Contested National Development: Executive-Legislative Relations in American Colonial Philippines and the Cabinet Crisis of 1923

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Abstract

Development and self-government in the context of American colonial rule in the Philippines are intimately related but contested issues. For the Americans, the question of Filipino self-government was informed by the rhetoric of Philippine development through a laissez-faire framework. The Filipinos, on the other hand, held that self-government was a key ingredient of national development; it was the state's responsibility to initiate development for the entire country. This paper argues that the Cabinet Crisis of 1923 between Governor Leonard Wood and the Filipino legislature was as much a problem of executive-legislative relations as it was of colonial dynamics. This adversarial relationship was conditioned by, and revolved around, their differentiated views of the role of the colonial state in the pursuit of national development: between a laissez-faire perspective on the one hand, and a state-led development path on the other.

Keywords: State-led development; laissez-faire; Cabinet Crisis; self-government; executive-legislative relations

Introduction

IN THE WAKE OF THE SPANISH-AMERICAN WAR and the Filipino-American War, President William McKinley justified the United States' annexation of the Philippines in 1898 amidst vigorous opposition from anti-imperialist groups in the U.S. For him, it was an act of benevolence; and the American mission in the Philippines, according to Governor General Francis B. Harrison (1922, 36), was not of exploitation but of development, civilization, education, and self-government.

Of particular interest in this paper are the questions of development and self-government, which, in the context of American colonial rule in the Philippines, are intimately related issues. For the Americans, the question of Filipino self-government was informed by the rhetoric of Philippine development. It is illuminating to note, for instance, that the preamble of the Jones Law of 1916 predicated the granting of Philippine independence on the existence of a stable government in the archipelago.[1] In 1921, United States President Warren Harding partly operationalized the definition of a stable government as "the financial condition of the Philippine Government and of the Filipino people" (Report of the Special Mission on Investigation to the Philippine Islands to the Secretary of War 1921, 7).[2]

The Cabinet Crisis: Conflicting Interpretations of National Development

The American position contrasted with that of the Filipinos, who held the opposite relationship to be true: self-government was a key ingredient of national development. During the so-called "Cabinet Crisis of 1923" (hereinafter referred to as "Cabinet Crisis" or "Crisis"), which Michael Onorato (1972) describes as "the single most dramatic political event of the whole American period" (69), a group of high-ranking Filipino government officials led by Senate President Manuel L. Quezon and House Speaker Manuel A. Roxas, together with the Filipino members of the cabinet, accused Governor-General Leonard Wood of undermining

Filipino autonomy by "interven(ing) in, and control(ling), even in the smallest detail, the affairs of our government, both national and local, in utter disregard of the authority and responsibility of the (Filipino) Department heads and other officials concerned" (Zaide 1990, Volume 11, 207–08).

Wood's actions were objectionable because Filipino self-government was crucial in order to chart the development path of the Philippines in preparation for eventual independence from the United States (Castillo 1936), which was promised by the Jones Law of 1916. The fulcrum of this *new* development framework in pursuit of independence, according to Quezon (1946, 130), was the acquisition or creation of state-owned enterprises (SOEs) after 1916. As Ybiernas (2012) has shown, the different perspectives on development policy between Wood and the Filipino legislative leaders eventually resulted in the Crisis.

Arguments for Executive and Legislative Relations as a Framework

While this article builds on and uses material summarized or quoted in three previous studies (Ybiernas 2007, 2012, 2014),[3] its main objective here is less to describe the Cabinet Crisis of 1923 as such than to argue that it was as much a problem and consequence of executive-legislative relations as it was of colonial dynamics. This argument is cognizant of, but departs from, existing works (Paredes 1989) that highlight patron-client relations between the Americans and Filipinos, which burgeoned under a colonial democratic system and stretched all the way from "the provinces through Malacañang Palace to Washington D.C." (6). To be sure, Filipino politicians were caught in a web of patron-client relations; however, as elected officials, they were, first and foremost, slaves to the independence aspirations of the electorate.

The insistence by writers such as Renato Constantino (1975), who compartmentalize Filipino politicians during the American colonial era as members of the landed elite who cooperated with the colonizers to boost their class interests, does not capture the full complexity of the situation and circumstances. It must be understood that while many a Filipino politician's rise to power may have been facilitated by the patronage of American colonial officials (as imputed by Paredes and others), or that they had deep personal ambitions or class-based motives for public office (as imputed by Constantino), as an elected member of the legislature, the Filipino politician shared with his peers a common unassailable agenda that the electorate thrust upon them: to utilize the resources and power of the legislature to advance Filipino autonomy, and after 1916, to accelerate the granting of Philippine independence by crafting a development policy that would satisfy the stable-government requirement of the Jones Law. Otherwise, the Filipino politicians would suffer electoral defeat. Personal or class motives were rendered secondary to the independence, therefore national development, agenda. This was the bitter lesson learned by the pro-assimilationist Federalistas[4] when they were overtaken by the Nacionalistas as the dominant political party after the elections for the National Assembly in 1907. Whether the Nacionalistas really desired independence—which Paredes (1989) doubts—is not as relevant as the accomplishments of the party—which controlled the legislature—towards this end. At any rate, what Constantino and his like-minded commentators miss is that the continuation of the colonial set-up of indefinite U.S. rule—with secure markets for Philippine agricultural exports and palpable colonial American bias in favor of the conservative landed elite versus the emerging progressive nationalists (few they may be)—was *most favorable* for these landed elite politicians. Even so, these politicians had no choice: if they did not push for independence (through the national development agenda in the legislature), the Filipino voters would kick them out of office.

