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Imposing Capitalism: Japanese and American Colonialism in Taiwan, the Philippines, and Cuba, 1890s-1920s

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Imposing Capitalism: Japanese and American Colonialism in Taiwan, the Philippines, and Cuba, 1890s-1920s

A Dissertation submitted in partial satisfaction of the requirements for the degree of Doctor of Philosophy in Sociology

by

Marco Antonio Guzman

2015
ABSTRACT OF THE DISSERTATION

Imposing Capitalism: Japanese and American Colonialism in Taiwan, the Philippines, and Cuba, 1890s-1920s.

by

Marco Antonio Guzman
Doctor of Philosophy in Sociology
University of California, Los Angeles, 2015
Professor César J. Ayala, Co-chair
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This dissertation project focuses on the emergence of capitalism in sugar-producing colonies during the early 20th century and seeks to answer two specific questions: how did American and Japanese empires export capitalist modes of production to their respective colonies and how did these new modes of production transform local social class relations. Whereas Japan acquired Taiwan, Korea and Manchuria after defeating China in 1895, the United States acquired the Philippines, Cuba, Puerto Rico and Guam after the 1898 Spanish-American War. Despite the fact that Taiwan, the Philippines and Cuba became sugar-producing powerhouses, the social class relations that emerged during their early 20th century colonial experiences differed drastically. I argue that the specific interaction between colonial policies reorganizing property rights and existing class dynamics in the newly acquired colonies led to a complete reorganization of the
colony’s socioeconomic structure. In each colony, the newly formed class dynamics not only led to higher levels of production, but also established different levels of class inequality and economic development.

This dissertation is a monograph consisting of six chapters. The first chapter describes the methodological and theoretical imperatives delineating the argument. The second chapter shows the similarities between American and Japanese state development projects. I find that whereas the Japanese state was supportive of its imperial expansion, American imperialism faced staunch opposition from within, shaping its colonial policy. The third chapter discusses Japan’s colonization of Taiwan, a small island neglected by the Chinese government. I find that Japanese colonial policy coerced Taiwanese peasants to grow sugar cane by blocking their participation in other economic sectors. Chapter four focuses on the American invasion of the Philippines, a large archipelago neglected by the Spanish crown. Whereas the American administration encouraged American private investment in the colony, Filipino landed elites halted the American amassment of Filipino agricultural land through the creation of a Filipino-owned commercial bank. The fifth chapter discusses Cuban raw sugar. Before the American invasion, Cuba had a local class of extremely successful sugar millers. I find that the Platt Amendment and Reciprocity Act placed Cuban sugar millers in direct competition with American sugar magnates and millers from other insular properties, leading to the dissolution of Cuba’s sugar miller class. In the concluding chapter, I give an overview of the ways colonial investment affected the well-being of their colonized subjects.
The dissertation of Marco Antonio Guzman is approved.

James Tong
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University of California, Los Angeles

2015
Dedication

This dissertation is dedicated to Laura, whose patience and support were simply indispensable for the completion of this project.
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Since I embarked in graduate school, my only intention was to make sense of the conditions that have shaped my daily life. I was fortunate enough to conduct my graduate studies at the UCLA Sociology Department, where I had the opportunity to learn from Michael Mann and César J. Ayala. More than academic advisors, they were guiding lights pointing me in the right direction while letting me explore at my own will. They offered me the intellectual freedom and guidance I had been craving all my life. From my very first meeting with Michael Mann, I found his dedication to knowledge contagious. As my project took shape, we met numerous times, and in every meeting he motivated me to challenge my own logic and to make sense of reality from a theoretical perspective. César Ayala not only taught me the craft of historical and comparative research methods, but also showed me that measuring reality deserves my undivided attention and respect. His meticulous and constructive criticism of this dissertation taught me that serious sociohistorical research is a task that encompasses every aspect of my being. As I type these words, a hint of nostalgia sets in. Soon enough, I will not be able to stop by their office and discuss this project. Even though I will miss those days, I am extremely grateful for the opportunity to learn from these great social scientists. I will never be able to emulate them, but I hope that this dissertation project shows that I have strived to learn from them. Still, my stubbornness prevails and the shortcomings in this dissertation are all mine.

