing political circumstances and the mercantilist ideas that underlay imperial practice.

Effects of the Restrictive System

The restrictions imposed by policy on the galleon trade had important consequences as far as the Philippines was concerned. One was the concentration in Manila of most of the Spaniards in the Philippines, because of a natural desire to share in the easy profits of the trade. A ready market existed in the wealthy vicerovalties of the New World for Chinese silks and other Oriental goods. The supply for this market was. however, restricted to the cargo that could be carried by one or two galleons yearly. Hence, those who shared in the trade were assured of monopoly gains with the expenditure of very little effort and time. Moreover, these beneficiaries of the system discovered after a while that it was not even necessary to trade on their own account; for they could make a comfortable living by selling their *boletas* to the class of professional merchants that was springing up. The concentration of Spaniards at Manila had further consequences which will be examined later on.

The second effect of the restrictive system was that Manila's commercial possibilities as an entrepôt were never realized. Her geographical position was ideal for drawing together the various strands of Far Eastern trade and channeling them toward the rich and apparently insatiable markets of Spanish America. The restriction on shipments across the Pacific, the lack of return cargoes, the prohibition on the entry of European shipping, and the fact that the Filipinos did not work

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any harder than they had to in order to pay their tributes and to have a comfortable living, operated to keep Manila in a state of mercantile and maritime apathy for two centuries or more. Azcárraga's lamentations on this subject, and his pointing to the great entrepôts of his time such as Singapore and Hongkong to show what Manila might have become, are representative of what many writers, both Spanish and foreign, were saying in the nineteenth century about Spain's earlier commercial policy.³³

The third consequence of restrictiveness was the growth of a monopolistic merchant class. The operations of the consulado and the small number of actual shippers on the galleons have already been described. What should be noted here is that the practices of the era of the galleons were carried over into later years. After the end of the Acapulco trade, the ports of San Blas (Mexico), Guayaquil (Ecuador) and Callao (Peru) were opened to private traders from the Philippines. However, there seems to have been an export quota of 750,000 pesos, or the same amount as the last *permiso* decreed for the galleon trade. And the granting of licenses under this quota was placed, as before, in the hands of the consulado. This continued until the Spanish-American colonies declared their independence of the mother country and closed their ports to Spanish vessels.39

Non-Development of Philippine Resources

The attraction of Spaniards to Manila had effects of its own which should be noticed. The most important was the neglect of the agricultural and industrial development of the Philippines. When easy money was to be had simply by currying favor with the governor and the *junta de repartimiento* and thus becoming a *boletero*, there seemed little point in letting oneself in for the unswerving attention and constant toil that agriculture and industry demanded. As rulers of the country, the Spaniards were in a position to guide its agriculture and industry and to introduce improvements in methods and processes. As a matter of fact there was some introduction of plants from the New World, such as tobacco, corn and cacao; some of these were later to attain an important place in the country's economy. But all these seem to have had little effect as long as private interest was drawn to the profits of the galleon trade.⁴⁰

Perhaps this was not entirely to be deplored. For this lack of interest in economic development meant that the Philippines was spared the cruelties of the African slave trade and of the plantation system as practised in the more "developed" colonies of that time in the Caribbean and the American South. If the Spaniards had taken an intense interest in agricultural exploitation, who knows but that someone might not have come forth with a proposal to institute the plantation system as the most modern form of scientific management, and plantation slavery as the latest advance in labor relations? Long afterwards. in the middle of the nineteenth century, Progress in the person of Dr. Feodor Jagor visited Manila and was disappointed to find that "the planter class . . . was entirely wanting. At the present day, however," he smugly adds, "the increasing demand for the produce of the colony seems to be bringing about a pleasant change in this respect."41 As it was, the humane legislation forbidding slavery in the Indies was relatively easy to carry out, and when violations were reported in the early days of the Spanish conquest of the Philippines. Church and State united to put an end to them. A royal decree of 1589 ordered the emancipation of slaves held by Spaniards, and in 1591 a bull of Pope Gregory XIV forbade slavery in the Philippines under pain of excommunication.42

If Spanish laymen never acquired large estates or early relinquished what they had, and if it was true that much of the land remained in the hands of native owners,⁴³ it is also true that large tracts of land were acquired by two other classes of people, partly as a consequence of Spanish lack of interest in the matter. These were the religious orders and other ecclesiastical bodies, and the half-caste Chinese. The former seem to have been interested mainly in securing endowments with a stable income. Many of the lands classified as church property were acquired directly by the religious orders, but, as land was about the only investment outside the

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Acapulco trade and was really the only secure one, some were also used to endow educational and charitable institutions administered by the Church. Although there were sporadic agrarian disturbances in the lands owned by the religious orders, the friars seem to have been relatively easy landlords until perhaps the middle of the nineteenth century.⁴⁴ The other class of people who acquired lands, the Chinese halfcastes, seem to have done so by their control of internal trade and small credit. This process has continued down to the present day and can be listed as one of the reasons behind peasant discontent.⁴⁵

The Chinese

The final effect of the congregation of Spaniards in Manila was the attraction thither of large numbers of Chinese. This, in turn, had several consequences. The most important was that the retail trade and much internal credit fell into their hands, where they have remained to the present day. This was due to their energy, skill, frugality and mercantile capabilities, as well as to the fact that the Spaniards were too engrossed in the galleon trade to notice that control of the internal trade had passed to alien hands, and that the Filipinos were unprepared by their previous history for the whirligig of events into which Spain's conquest plunged them.