Another argument in support for an executive-legislative relations framework towards understanding the Cabinet Crisis stems partly from American policies toward the Philippines. Wood, as the appointed governor general, was a colonial agent of the United States. However, by the time he assumed office in 1921, the central United States government was no longer as hands-on regarding Philippine affairs as it had been during the earlier years of colonial rule.[5] This hands-off policy probably began during Wilson's term as president (1912–1920) when he allowed Harrison to become a quasi-president of the Philippines rather than a mere proconsul.[6] Of course, Harrison claimed in his inaugural speech (Zaide 1990, Vol. 11, 162–64) that he was acting under the instructions of President Wilson.

At any rate, very rarely did Washington interfere in the Philippines after 1913, except when legal issues were elevated to the U.S. Supreme Court in accordance with Section 27 of the Jones Law of 1916 (Zaide 1990, Vol. 11, 188). Washington left the governance of the Philippine Islands largely in the hands of the governor-general. Indeed, when Speaker Roxas went to the United States to air the Filipino side on the Cabinet Crisis of 1923, President Coolidge's response sustaining Wood's actions reflected Washington's attitude towards Manila (223).

> "The Government of the United States has full confidence in the ability, good intentions, fairness and sincerity of the present Governor-General. It is convinced that he has intended to act and has acted within the scope of *his proper and constitutional authority* [emphasis added]."

Coolidge referred to the Jones Law, which was often called the "Organic Act of 1916" as the source of the governor's "proper and constitutional authority" as quasi-president of the Philippines.

The delegation of authority to the governor-general by the U.S. president also reflects the absence of a concrete and sustained development policy framework from Washington with respect to Manila at the onset of colonial rule (May 1984, 129). This opened up the matter of development policy to the beliefs and preferences of the incumbet civil/governor general, together with his Philippine Commission colleagues before the Jones Law was passed in 1916. And what the Coolidge-Roxas exchange shows, I argue, is that the Crisis and its underpinning issues of development and self-government, as with other important issues from 1916 onwards (at least), can also be explained by seeing it specifically as a matter of executive-legislative dynamics: between the American governor-general and the Filipino legislature. Non-interference from Washington and the discretionary powers of the American governor general meant that the Filipino legislature, as the warehouse of Philippine independence aspirations, interacted more directly with the decisions from Malacañang rather than responding to a clear directive from the White House or the War Department.

Focusing on the history of executive-legislative dynamics during American colonial rule and after 1916, especially the question of development policy as it impacted on the Cabinet Crisis of 1923, this paper is not interested in investigating the role of individuals or their complex relationships as patrons and/or clients in the web of Philippine colonial democratic politics. This paper picks up Quezon's assertion that the conflict was about (developmental) principles: "When all these (events) can be written down calmly, it will be shown that in the fight with General Wood I defended not only our political autonomy *but also* our economic heritage [emphasis added]." What constituted for Quezon the country's economic heritage? It was the SOEs that "General Wood wanted to hand over to American capitalists..." (Quirino 1971, 166). Parenthetically, it must also be understood that Wood's agenda against the SOEs, which is consistent with the substance of his recommendations to President Harding as co-chairman of the Wood-Forbes Mission (Wood-Forbes Report 1921, 46) and was reiterated in his inaugural speech in October 1921 (Zaide, 1990, Volume 11, 195–98), would have indefinitely delayed the American grant of independence to the Philippines. This clearly put the chief executive on a collision course with the legislature.

Onorato (1967), however, insists that the Crisis is best understood by locating the personal political interests of the key players in the conflict.[7] He claims that the conflict was "engendered by political exigencies of the moment" (66). To be sure, Quezon used the Crisis to bolster the sagging chances of Colectivista Party candidate Ramon J. Fernandez in the special senatorial elections meant to replace Pedro Guevarra, who had become the country's Resident Commissioner to

Washington. Fernandez's victory was meant to strengthen Quezon's control over the party, and consequently, the party's hold on the legislature vis-à-vis the Osmeña-led Nacionalista Party (where Quezon and his followers had earlier broken away from) and the Wood-backed Democrata Party upstarts. This is a perspective echoed by Samuel K. Tan (1993) when he wrote a short history of the 1920s. This essay's response to these perspectives is simple: there is nothing to prevent a historical actor from pursuing multiple objectives at the same time. Quezon may have had personal interests in the Crisis, but this does not discount the fact that there was a conflict between the legislature and the American governor-general on account of their divergent development policies.

Additional arguments to see the Crisis as result of executive-legislative dynamics in relation to development policy are based on several points. Glenn May (1984, 129), for instance, claimed that at the time of American annexation of the Philippines in 1898, the United States had no established economic development policy towards the archipelago. Consequently, the Commission government under the influential leadership of William H. Taft took the initiative and formulated a laissez-faire framework for the economic development of the Philippines from the ground up (ibid.). Even when Filipinos began to assert themselves, seeking to steer the course of development policy, they did so primarily in their capacity as members of the legislature vis-à-vis the executive branch. This will be seen more clearly when economic development policy was changed through a series of measures that the legislature enacted after the Commission was abolished in 1916.

Even Washington D.C. helped frame the Crisis in terms of executive-legislative dynamics. In his reply to the memorial sent by the Philippine Senate and House of Representatives concerning Wood and the Cabinet Crisis, President Calvin Coolidge chastised the Filipino politicians for their "inability, or unwillingness, to recognize… the complete separation of the legislative, executive and judicial functions" under a "democratic-republican government" that existed in the archipelago (Zaide 1990, Volume 11, 222–23).

By problematizing executive-legislative relations through an episode during the American colonial era, this paper hopes to accomplish more than just a straightforward historical account of the empowerment of the Filipino legislature through the disaggregation of the Commission's parliamentarist or "congressional" (Malcolm 1916, 222) power, first with the inauguration of the Assembly in 1907 and finally, with the true separation of executive and legislative functions after the abolition of the Commission and the creation of the Philippine Senate in 1916.