In pursuing my interests on colonial economic development, I was also privileged to work with William G. Roy, who helped me understand the complexities of causality in history, and James Tong, who wisely advised me to gather all the data I could while conducting archival research in the Philippines. Even though he was not part of my dissertation committee, Pavel Osinsky gave insightful comments on earlier drafts of this dissertation project, and his
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Lastly, I want to express my profound gratitude to Laura, my partner in life. Without her, nothing in this project would have ever come to fruition. She has been my support through the vicissitudes of graduate student life. In difficult times, when the project seemed overwhelming and apathy started to sink in, she not only offered words of encouragement, but also acted as my enthusiastic research assistant, keeping me motivated as I read through thousands of pages of archival records. She also managed to make the good times particularly memorable, as when we traveled through southern Taiwan searching for colonial architecture. In all, my effort and struggle to finish this dissertation was simply an attempt to keep up with Laura. This dissertation is not only dedicated to, it is also inspired by her.

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From the outset, the Eugene V. Cota Robles fully funded the first five years of my graduate training. I began immersing myself in this project through the generous funding from the Foreign Language and Area Studies Fellowship (Japanese) and the Herbert and Helen Kawahara Fellowship, which allowed me to study at Stanford University’s Inter-University Center for Japanese language studies in Yokohama, Japan.

In order to conduct archival research, I was fortunate to receive funding from the University of California Cuba Initiative and the Pacific Rim Research Program. The UC Cuba travel grant allowed me to visit archives in Havana and Santiago de Cuba. The Pacific Rim Research Program enabled me to be a visiting research assistant at the Institute of Philippine Culture at the Ateneo de Manila and conduct archival research in several facilities throughout the Philippines. Finally, the Dorothy L. Meier fellowship allowed me to spend the 2014-2015 academic year writing this dissertation project. In addition to the generous funding I received from these organizations, I am also deeply grateful to the staff at the UCLA Libraries, who helped me find materials that otherwise would have eluded me.
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Chapter 1

Colonialism and Highly Productive Class Antagonisms

1. Introduction

Colonialism breeds highly productive class antagonisms. Through the complete reorganization of property rights, the colonial administration transforms the interests and relations of the colonized social classes, leading to socioeconomic structures with profound class cleavages and high productivity rates. More specifically, this doctoral dissertation research argues that colonial policy reorganizes and redistributes access to agricultural resources, instigates production of cash crops, and encourages its capitalist class to exploit the colony and the colonized while pitting the colonized social classes against each other. This new set of class antagonisms between already existing social classes and the invaders gives rise to the economic boom colonies experience in the early years of their transition into capitalist modes of production. In particular, this research throws light at the historical process of determination that unleashed capitalist production forces in three former sugar-producing colonies at the dawn of the twentieth century: Taiwan, the Philippines and Cuba.

In the late nineteenth century, Japan and the United States became the first two non-Western European capitalist empires. After emerging victorious from the 1895 Sino-Japanese war, the Japanese empire acquired the island of Taiwan, the Korean peninsula and territories in the Manchurian region. In 1898, nearing the defeat of the Spanish Empire by Cuban and Filipino independentist forces, the United States emerged as the victor by receiving control of the

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1 My general theory derives from Marx’s work on dialectics, which argues the following: “The very moment civilization begins, production begins to be founded on the antagonism of orders, estates, classes, and finally on the antagonism of accumulated labour and actual labour. No antagonism, no progress. This is the law that civilization has followed up to our day. Till now the productive forces have been developed by virtue of this system of class antagonisms” (Marx 2000:213).
Philippines, Guam, Cuba, and Puerto Rico. Even though their empire-building projects differed, the Japanese and American states enforced colonial policies reorganizing property rights, while encouraging the development of a sugar milling industry. In the first decades of the twentieth century, under their new colonial administrations, the sugar industries of Taiwan, the Philippines and Cuba experienced astronomic economic growth. I argue that colonial policies not only encouraged capitalists to invest in the colony, but also curtailed the socioeconomic activities of the colonized social classes. The reorganization of property rights, the privileged position of the colonizing capitalist class and the limits on economic activity imposed on the colonized set the existing social classes in a rat race. Ultimately, colonial policy created a socioeconomic system where the already existing social classes had to increase their productivity in order to survive in the highly competitive capitalist environment, leading to a multi-tiered system of class antagonisms with highly productivity rates.

