

State and Finance in the Philippines, 1898–1941: The Mismanagement of an American Colony. Yoshiko Nagano. Quezon City: Ateneo de Manila University Press, 2015, 248 pp., ISBN 978-97-15-50703-5.

AMERICAN COLONIAL RHETORIC elucidated during the annexation of the Philippines in 1898 emphasized its (economic) developmental mission in the archipelago. As the Philippine Bill of 1902 straightjacketed the entry of American private investment to underpin this project, (Philippine) state financial resources were utilized to provide needed support for the export-oriented agriculture sector, the cornerstone of the entire enterprise. Thus, banking and finance, international trade, and the foreign exchange system formed key pieces of Philippine economic development during the colonial period.

Yoshiko Nagano's *State and Finance in the Philippines, 1898–1941: The Mismanagement of an American Colony* can be viewed as a landmark study of Philippine political economy and history, particularly during the American colonial period. It is a detailed and nuanced investigation of the Philippines' currency and banking systems of the period, focusing on specific policy changes that resulted into an epic financial meltdown during the post-World War I period.

Nagano proposes the following causal connections: it was the changes in the monetary policy initiated or allowed by the Washington-based Bureau of Insular Affairs (BIA, chapter one) and the creation of banks—especially the Philippine National Bank (PNB)—to finance the export-oriented agricultural sector (chapters two, three and four) that exposed the country's financial system to tremendous risks. Emanating from tremors in international trade after the end of World War I (chapter five), these risks were exacerbated by the PNB “corruption scandal” (chapter six). All of these shortcomings were exposed during the 1920s after a battery of government-initiated investigations, and became the subject of the reform

and reconstruction agenda in the subsequent years (chapter seven). In sum, Nagano argues that the Americans mismanaged colonial finances during the crucial World War I period, thus giving birth to the Financial Crisis of 1919 to 1922, highlighted by the PNB scandal after the war. The Bureau of Insular Affairs was supposed to provide guidance to the insular government from a financial policy standpoint, yet it fell asleep on the wheel and the result was a huge wreck. To save face, the Americans blamed the financial crisis on the collapse of the PNB, itself packaged as a corruption scandal perpetrated by the Filipino officials of the bank.

The book tends to portray Filipinos as minor actors or even bystanders in this unfortunate episode. It partially exonerates the Filipinos from the PNB debacle, save for the fact that Filipino (and American) officials of the PNB had to account for the irregularities associated with the credit inflation that they engineered through the issuance of (long-term) loans. I have trouble accepting the peripheral role of the Filipinos in the financial crisis for a couple of reasons: (1) there is enough evidence of Filipino participation in this unfolding crisis; and (2) the book leans toward the historiographical tendency to portray Filipinos as mere bystanders in their own history, even if doing so tends to excuse them from complicity in this epic disaster.

Some parts of the crisis, particularly the reduction of the currency reserve fund from 100 percent of the currency in circulation to 60 percent, came about due to legislative action by Filipinos in Manila (Act no. 2776 passed on 16 August 1918). The emergence of the PNB as a financial institution providing massive loans to the export-oriented agricultural sector was, in fact, part of the Filipino-dominated legislature's grand design to Filipinize the colonial economy, according to Nagano (1993, 220) herself in one of her earlier essays. The Filipinization of the colonial economy during World War I was the legislature's way of blocking off the entry and entrenchment of American capital in the Philippines and clear the way for independence from the United States in accordance with the Jones Law of 1916 (Castillo 1936, 157–59; Quirino 1971, 166). In my own work on the subject, I saw the hand of Filipino political actors who

staunchly and conveniently stood behind an emerging developmental state, or at least, a fledgling state-led developmental framework—in lieu of the previous laissez-faire framework—as central to the unraveling of a public fiscal crisis (in 1921 only) that accompanied and contributed to the financial problems of 1919–1922 (Ybiernas 2014, 77–78).

In recognition of Nagano’s thesis/arguments, I would like to suggest further contextualization of the political economy of the Philippines during the American colonial period in general, and of the role of the PNB in the financial crisis in particular. The role of the Filipinos during this very crucial stage of the country’s economic development cannot be de-emphasized even if doing so tends to excuse them from involvement in one of the country’s worst economic disasters and ascribes full blame to the BIA or any other American agency or agent. Nevertheless, Nagano’s contribution to Philippine political economy and history, especially during the American colonial period, is unmistakable and significant. This book is a must-read for earnest students of Philippine political economy and history.

References

- Castillo, Andres V. 1936. “The New Economic Policy in the Philippines.” In *The Philippine Commonwealth Handbook*, edited by Pedro de la Llana & F.B. Icasiano, 157–77. Manila: General Printing Press.
- Nagano, Yoshiko. 1993. “The Philippine National Bank and Sugar Centrals during the American Period.” *Philippine Studies* 41 (2): 217–31.
- Quirino, Carlos. 1971. *Quezon: Paladin of Philippine Freedom*. Manila: Filipiniana Book Guild.
- Ybiernas, Vicente Angel S. 2014. “The Politics and Economics of Recovery in Colonial Philippines in the Aftermath of World War I, 1918–1923.” *Asia-Pacific Social Science Review* 14 (1): 75–85.

Vicente Angel YBIERNAS
De La Salle University