This paper also asserts that the legislative process was the arena of conflict between Governor-General Wood and the Filipino legislature after 1921. Thus, this essay is not just about the Cabinet Crisis per se, but rather what made it possible and how it was fought. The adversarial relationship between Governor Wood and the Filipino legislature revolved around their different views of the role of the colonial government in pursuit of national development: between a laissez-faire approach and a government-led and -financed development path. The executive and the legislative departments during the term of Governor Wood frequently clashed over the national budget, specifically on appropriations financing the SOEs, which the Filipino legislature considered vital to policy under the state-led development framework (Ybiernas 2012). The executive and legislative branches also battled over the question of congressional oversight of the operations of these corporations (Castañeda 2001, 161–63). Lastly, the governor-general and legislative leaders quarreled over the future of these corporations within the framework of the Council of State and the Board of Control, entities which were created (during the Harrison regime) to facilitate executive-legislative cooperation (Ybiernas 2012).

Authority and Power in the Early American Colonial Period

According to Lewis Gleeck, Jr. (1986), the United States emerged from the Spanish-American War an imperialist "without either tradition or instrumentalities for administering (its) annexed territories" including the Philippines (1). What was its mandate in the Philippines? After much thought, President McKinley, with the help of Secretary of War Elihu Root, identified development, civilization, education, and self-government. However, McKinley and Root left it to the state structure that they created in the Philippines to substantiate their vague mandate.

As the Philippines was annexed due to the Spanish-American War, the initial government structure in the archipelago was under military control. Beginning 1 September 1900, in accordance with President McKinley's instructions dated 7 April 1900, the Second Philippine Commission under the chairmanship of Judge Taft of Ohio was given legislative power, with the military still exercising executive functions (Zaide 1990, Vol. 10, 273). Subsequently, under the Spooner Amendment of 2 March 1901, the military establishment completely surrendered executive functions over pacified parts of the Philippines to the Taft Commission, although the formal inauguration of the civilian government happened on 4 July 1901, coinciding with the celebration of the United States independence from Britain (Zaide 1990, Volume 10, 330; Gleeck 1986, 22).

After the passage of the Spooner Amendment, the Commission exercised joint executive-legislative functions in the archipelago, akin to that of a parliamentary system, albeit the members of the Commission were appointed by the President of the United States rather than elected by the Filipino people. Many scholars (Golay 1997; Gleeck 1986; May 1984) attribute the initial success of the Commission in executing its laissez-faire objectives in the Philippines to their complete control of the executive and legislative departments of the government.

However, the Philippine Bill of 1902 started the disaggregation of the Commission's parliamentary functions with the inauguration of the Philippine Assembly in 1907. According to Section 7 of the Philippine

Bill of 1902, the Assembly members were to be voted by their district/ provincial/regional constituents based on population, with their number totaling between 50 and 100. The establishment of the Assembly created a system that was a cross between a parliamentary (as represented by the Commission) and a presidential system (with the governor general as the chief executive).

The Assembly's relationship with the Commission complicated the legislative process, particularly in the preparation of the budget and other appropriation measures. In 1909, Delegate Teodoro M. Kalaw of Batangas, Chairman of the Assembly's Committee on Privileges, contended that just like the U.S. House of Representatives, the Assembly had the sole authority to initiate tax measures and budget bills. The Commission had previously handled this task, but demurred this time around (Pacis 1971, 144). The Philippine Bill of 1902, which created the Assembly in the first place, was silent on the matter, opening the issue to debate and subjecting the budgetary process to deadlock after the Commission refused to relinquish its "right" to initiate tax measures and budget bills.

The deadlock was only broken when President Wilson made new appointments to the Commission, including the position of governor-general (as a *primus inter pares* in the body), in 1913. These new appointments drastically altered the composition and the position of the Commission vis-à-vis the desire of the Assembly to seize control of the budget.[8] The Commission itself eventually ceased to exist when the Jones Law of 1916 created the Senate. By then, American authority in the Philippines was entirely invested in the governor-general who was a tremendously powerful chief executive vis-à-vis the Filipino legislature composed of the House of Representatives (formerly the Assembly; hereinafter referred to as "House") and the Senate.[9]

The appointed governor-general's (Francis B. Harrison) cooperative stance towards the Filipino legislature and his implementation of the Filipinization policy (i.e., the promotion of Filipino bureaucrats to the highest positions in the executive branch of government; American officials who resigned, retired from the service, or joined the U.S. war effort) led to the peak of Filipino self-government, which lasted until the establishment of the Philippine Commonwealth in 1935 as a prelude to political independence. The abolition of the Commission and the creation of the Senate in 1916 made the legislative branch the most powerful warehouse of Filipino aspirations for self-government. As mentioned, Filipinos utilized their full control of the legislature in 1916 to alter the development policy that the Commission had implemented earlier.

Development before the Crisis: Laissez-Faire[10]

As the country's first civil governor and head of the Commission, Taft was crucial in providing substance to the American development rhetoric in the Philippines. The Taft Commission's administrative and development agenda in the Philippines included the following:

- Getting the island economy moving after a half-decade of revolution against Spain and war against the United States;
- Transforming Manila into a modern American city;
- Extending and upgrading the range of government services; and
- Blanketing the Philippines with "public improvements" intended to facilitate the tasks of government and support economic development (Golay 1997, 112).

This mandate, according to Gleeck (1986, 75), did not change until 1907 when the Assembly was inaugurated. According to Glenn May (1984, 141), the Commission was guided by the principle of laissez-faire in drafting the initial development policy for the archipelago; it meant that development was going to be spearheaded by the private sector[11] with little intervention from the government. It also implied a narrow conception of government functions or "services" in the economic life of the country; they were concentrated mainly in the areas of public instruction, public health, administration of justice, and public works. This limited scope of government function will be reiterated in 1921 by Governor Leonard Wood in his inauguration speech.