Even though the general theory encompasses the three case studies, this work is deeply concerned with the historical individual. Before, during and after being colonized by the Japanese and American states, respectively, the socioeconomic makeup of Taiwan, the Philippines and Cuba differed drastically. In addition to the specifics of the colonies, the Japanese and American states did not treat all their colonies in the same way—Japanese colonial policy differed in Taiwan and Korea, and American colonial policy differed between the Philippines and Cuba. Departing from the general theory, each case has its own substantive theory:

a) Taiwan: In the early years of the invasion, the Japanese colonial administration undertook a comprehensive land reform aimed at discovering and reorganizing land in Taiwan. Through the
land reform, the Colonial administration offered Taiwanese peasants the opportunity to keep their land as long as they paid the new Japanese-imposed land taxes. Unlike the previous tax-system, Japanese-imposed taxes were extremely high due to two main reasons: first, the colonial administration found that plots of land were much larger than previously reported by Chinese landlords; second, the newly-imposed land taxes were based on the future market value of the harvest. Against the exorbitantly high Japanese-imposed taxes on Taiwanese land, the Colonial administration monopolized all high ranking jobs in government and business, leaving Taiwanese peasants with one choice only: fulfill production quotas or lose the land to the next peasant willing to meet the quota. The coercive nature of the system led to a dramatic increase in sugar production, which was monopolized by the Japanese capitalist class.

b) The Philippines: Through a sweeping land reform and tariffs giving Filipino raw sugar preferential entry to the United States, the American colonial administration imposed a specific institutional configuration pitting the interest of Filipino landed elites against those of American venture capitalists, and the antagonism between these two groups percolated through out all stages of sugar production in the Philippines, increasing agricultural productivity. Soon after invading, all Filipino social classes dependent on agriculture were forced to realign their socioeconomic interests. Through the reorganization of land tenure and the limiting of the colony’s economic activity, the American colonial administration led American investors to develop the Filipino sugar milling industry. The American invasion of Filipino agricultural land set landed elites in a scramble to organize a national bank and fund a domestic sugar milling industry. In the end, the American colonial administration fomented a specific type of
antagonism between American investors and Filipino landed elites, transforming existing class
dynamics between local sugar cane planters and direct sugar producers.

c) Cuba: I argue that American colonial policy monopolized Cuban exports, placing them in
direct competition for entry to American markets with both American sugar refiners who owned
mills in Cuba and raw sugar millers from other insular properties. Due to American
protectionism of its nascent sugar-beet industry, raw sugar from Cuba had to pay tariffs. Even
though the tariffs were intended to curb the growth of the American Sugar Trust at the expense
of the beet-sugar industry, American refiners were unaffected. Since American colonial policy
controlled all Cuban exports and aggressively encouraged investment in Cuba’s sugar industry,
the American-made boom in sugar production sent Cuban sugar millers to borrow heavily from
private foreign-owned banks. As sugar prices collapsed in the early 1920s and Cuban raw sugar
was overpriced due to special tariffs set by the U.S. Congress, Cuban millers found themselves in
heavy debt and losing their property to foreign-owned banks.

In sum, this dissertation argues that through colonial policy, two young empires imposed on their
colonies a socioeconomic system conducive towards high rates of agricultural productivity.
Mainly, this research emphasizes that neither infrastructural investment nor market incentives
were behind the push for economic growth. In fact, in all these cases, direct sugar producers did
not have access to the infrastructure needed to mill sugar and export it. Moreover, the idea of
‘market incentives’ inducing higher levels of production is akin to believing that global
economic development is the ‘white man’s burden.’ For Taiwanese and Filipino peasants,
‘market incentives’ meant the complete obliteration of their lifestyle: from having to leave their
sustenance farming to working with difficult cash crops to infrastructural development
destroying their farmland and expelling them from their ancestor’s lands. For Cuban sugar
millers, although access to American markets was an incentive, it was their juxtaposition against
American refiners and millers from other colonies what led them to either produce or perish. The
ways in which these empires imposed capitalism in their colonies is a story of resistance and
coercion. Before any commodity can be exchanged in any market, humans need to interact in
order to produce the commodity. This work analyzes the interaction between social classes and
people that precede market transactions of commodities.

2. Colonial Division of Labor and Development

In this section I situate my general argument within the field of sociology and describe the
theoretical considerations shaping my general argument. This dissertation research seeks to
contribute to our scientific understanding of colonialism and economic development. In
particular, this research shows that an institutional approach to understanding the developmental
legacies of colonialism is inadequate due to two main reasons. First, focusing on the institutional
legacies of colonialism only tests if colonially-shaped institutions can adapt to outside economic
stimuli. In other words, an institutional approach offers a Schumpeterian test on the adaptability
of institutions that colonialism left behind. Moreover, this approach inevitably leads to
concluding that former colonies with a rigid and centralized institutional legacy are less likely to
adapt to new global economic trends. Second, the emphasis on the adaptability of institutions
comes at the expense of explaining the historical process of determination that gave rise to
specific institutional configurations. Before institutions distribute resources, changes to property
rights lead to power struggles for said-resources. Mainly, I contend that colonial policy
establishes new property rights, leading to new class antagonisms. These new antagonisms set in motion a specific socioeconomic system with its own particular contradictions.