Another effect of the influx of the Chinese was the ruin of some branches of the Philippine textile industry. As early as the 1590's an investigation was ordered into the idleness and decay into which Pampanga and the Manila area had fallen. It revealed that the coming of the Spaniards to Manila and their disbursing sizable sums of silver in wages and salaries for domestic and other services had attracted the rural population to the city, so that instead of planting their own rice and weaving their own textiles as they used to they had begun buying food and clothing from the Chinese. Chinese textiles were also circulated in the provinces, which discouraged local weavers. Thus the native textile industry was in decay. This was all the more ironic, according to the elder Dasmariñas, since the cotton from which the Chinese cloths

were made came from the Philippines originally. The governor therefore passed an ordinance absolutely prohibiting the sale of cotton goods by Chinese to Filipinos, and forbidding Filipinos to wear Chinese textiles. Dasmariñas was interested in reviving the Philippine cotton industry for export purposes in the Acapulco trade, but his order does not seem to have had much effect. The galleons continued to carry Philippine textiles, mostly from Ilocos, as has been mentioned earlier, and Philippine textile exports continued into the nineteenth century, but they did not seem to have materially increased during the period of the galleon trade.⁴⁶

Conclusions

A qualitative verdict on the galleon trade as a system of foreign commerce is not easy to arrive at, all the more so as standards change from time to time; but one will be attempted here. Most of the strictures on the galleon trade have been made on the ground that it was restrictive. While this may have sufficed to condemn it in the eyes of the world before 1914, it cannot do so by itself in the world of the present, which fairly bristles with trade restrictions. It is the effects of the restrictive system, rather than the system itself, that will have to be weighed.

The unfavorable consequences, direct and indirect, of the galleon trade can be listed as follows: the failure to take advantage of Manila's commercial opportunities as an entrepót; the neglect of the country's agricultural and industrial development; the creation of a monopolistically-minded merchant class; the encouragement of widespread law evasion and governmental corruption; the ruin of some sectors of the native textile industry; a contribution to the breeding of agrarian trouble, in that, due to the restriction of trading opportunities, religious entities looking for suitable endowments found them only in the acquisition of land (although it can very well be argued that this would have happened anyway regardless of the existence of additional investment outlets); the falling of the retail trade and some of the small credit business into the hands of aliens; and the attraction of Chinese immigrants

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to the Philippines, which to the present day constitutes a problem to the immigration authorities. Against these must be set the favorable consequences: the avoidance of the horrors of the colonial plantation system and of slavery; the public benefit derived from the good works of the obras pias; and the intangible advantages accruing to the Philippines from membership in a great political entity like the Spanish empire.

Not all of these, of course, can be debited against or credited to the account of the galleon trade exclusively. For instance, the Spanish contempt for the mechanical arts and agriculture had as much to do with preventing the agricultural and industrial development of the country as the easy profits of the trade. But the trade was, in all the instances cited, at least a contributory factor, greater in some cases than in others, but present in all.

Economically speaking and from a Philippine point of view the verdict must remain what it has been, namely, adverse; but heavy qualifications must be introduced due to the beneficial effects enumerated above, and to the fact that the galleon trade was the product of policies that have to be looked at from an over-all imperial point of view if they are to be understood in their proper perspective.

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¹William Lytle Schurz, *The Manila Galleon* (New York: E. P. Dutton, 1939), pp. 220-221, 371, 24.

² Ibid., pp. 23, 25. ³ Ibid., pp. 27, 69.

1010., pp. 20, 20.
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4 Ibid. p. 69; Berthold Laufer, "The Relations of the Chinese to the Philippine Islands," Smithsonian Institution Miscellaneous Collections, L (September 13, 1907), 251-252; Census of the Philippine Islands for the Year 1903 (Washington: Bureau of the Census, 1905), I, 481-482.
5 Schurz, op. cit., pp. 27, 71.
6 F H Bling & L A Debaterra ada The Difference Lands 1905

⁶ E. H. Blair & J. A. Robertson, eds., The Philippine Islands, 1493-1898 (55 v., Cleveland: The Arthur H. Clark Co., 1903-1909), XXXVI, 205; Census of 1903, I, 347; Manuel Azcárraga y Palmero, La libertad de comercio en las islas Filipinas (Madrid: Imprenta de José Noguera, 1871), pp. 75-77.

⁷ Schurz, op. cit., pp. 32-33; Azcárraga, op. cit., pp. 41-42. ⁸ Op. cit., p. 32.