As Frank Golay (1997, 112) has shown, the United States government precluded itself from providing *direct* financial support for the Philippines. United States Vice-President John Nance Garner, in his address to the joint session of the Philippine Senate and National Assembly in 1935, declared: "(United States Senator Harry Hawes) advises me that in 35 years of American sovereignty, with the exception of $3,000,000 provided for the recuperation after the war, the entire cost of all civil administration has been provided by the revenues secured from the taxation of your people" (ARGGPI 1935, 1937).[12] Thus, funds necessary for the finance of the American administrative program in the Philippines were drawn from domestic revenue sources (Luton 1971). To help ease the Commission's burden, the U.S. Congress passed the Payne-Aldrich Act of 1909 and the Underwood-Simmons Act of 1913, which, in conjunction with the Philippine counterpart tariff act, effectively constituted a Free Trade Agreement (FTA) between the United States and the Philippines. Free trade with the U.S. gradually created a level of economic growth in the Philippines (subject to taxation) sufficient to support the American administrative program (Ybiernas 2007, 349–52).

World War I deepened trade relations between the United States and the Philippines as the latter lost her European markets. By 1917, as a result of the British naval blockade of Europe and the United States entry into the war, American share of total Philippine trade jumped from about 51 percent to 63 percent; total Philippine trade also grew by 40 percent from PhP 230,867,040.00 to Php 322,802,674.00 (ARGGPI 1917, 1918, 112). The rise in trade volume coincided with the passage of the Emergency Tax Law of 1915 as a war-time measure that increased the sales tax from 0.5 percent to 1.5 percent of the gross peso value of "commodities, goods, wares, and merchandise sold, bartered, exchanged, or consigned abroad" (Elliott 1968, 155). Internal revenue collections grew from PhP 17.85

million in 1914—before the passage of the new tax law—to Php 22.63 million after the law took effect the following year (RPC 1915, 1916, 21–23). Revenue collections in 1918, one year after the United States joined World War I, were pegged at Php 40.8 million, nearly double from three years earlier (Golay 1984, 257).[13]

The Filipino Legislature and Development in the American Colonial Period in the Philippines

The emphasis during the early years of the Commission lay on the role of the private sector as the driver of economic growth, and the government as providers of public services and initiating public improvements. Under the Philippine Commission, before Harrison became governor-general in 1913, the stimulation of private investment emerged as the foundation of Philippine economic development policy (May 1984, 133). Economic developments during World War I, outlined in the preceding section, conspired, however, to alter the development policy for the Philippines. The shift coincided with the growing power of the Filipino legislature vis-à-vis the Commission (1913–1916) and the sympathetic disposition of Governor Harrison towards Filipino aspirations for independence after 1916.

However, as Ybiernas (2007) and Nagano (2015, 141-164) have shown, aside from Harrison's support of Filipino aspirations for self-government during his administration, the World War I-induced export-led economic boom was crucial in encouraging a shift in development policy. To be sure, the new thrust beginning in 1916 focused on the enlargement of public enterprise through the creation of various "national companies" (SOEs) to spearhead Philippine industrialization (Castillo 1936, 157–77). State-owned Philippine National Bank (PNB, established in 1916 at the onset of the war-time boom), in particular, became the financier and centerpiece of the Filipinization of the insular economy (Nagano 1993, 220). Other SOEs were established after 1916 to kick-start Philippine economic development and justify the country's independence from the United States in accordance with the preamble of the Jones Law of 1916.

Among the national companies constituted during this crucial period was the National Coal Company, which was created on 10 May 1917 by virtue of Act No. 2705 (ARGGPI 1917, 1918, 8);[14] Act No. 2814 created the National Petroleum Company; Act No. 2849 established the National Development Company; Act No. 2862 created the National Iron Company; and Act No. 2865 creating the National Cement Company. The laws establishing the Petroleum, Iron and Cement companies, together with the National Development Company, were passed during the Third Session of the Fourth Philippine Legislature in 1918 (ARGGPI 1918, 1919, 8–9).

However, the crown jewel of government-led development framework was the PNB, which was established in 1916 to provide financial assistance to the agricultural sector (Willis 1917, 415–16; cf. Nagano 1993, 217–31; Ybiernas 2007, 358). The bank had an initial authorized capitalization of PhP 20 million, divided into 200,000 shares at PhP 100 per share. The national government was mandated to purchase 101,000 shares while the remaining 99,000 were open to the public. Although the PNB's initial asset was only PhP 12 million, it was boosted by a requirement that obligated the national, provincial, and municipal governments to deposit their funds at the bank. Consequently, the bank's assets soared to PhP 249 million by the end of 1918 (ARGGPI 1918, 1919, 7). The government also acquired full ownership of the Manila Railroad Company and Philippine Railway Company lines in Iloilo and Cebu during this "boom" period.

The creation/acquisition of these companies was financed through budgetary allocations resulting in an increase in the consolidated budget from PhP 41 million in 1916 to PhP 70 million in 1917, and finally to PhP 92 million in 1918. Despite the increasing expenses, the national government still managed to gain a budget surplus of PhP 5 million in 1916, PhP 9 million pesos in 1917, and PhP 6 million pesos in 1918 (ARGGPI 1916, 1917, 6–7; ARGGPI 1917, 1918, 9–10; ARGGPI 1918, 1919, 10–11).