My general theory argues that colonial policy shapes socioeconomic development by introducing new class interests and relations. More specifically, this research agrees with Mahoney’s work on path dependence (Mahoney 2010; Mahoney and Rueschemeyer 2003) while contradicting his general theory on the developmental legacies of colonialism (2010). Mahoney’s work emphasizes that a nation’s colonial history predetermines their attainable levels of postcolonial economic and social development. As he writes, if one “wishes to explain differences in levels of development, therefore, one should not center explanatory attention on processes that take place after a country has already settled into a given level of development. The real explanatory challenge is, instead, identifying the historical origins of the initial levels of development” (Mahoney 2010:9). Testing this premise, his data shows that former Spanish colonies that were wealthy between the sixteenth and seventeenth centuries exhibit slower development than former colonies that were not as wealthy.

For instance, Mahoney’s theory explains Mexico’s and Argentina’s current level of development by looking back to their colonial experience. As Mahoney writes, at the time of conquest, the institutions of autochthonous societies (e.g. Aztecs, Incas) reacted to the institutions (Mercantile/Monopolistic) of the Spanish empire. In turn, the interaction between local institutions and Spanish institutions gave rise to a set of Mestizo-led colonial institutions. Mainly, the exploitability of the colony at the time of conquest shaped the type of colonial institutions that emerged, which Mahoney dubs levels of colonialism. As the Bourbon reforms in the eighteenth century eased the monopoly of trade routes, colonial institutions reacted to these policies, shaping their postcolonial developmental path. In Mexico’s case, the interaction
between local Aztec institutions (high population levels and a tributary system in place) and Spanish Mercantilism made this former colony very profitable, shaping its institutional framework (high level of colonialism). After the Bourbon Reforms, mestizo elites in the capital tightened their grip over elites in rest of the nation, leading to sluggish postcolonial developmental performance. In contrast, Mahoney’s theory continues, Argentina exhibits better postcolonial performance because its colonially-shaped institutions are as not as rigid. At the time of conquest, Argentina had low population density and lacked a tributary system, remaining in the fringes of empire (low level of colonialism). As the Bourbon reforms eased trade restrictions, the lack of a strong central administration allowed Argentina’s regions to experience growth.\(^2\) Clearly, Mahoney’s theory shows that colonial institutional frameworks matter in postcolonial development. However, his theory mainly tests the responsiveness of institutions to new global economic demands.

The main issue with this institutional approach is its neglect of the historical process that precedes the building of colonial institutions. Even though Mahoney writes that specific interest groups control the distribution of resources through institutions, his theory does not tell us how those groups develop specific economic interests and how they manage to gain control of these resources and regulate them through institutions. Mahoney’s theory posits that in order to explain development outcomes, “attention must turn to colonial rules for securing indigenous labor, for assigning land rights, and for designating local political power holders” (2010:19). He adds that a “historically grounded institutional theory of colonialism and development needs to examine how specific institutions and institutional complexes put whole groups of individuals in similar positions vis-à-vis the flow of resources. From these common positions, collective actors are

\(^2\) Mahoney’s theory can be expressed as an equation: (Imperial Institutions + Local Institutions) +/- Economic Reforms = Developmental Path (Mahoney 2010:29–32).
born. These actors may then become critical forces in shaping productive activity and development outcomes” (2010:20. Emphasis added). In this view, institutions come first and collective actors second, making the shape of socioeconomic systems dependent on predetermined institutional configurations. More specifically, an institutional approach suggests that there is a “‘fit’ between the institutions of the colonizing nation and those of the colonized territory” (Mahoney 2010:3), making postcolonial performance dependent on the type of ‘fit.’ In other words, in Mahoney’s theory, the development of a nation is predicated upon the responsiveness of pre-existing institutions to imperially imposed institutions, whether at the time of conquest or subsequently.