⁹ Ibid., pp. 68, 70; Cansus of 1903, I, 347.

¹⁰ Schurz, op. cit., pp. 74-78. ¹¹ Census of 1903, I, 319, 333, 484. ¹³ Schurz, op. cit., p. 82. 12 Ibid., p. 318.

¹⁴ Edward Gaylord Bourne, Discovery, Conquest and Early His-tory of the Philippine Islands (Cleveland: The Arthur H. Clark Company, 1907), p. 41; Schurz, op. cit., pp. 81, 85-89; Laufer, op cit., pp. 266-272; Census of 1903, I, 485-487.

¹⁵ Bourne, op. cit., p. 46. ¹⁷ Ibid., p. 308. ¹⁶ Schurz, op. cit., p. 34.

¹⁸ Blair and Robertson, op. cit., III, 214; IV, 88; V, 29, XLII, 119
 ¹⁹ Schurz, op. cit., pp. 366, 405. ²⁰ Ibid., pp. 366-368.
 ²¹ Ibid., pp. 40-41, 43-44, 51-52, 351, 405-406.
 ²² Ibid., pp. 155, 193, 381-384; Blair and Robertson, op. cit., XVII, VII, 20, 476, 476, 48, 49, 49, 49, 40, 477.

32-33; Azcárraga, op. cit., pp. 48, 69-77. ²³ Census of 1903, I, 348; Schurz, op. cit., pp. 181-182. ²⁴ Schurz, op. cit., pp. 155-161, 402-403. ²⁵ [Francisco Leandro de Viana], "Informe que hizo el Conde de Tepa del Consejo de Indias sobre el comercio de Filipinas," ms. transcript in Libro de varios papeles, Ticknor Collection, Boston Public Library.

²⁶ *Ibid.*, fol. 217-218v, 229. ²⁷ Ibid., fol. 228v.

 ²⁸ Schurz, op. cit., pp. 158, 194-195.
 ²⁹ Ibid., pp. 155, 189; Richard Walter, Anson's Voyage Round the World, new ed. (London: Martin Hopkinson Ltd., 1928), p. 358.

³⁰ Schurz, op. cit., p. 190. ³¹ Ibid., pp. 38-39.

³⁰ Schurz, op. cit., p. 190. ³¹ Ibid., pp. 38-39. ³² Tomás de Comyn, State of the Philippine Islands, trans. Wil-liam Walton (London: T. and J. Allman, 1821), pp. 70-81; Luís Pru-dencio Alvarez y Tejero, De las islas Filipinas (Valendia: Imprenta del Cabrerizo, 1842), pp. 60-62; Rafael Diaz Arenas, Memorias his-tóricas y estadísticas de Filipinas (Manila: Imprenta del Diario de Manila, 1850), II, bk. 13; Schurz, op. cit., pp. 15, 167-172, 256. ³³ Juan Vicente Güemez Pacheco de Padilla Horcasitas y Aguayo, Condo de Pavilla Cirado. Instrucción rescurada que el Condo de Pa

Conde de Revilla Gigedo, Instrucción reservada que el Conde de Revilla Gigodo dió a su sucesor en el mando, Marqués de Branciforte, sobre el gobierno de este continente en el tiempo que fué su virrey (Mexico: Imprenta de la Calle de las Escalerillas, 1831), pp. 104-

105; Schurz, op. cit., p. 60. ³⁴ Comyn, op. cit., pp. 72, 73. The words "and preposterous" are found between "singular" and "system" on page 73, but this seems to be a gratuitous embellishment on the part of the translator, as nothing corresponding to it occurs in the original Spanish (cf. the Manila edition of 1878).

³⁵ [Sinibaldo de Mas], Informe sobre el estado de las islas Filipinas en 1842 (Madrid, 1843), II, "Comercio esterior," p. 4.
 ³⁶ Azcárraga, op. cit., pp. 49, 69.
 ³⁷ Bourne, op. cit., p. 81.

38 Ibid., p. 68; Azcárraga, op. cit., pp. 30-35.

 ³⁹ Mas, op. cit., p. 2; Bourne, op. cit., p. 66.
 ⁴⁰ Bourne, op. cit., p. 68; Benítez, History of the Philippines (Boston: Ginn and Co., 1926), pp. 58-63.

⁴¹ Feodor Jagor, "Travels in the Philippines," in Austin Craig., ed., The Former Philippines Through Foreign Eyes (Manila: Philip-

pine Education Company, 1916), p. 24. ⁴² Bourne, op. cit., p. 70; Benítez, op. cit., pp. 184-185. ⁴³ In 1903, total farm area was 2,827,704 hectares, of which 2,137,776 were held by owners (*Census of 1903*, IV, 266). ⁴⁴ Schurz, op. cit., p. 43; Bourne, op cit., p. 85; Census of 1903,

I, 346.

⁴⁵ Comyn, op. cit., p. 76.

⁴⁶ Schurz, op. cit., p. 49; Blair and Robertson, op. cit., VIII, 85, 273; Census of 1903, I, 485.

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