Writing in the context of the inauguration of the Philippine Commonwealth government in 1935, Andres V. Castillo (1936) explained that the shift to a government-led and financed development policy post-

Jones Law 1916 was meant to allow the Filipinos to protect the country's "dormant wealth" from foreign (American) exploitation. Castillo argued that since foreign investors had the advantage of "greater capital, vision and industry" over their Filipino counterparts, they would have been the main beneficiary of the previous laissez-faire developmental policy (157–59; see also Ybiernas 2012, 65). Moreover, Filipino political leaders were particularly wary of a burgeoning American capitalist interest in the country, especially during financial crisis of 1919–1922 (cf. Nagano 2015) as it could potentially constitute a strong lobby group against Philippine independence.[15]

Policy Reversal: From State-Led Development Back to Laissez-Faire[16]

In 1921, Governor Wood promised in his inauguration speech to undo what he thought was an ill-advised development plan (implemented beginning in 1916) and revert to the original laissez-faire framework; this provided Quezon one of several justifications for the Crisis (Quirino 1971, 166). At any rate, the inherent flaw of the state-led and financed development policy lay in its heavy reliance on public finances, which had received an artificial boost from American involvement in World War I (Ybiernas 2007). However, when the war ended and the United States reverted to "economic normalcy," Governor Harrison began to note in 1919 its initial adverse effects on the Philippines.

> The sudden stoppage of war demands was a dangerous blow to the markets of the Philippines, with a consequent strain upon public and private finance. Prices of hemp and oil broke sharply, and freight rates were reduced as against staples shipped at prearmistice freight rates. Stocks of the commodities were forced on the market at a heavy loss by those interested in maintaining stability of credit institutions. (ARGGPI 1919, 1920, 5)

The full impact of normalcy was eventually felt in the Philippines in 1921 when demand and prices for the country's key cash crops plummeted in the United States.[17] Even as Philippine exports suffered a set-back due to falling prices for the country's key cash crops in 1921, imports continued to be at a high level, resulting in a foreign currency deficit worth PhP 55,446,503 (ARGGPI 1922/1923, 109). In light of the fact that the country's foreign currency reserves were lowered from 100 percent to 60 percent of the total currency in circulation by Act No. 2776, which was enacted on 16 August 1918 (ARGGPI 1919, 128; Ybiernas 2012, 67), the treasury's foreign currency reserves in New York City were completely exhausted by June 1921 (Nagano 2015; Ybiernas 2007, 361–64).[18]

Simultaneously, internal revenues in 1921 nosedived as early as the first quarter and did not improve the rest of the year. For the whole year, internal revenue collections suffered a year-to-year drop of more than PhP 10 million in 1921 (The Manila Times 1922). The revenue shortfall's effect on public finance was worsened by the burden imposed on the government by the massive losses incurred by the SOEs (Wood-Forbes Report 1921, 38–40, 42).

Thus, when Wood was inaugurated as governor-general on 15 October 1921, his priority was initiating fiscal and financial policy reforms to address the said problems. The financial issues proved the least contentious and were acted on with haste before the end of 1921. A law was passed (Act No. 2999) appropriating funds to stabilize foreign exchange. Two laws released the capital city of Manila (Act No. 3000), and the insular, provincial, and municipal governments (Act No. 3005) from having to deposit their moneys with the PNB; and a final law (Act No. 3033) restored the foreign currency reserves to a full 100 percent of currency in circulation (Ybiernas 2007, 364, 367).

The question of fiscal reforms, by contrast, was very controversial especially since it impacted on the existing state-led development policy. Governor Wood was a firm believer in laissez-faire public economics and pushed for either the sale or the dismantling of the SOEs accumulated during the Harrison administration after 1916. This from Wood's inaugural speech on 15 October 1921.

> The government must encourage, not discourage, private enterprise. As a general policy, I believe that the government should keep out of business. (Zaide, 1990, Vol. 11, 198)

Wood strenuously objected to the huge appropriations incurred by the insular government for the (continued) support of these SOEs. According to the Department of Finance, the insular government expended the following for the SOEs in 1921 (ARGGPI 1922, 1923, 114):

- PhP 22,915,960.00 for the purchase of PNB stock;
- PhP 2,000,000.00 for Manila Railroad Company (MRC) stock;
- PhP 2,050,000.00 for National Development Company stock;
- PhP 178,351.05 for the Manila Railroad Company purchase bonds sinking funds;
- PhP 365,237.60 for interest and exchange on Manila Railroad Company purchase bonds;

Governor Wood wanted to liquidate the government's stake in the SOEs not just to raise revenues (from the proceeds of the sale) at a time of great difficulty, but also to discontinue the funds being appropriated for the enterprises, and to free up a large chunk of the insular budget for essential government functions such as public education, health, infrastructure, and agricultural development. In the same inaugural speech, the chief executive said that

> It is my purpose, so far as lies in my power, so to conduct the government that it will be characterized by economy, efficiency, and true progress...
>
> Your enthusiasm and thirst for education and your accomplishments in building up a sound system of education is beyond praise. We must keep it up. Indeed, we must extend and improve it...

> We must push forward our public works, especially roads and irrigation. We must give far more attention to public health and sanitation…
>
> We must do all we can to build up a fuller appreciation of the dignity of labor; to increase our agriculture and push forward the development of our natural resources, and so organize and conduct the government that funds adequate to the needs of progress and development will be available. We must live within our income… (in Zaide 1990, Volume 11, 195–98)

As mentioned, the largest and most important of these SOEs was the PNB. The PNB suffered from illiquidity in 1921 as a result of a series of financial (i.e., currency and banking) decisions made in Washington and Manila (Nagano 2015; see also Ybiernas 2007, 361–64); only the fresh infusion of public funds after 1921 kept it afloat. Governor Wood moved quickly to attract (American) buyers of the sugar centrals owned by the PNB in receivership (cf: Ybiernas 2012, 68) in order to remove from the insular budget the huge sums of public funds that had to be spent for the bank's resuscitation. Wood's insistence on selling off the centrals at a loss despite bright prospects for recovery undermined the public's trust in the PNB and pushed bank president E.W. Wilson to tender his resignation in 1923 (Gleeck 1998, 282; Ybiernas 2012, 68–69). Wood's moves also antagonized the legislature because the PNB was central to what Nagano (1993, 220) refers to as "the Filipinization of the insular (agricultural export) economy" and because the sugar centrals had become "elite nationalist symbols" (Aguilar 1998, 201). Questions about Governor Wood's motives in selling the sugar centrals further surfaced when in 1923 he pushed for its sale to Hayden, Stone and Company, and E. Atkins Company of Cuba over the allegedly superior bid by a group of hacenderos led by Bacolod-Murcia Central's Rafael Alunan (Ybiernas 2012, 74). Wood explained in a very haughty fashion that he had greater faith in the technical and management expertise of the Americans (ARGGPI 1923, 1924, 20).