More specifically, by ignoring the historical process leading to the rise of a new socioeconomic system, an institutional approach simply sees developmental outcomes as predetermined by colonial legacies but fails to explain why and how nations embark on specific developmental paths. As Roy’s work shows, before institutions limit access to resources, new property rights create power struggles. Roy writes that new property rights change power dynamics between interest groups, giving rise to specific institutional configurations that then enforce specific property rights (1997:14–16). In contrast, Mahoney’s institutional approach takes the process of institution-building for granted and simply categorizes institutional frameworks depending on their ability to respond to outside stimuli. For instance, Mahoney’s general theory posits that the postcolonial economic development of the Philippines should supersede Mexico’s and compare to Argentina’s. At the time of conquest, the Philippines and Argentina had low population densities, lacked tributary systems and were relegated to the fringes of empire. According to an institutional approach, both nations should have exhibited similar reactions to the Bourbon reforms, leading to similar levels of postcolonial development.
However, the opposite is true, with the Philippines exhibiting much slower economic growth than Mexico or Argentina. Other than omission, there is no theoretical justification for why the Philippines does not follow Mahoney’s institutional model. Without specific institutional settings, an institutional theory of colonialism simply does not work. In sum, Mahoney’s ‘historically grounded institutional theory of colonialism and development’ undermines the very historical process that sets nations in specific postcolonial developmental paths by assuming that institutional configurations precede socioeconomic systems.

The amalgamation of former colonies as a cohesive unit with similar institutional frameworks neglects the complexity of each of their colonization experiences and thus the ways in which people learned to manage resources. Contrastingly, this dissertation research contends that there is no fit between imperial and local institutions. Instead, a new set of property rights and class antagonisms shapes nation-specific socioeconomic systems, and the distributional-property of institutions is symptomatic of class cleavages within the system, not the other way around. It is imperative that research on colonialism does not see the process of colonization as a “fait accompli” because it is the process of colonization itself what unleashes nation-specific socioeconomic systems (Murray 1980:1–3). In order to offer an analysis of the economic development of former colonies, we need to explain exactly how colonial policy reorganized private property, altering already-existing class dynamics and leading to higher levels of production. As evidence on economic transitions shows, it is the “structure of class relations, of class power, which will determine the manner and degree to which particular demographic and commercial changes will affect long-term trends in the distribution of income and economic growth” (Brenner 1987:11).
In the Taiwanese and Filipino cases presented in this dissertation, the root of the new class antagonisms is the reorganization of agricultural property through colonial policy. However, a serious analysis on colonialism needs to specify how and why specific agricultural resources were monopolized and how this affects productivity. Mainly, historical research shows that empires create monopolies, but there are several types and levels of monopoly: from controlling government posts to limiting access to resources. Mainly, one “can say, for example, that landlords monopolise access to the land, capitalists monopolise the means of production, and so on. But if one does not distinguish between different forms of monopoly, and in particular between class monopolies and individual monopolies, between monopoly control of the means of production and monopoly in exchange, then the assertion that exploitation is the result of monopoly becomes and empty tautology” (Brewer 1980:171).

This dissertation research emphasizes two key aspects about new property rights. First, the establishment of new property rights was a touch-and-go process with a steep learning curve for capitalists. For instance, Japanese capitalists attempted to increase sugar production by establishing plantation-style sugar farms in Taiwan. This monopoly, however, proved fruitless as Japanese capitalists failed to get agricultural workers in their fields. Second, and more importantly, the only way to study the transformation of property rights is by observing how people have access to resources needed to produce before and during colonialism. In order to measure the effects of new property rights, it is imperative to observe how pre-colonial class dynamics limited access to specific resources, and how colonialism altered access to the same resource, leading to new class dynamics. Pre-colonial class dynamics had already established property rights around a specific set of resources. Colonial policy alters access to those same resources.
resources sending the already-interested classes in a scramble to access that same resource in a colonially-sanctioned way.

In order to understand the legacies of colonialism on economic development, particular emphasis must be placed on the existing class dynamics at the time of conquest. As colonial policy changes property rights, the transformation needs to mobilize and reorganize existing class dynamics. More specifically, under colonialism “new forms of export agricultural organization” create “new social classes” and destroy “old ones.” This new system generates conflict “between foreign owners of the new agricultural organizations and their wage laborers, between the new agrarian upper class and the old preindustrial landlords it replaced, and between landlords converted into commercial entrepreneurs and their former tenants now bound by ties of wages and rent” (Paige 1978:3). It is precisely the reorganization of social classes, new social classes stemming out of old ones, generating new class dynamics, what shapes the colonial socioeconomic system. The driving change empire brings to its colonies is the transformation of class relations. If existing class dynamics are not altered by colonial policy, productivity will not increase.