Unlike the PNB, the Manila Railroad Company (hereinafter referred to as "Railroad" or MRR), another big government-owned corporation, was not bankrupt or illiquid. Yet, partly because of Wood's laissez-faire mindset, the MRR was likewise being shopped around for buyers. The Railroad was bought by the government from its British owners in 1916 for PhP 8 million pesos. Governor Harrison made it appear at the time that the government got a bargain, as the Railroad had, on paper, PhP 11.6 million worth of capital stock. However, according to Charles Burke Elliott (1968, 310–11), the company was "practically insolvent." The company had, up to the time of its sale, debts totaling PhP 45.4 million from previous bonds sales, including PhP 6 million to the government before the sale, and which was written off after. Upon purchase, the government assumed PhP 21.15 million worth of debts. Thus, in the final analysis, the company actually cost the government more than PhP 35 million and not just PhP 8 million, as earlier reported by Harrison.

Nevertheless, in the initial years under government control, the Railroad earned profits of PhP 817,000 in 1917; PhP 621,000 in 1918; and PhP 328,000 in 1919. These combined earnings were enough to offset the 1.5-million-peso deficit accumulated during the last two years of operation before coming under government management. In 1920, the MRR failed to collect on revenues amounting to at least PhP 2.5 million, further swamping it in debt (ARGGPI 1917, 1918, 7–8; ARGGPI 1918, 1919, 7–8; ARGGPI 1919,1920, 14; ARGGPI 1920, 1921, 11). To make the Railroad more profitable, the insular government, through a special legislation, invested an additional PhP 10.1 million in stocks in 1919 (ARGGPI 1919/1920, 15). Of that amount, PhP 7.1 million pesos was raised from proceeds derived from the relaxation of the currency reserve fund, earlier identified as the source of the peso depreciation in 1921. Part of this additional investment went to paying a portion of the MRR's debts.

The Railroad's operating expenses grew year after year beginning 1916 as new management "embarked on an ambitious expansion program" (Ybiernas 2012, 72). Between 1916 and 1920, "Harrison announced the extension of existing lines or the opening of new ones….

some of which proved to be quite unprofitable later on (72). A year later, "in 1921, the railroad stations at San Felipe Nery (in Cavite), San Pedro Makati, Fort McKinley (now Fort Bonifacio), Rosario (in Pasig), Marikina, Bayanbayanan (in Marikina), San Mateo, the entire Noveleta-San Roque line were ordered closed as the actual cost of maintaining them were higher than the returns" (72).

In 1918, the Railroad management increased the wages of unskilled laborers by an average of 25 percent. Employees receiving a salary of 1,200 pesos or less per annum were gifted a raise of 44.87 percent. Employees receiving a salary of more than PhP 1,200 per annum, on the other, hand had their wages increased by 27.64 percent (ARGGPI 1918, 1919, 7-8; cf: Ybiernas 2012, 80, n11). Thus, it came as no surprise that the firm's General Manager, E.J. Westerhouse, reported on 18 January 1921 that the "high wages paid to subordinate employees, together with the high cost of commodities, are causing the company a loss each month of 1 million pesos." In private, Westerhouse told Executive Secretary C.W. Franks that political interference was partly responsible for the Railroad's problems (Onorato 1964, 140–41). As president of the company from 1917 to 1921, Senator Quezon "became the principal target of" (Ybiernas 2012, 72) accusations of corruption and patronage with respect to the Railroad. American journalist Katherine Mayo (1924, 121–22; cf. Ybiernas 2012, 72) alleged that during the last two years of his presidency, Quezon "issued 150,000 free passes, with each pass valid for travel anywhere throughout the railroad and honored for the recipient, his family and dependents." No documentation, however, was presented to support this claim. Furthermore, Ybiernas has written that Senator Sergio Osmeña "insinuated to Dr. Graham Taylor, a visiting Chicago sociologist, that Quezon had illegally used the Railroad's funds for political patronage" (*The Manila Times*, 5 May 1922; cf: Ybiernas 2012, 72). Ybiernas adds that "Commentator Daniel R. Williams, in a series of articles published by the *Manila Times*...similarly accused Quezon of using the Railroad as "a clearing house for political favorites and as an adjunct of the Nacionalista Party." Despite the accusations, Quezon was never charged of any offense in relation to his stint as president of the Manila Railroad Company.[19]

Legislative Opposition

The legislature, via its Council of State and Board of Control members (Ybiernas 2012, 64),[20] expressed dismay at, and vehemently opposed, Wood's plan to turn over the Railroad to the J.G. White Company under an "operating contract" in 1922. Legislators labeled this move by the chief executive a "denationalization" of the public corporations (ARGGPI 1922,1923, 36). Skeptical of the governor's intentions for the country's economic heritage, they noted the chief executive's preference for American businessmen in the "fire sale" of SOEs, and opposed the enlargement of American capitalist interest in the country in order to prevent them from maturing into a strong lobby against Philippine independence (Oulahan 1924). In 1922, for instance, Wood was supposed to lease out the National Coal Company's coal mines in Cebu to C.F. Massey, owner of the Cebu Portland Cement Company. The deal collapsed because of opposition from Senate President Quezon and Speaker Manuel Roxas. Eventually, it was Massey who sold his company to the government in March 1923 (ARGGPI 1924, 1925, 129).

The legislative leaders who were members of the Council of State and Board of Control had several strong arguments against selling any of the SOEs. During the crisis years of 1921–1923, Governor Wood was advised not to sell at a loss; during the recovery years of 1923–1924 and onwards, the chief executive was urged not to sell because the companies were already profitable. Wood's efforts to sell had always been stymied because he operated within the framework of the Council of State until the Crisis of July 1923, and within the Board of Control until November 1926 when he signed Executive Order No. 37 abolishing the latter. Wood's initiatives to sell the SOEs were blocked by legislative leaders who also sat as fellow members in Council of State and the Board of Control (Ybiernas 2012, 73–77).

It was too late. Wood spent the rest of 1926 and the early part of 1927 in a legal battle against the Board of Control and the respective Board of Directors of the government-owned and controlled corporations when he tried to replace the latter who were appointed by the former (Castañeda 2001, 161–63). In 1927, Wood returned to the United States for the first time since his appointment as governor-general in October 1921 to undergo brain surgery. Wood died shortly thereafter, leaving his mission of reverting the Philippines' development policy to laissez-faire unfinished.

The death of Governor Wood saved the SOEs from being sold to American capitalists. However, it also slowed down the Philippine campaign for independence and resulted in a "hardening" of the U.S. Republican administration's Philippine policy, whereby the office of the governor-general would be strengthened further vis-à-vis the legislature (Golay 1997, 274). Among the initiatives in the U.S. Congress towards this end were providing the governor-general with civilian advisers (apart from the cabinet secretaries); permitting the governor-general to appoint the governors of the non-Christian provinces without the concurrence of the Senate; and creating a U.S. congressional Board of Visitors to periodically check on the Philippines (ibid.).

The new governor-general, Henry L. Stimson, had a reputation as a "troubleshooter" and was unofficially tasked by President Coolidge to smoothen executive-legislative relations in the Philippines following Wood's divisive term. Secretary of War Dwight Davis gave Stimson blanket authority to formulate his Philippine agenda without interference from Washington, continuing the trend that started with Harrison's appointment. Stimson insisted on retaining the executive's great powers but allowed the Council of State to continue (Gleeck 1986, 223). As mentioned, none of the SOEs were sold, but overall the state-led development agenda lost steam temporarily until it was revived during the Commonwealth period (Castillo 1936).

Conclusion

This paper has argued that the Cabinet Crisis of 1923 be examined in light of executive-legislative relations. In the time leading up to the fateful day of the Crisis in July 1923, the executive and the legislature had been at odds with one another on the crucial question of the SOEs as an integral part of the country's development policy. Governor Wood wanted to sell them; the legislature wanted to keep them as the foundations of the country's development policy in preparation for independence.

Beyond the Cabinet Crisis, executive and legislative dynamics can be used as a framework to understand the political history of the American colonial regime in the Philippines. As a framework, it breaks away from the tendency of American-trained historians and Philippine Studies scholars to focus on American colonial policies in the Philippines primarily, typified with some innovations by Go and Forster's (2005) book. Go and Foster's innovation lies in its focus on a broader, globalized perspective to the American colonial agenda; nevertheless, the book still treats the Filipinos as mere bystanders to what was happening in the archipelago.

It also seeks to improve on Bonifacio Salamanca's (1984) focus on Filipino reaction to American rule. It must be conceded that conservative elements of Philippine society at the start of U.S. colonialism were primarily responding to American rule. However, especially after the basic structures of government were established by the Philippine Bill of 1902, particularly with the opening of the National Assembly in 1907, the Filipinos were busily asserting their own agenda in Philippine state-formation, and no longer simply reacting to American initiatives. As shown in this article, the legislature became the warehouse of aspirations for Filipino independence, and of shaping Filipinos' own development policy in pursuit of eventual self-rule.

This paper hopes to encourage historians to build on what has been done here in terms of properly situating the role of Filipinos in the formation of the Philippine (colonial) state. Development policy is one key area in which Filipino politicians asserted their voices. Then and now, politicians can never be confused with saints, and politics is frequently "dirty;" that is why there is a need to go beyond the existing frameworks of patron-client, caciqueism, bossism, etc. It is more fruitful, I argue, to investigate how the Filipinos used political and economic resources available to them during the American colonial period to facilitate the formation of the Philippine state *in their own terms*. Such an investigation can be undertaken in other aspects of state-formation such as security (i.e., armed forces, the police, etc.) and the state's social services (i.e., education, health, etc.), among others. Given that the legislature was the warehouse of Filipino aspirations, and the executive served as the guardian of the American agenda, the framework of executive-legislative dynamics is an appropriate tool of analysis for developments in this regard during the colonial era.

Notes

1 Part of the preamble reads, "…WHEREAS it is, as it has always been, the purpose of the people of the United States to withdraw their sovereignty over the Philippine Islands and to recognize their independence as soon as a stable government can be established therein…" (Zaide 1990, Volume 11, 170).

2 Hereinafter, the *Report of the Special Mission on Investigation to the Philippine Islands to the Secretary of War* and the "Special Mission on Investigation to the Philippine Islands" shall be referred to as "Wood-Forbes Report" and "Wood-Forbes Mission," respectively.

3 The earlier studies of Ybiernas (2007, 2012, 2014) contain material that appears in the present work, but also have additional information and discussions that are not provided in this present article. In essence, the present article relies on the three previous works and references therein in order to provide details about the Cabinet Crisis and its historical context, which comprise the latter half of this paper. These overlaps and elaborations have been indicated throughout this article, though care was also taken to reduce cluttering the text with references by using endnotes.

4 The Federal Party was formed at a house on Villalobos Street on 23 December 1900 by conservative Filipinos with the support of the Americans. According to the party's inaugural president, Trinidad H. Pardo de Tavera (*Report of the United States Philippine Commission to the Secretary of War for the period from December 1, 1900, to October 15, 1901*, 1901), the Federalista platform were as follows: a steadily increasing autonomy; the separation of church and state; representation of the Philippines in the Federal Congress; and the adoption of the American constitution, culminating at last in the admission of the islands as one of the States of the Union (164). Shortly thereafter, the Federal Party became the largest political organization in the Philippines, recruiting a total of 150,000 members as of 17 May 1901 (165). The party membership ballooned as its leaders brandished their close ties to their chief American patron, Governor William

H. Taft. Pardo de Tavera, in particular, maintained a high profile as an influential national politician (which contributed to the Federal Party's recruitment of members) when he accompanied the Commission members on its numerous provincial trips (*Report of the United States Philippine Commission to the Secretary of War for the period from December 1, 1900, to October 15, 1901* 1901, 16). He was appointed, together with Benito Legarda and Jose Luzuriaga as members of the Commission government in September 1901, a couple of months after Taft became civil governor of the archipelago. Other founding members such as Florentino Torres and Cayetano S. Arellano were appointed to the Supreme Court, with the latter becoming its first chief justice in 1901. Another founding member, Tomas G. del Rosario, became the first governor of Bataan in 1903. The Federal Party's openly pro-American stance proved to be its undoing as well. The party's platform (cf. above) was published in *La Union* and was subsequently "bitterly assailed" by prominent nationalist and revolutionary Apolinario Mabini in *El Grito del Pueblo* (Molina 1960, Volume 2, 250).

5 Nagano (2015), nevertheless, points out that the Washington-based Bureau of Insular Affairs (BIA) still handled foreign currency and exchange matters.

6 The lack of supervision may have come about as a result of Wilson's preoccupation with the European War (i.e., World War I, from 1914 to 1918), and his subsequent involvement in the bitter (and failed) campaign to have the U.S. Senate approve American participation in the formation of the League of Nations, which was his brainchild.

7 To recap, the Cabinet Crisis of 17 July 1923 erupted after Governor Wood reinstated Detective Ray Conley, an American police officer assigned to the anti-gambling squad, to the Manila Police Department contrary to the recommendations of Manila Mayor Ramon J. Fernandez and Interior Secretary Jose P. Laurel (Onorato 1967, chapter five). Consequently, the Filipino members of the cabinet resigned *en masse,* accusing Wood of undermining Filipino self-government. This is also discussed in Ybiernas 2012.

8 Wilson replaced Governor W. Cameron Forbes with former New York Congressman Francis B. Harrison in 1913. Wilson also appointed new members to the Philippine Commission, putting in place a Filipino majority in the chamber for the first time. A few days after Harrison's appointment, Filipinos Victorino Mapa, Jaime de Veyra, Vicente Ilustre and Vicente Singson Encarnacion were sworn in as members of the Philippine Commission on 30 October 1913. Henderson Martin and Clinton Riggs were appointed on 1 December 1913; and Winfred Denison on 27 January 1914. Rafael Palma was the lone holdover (Report of the Philippine Commission to the Secretary of War 1915, 11). Hereinafter, *Report of the Philippine Commission to the Secretary of War* shall be referred to as "RPC."

9 In effect, the system was changed fully from parliamentary to presidential, mirroring the presidential system of the United States. In fact, the senatorial districts created in Section 16 of the Jones Law, with provisions for the election of two senators per district, mirrored the United States Senate and its representation of two senators per state (Zaide 1990, Volume 11, 178). Clearly, the main difference between a typical presidential system

and the one in place in the archipelago during the colonial period is that the Philippine chief executive, the governor-general, was appointed by the President of the United States of America, and not voted by his constituents.

[10] The discussions here borrow from a previous work (Ybiernas 2007, 2012).

[11] As Filipinos did not have adequate capital to engage in large-scale business activities in the Philippines under the laissez-faire framework, this would mean that development in the archipelago was going to be spearheaded by American capitalists.

[12] Hereinafter, *Annual Report of the Governor General of the Philippine Islands* shall be referred to as "ARGGPI."

[13] Ybiernas (2012, 353–355) provides additional detail on this section.

[14] Ybiernas (2007, 359) provides a brief overview of the National Coal Company

[15] American capitalists were interested, most notably, in purchasing agricultural assets held by the PNB in receivership such that it merited space in Wood's report to the Secretary of War for 1923 (ARGGPI 1923, 1924, 20).

[16] Additional details of Governor Wood's policies are discussed in Ybiernas (2012, 66–69).

[17] Price per capita of sugar fell by 50 percent from 9.19 pesos in 1920 to 4.62 pesos in 1921; abaca price per capita also fell by 65 percent from 6.64 pesos in 1920 to 2.35 pesos in 1921; coconut oil prices also dropped 32 percent from 4.31 pesos in 1920 to 2.91 pesos in 1920; and tobacco prices dropped by 60 percent from 3.69 pesos in 1920 to 1.50 pesos in 1921 (ARGGPI 1922, 1923, 131-133) Ybiernas (2007, 360) also gives an overview of the recession's impact on wages and industries.

[18] Nagano (2015) traces the origins of the financial crisis to a series of policy decisions (concerning currency reserves in the gold/silver standards and banking practices) initiated primarily by the Washington-based Bureau of Insular Affairs. As a result of these series of policy changes, state finances became vulnerable to exogenous shocks such as the post-World War I trade depression, triggering a massive financial crisis felt from 1919 to 1922.

[19] Additional details of this corruption angle are covered in Ybiernas (2012, 70–71).

[20] "The Council of State was an advisory committee to the governor-general composed of the senate president, the speaker of the House of Representatives, and the members of the Cabinet…The Board of Control…was created by the Legislature in a resolution…to perform oversight functions on the operations of public corporations" (Ybiernas 2012, 64).

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