The reorganization of property rights, unleashing highly productive class antagonisms, encompasses an economic transformation. As Przeworksi writes, the process of proletarianization entails the separation from the ownership of the means of production, but this does not mean that the proletariat will find productive manual labor (1977:361). Since peasants do not simply turn into hard-working proletariat, I focus on how new class antagonisms build on pre-existing struggles while increasing productivity. In the Philippines, the American colonial administration implemented a land redistribution program that encouraged the amassment of land, turning local political and landed elites into a bourgeoisie while peasants were expelled
from the land. However, this process did not simply turn peasants into farm workers. As the American colonial administration reorganized land tenure, Spanish political elites slowly gained access to credit and land titles, leaving Filipino peasants with few options but to increase productivity in order to survive. Under the American land reforms, all Filipino lands were affected: land controlled by friar orders was purchased by the insular government, land that was occupied had to be registered under a new land-titling system, and frontier lands were opened. However, due to the institutional framework shaping the American land reform, none of these policies encouraged peasants to buy land. In fact, the best agricultural lands were sold to land speculators, and the costs to register land titles were prohibitive. For Filipino peasants, American colonial policy set in motion a process turning them into wage-workers. For instance, the newly dispossessed direct sugar producers could buy rice only from shops inside the newly built agrofarms, which sold rice at exorbitant prices, placing direct sugar producers in debt with the store owners, who happened to be the newly-formed Filipino bourgeoisie. In other words, this dissertation emphasizes that increases in productivity are not simply shaped by colonial policy, but by the ways in which colonial policy shakes existing class dynamics around resources needed to produce.

The birth of highly productive class antagonisms, then, is not simply shaped by new property rights. This research focuses on the ways in which new antagonisms build on old ones, and the transformation of classes and class antagonisms is observed as a fluid process that is curtailed by its own history. This dissertation research sees class struggles as “neither epiphenomenal, nor free from determination.” Instead, these antagonisms are “structured by the totality of economic, political, and ideological relations; and they have an autonomous effect upon the process of class formation” (Przeworski 1977:367). In addition, I emphasize that
classes exist only in relation to other classes, meaning that the only way to understand the interests of a social class is by studying how it relates to other classes. Classes are an “effect of struggles that take place at a particular stage of capitalist development. We must understand the struggles and the development in their concrete historical articulation, as a process” (Przeworski 1977:367). In the three case studies, I observe how colonial policy alters class antagonisms and foments high productive rates. But the process leading to highly productive class antagonisms is case specific. The very implementation and the effects of colonial policy on new property rights were predicated upon pre-existing class antagonisms.

3. Infrastructure, Management and Self Determination

In this section I discuss works that study the link between colonialism and the growth of the sugar industry. Similar to my research, these works agree that colonialism set in motion higher agricultural productivity levels. However, these works find that infrastructural investment, management and self-determination were behind the economic boom. I show that infrastructural investment, resource management and self-determination cannot account for the exponential growth in productivity levels. Although it is clear that producing at high levels requires infrastructural investment, I contend that in order to understand economic development, the researcher needs to study access to infrastructure, which is more important than the infrastructure itself. Unlike other natural resources that can be extracted and later processed for consumer use, such as oil, sugar cane needs to be processed shortly after harvesting or the quality of the sugar drops. Due to the peculiarities of producing sugar, capitalists had to invest in infrastructure to transform a natural resource into a commodity in situ, giving the researcher an exceptional opportunity to observe the process coercing people into increasing productivity levels.
Unfortunately, economic research mistakes the correlation between infrastructural investment and economic growth as causal, and the main premise presented by economists is that management of the infrastructure needed to produce was behind the economic boom. S.P. Ho concludes that Taiwan’s economic achievements result from “modern agricultural science and modern rural institutions. Through agricultural science the farmers received better seeds and more effective cultivating techniques. It was the modern rural institutions, however, that made scientific farming an effective agent of growth” (1968:326–327). In a later article, S.P. Ho adds that Taiwan’s growth was the result of “new demand and supply conditions, in a large part brought about by the opening of the island to trade […] it achieved [production] by encouraging the modernization of agriculture through direct investments and the introduction of new technology” (1975:439). Similarly, Y.M. Ho writes that “a successful transformation of a traditional agriculture requires not only that new inputs be made available but also that peasants be able to see the advantages of adopting modern inputs in enhancing their income stream” (1971:676–677). In their view, Japan’s imperial administration made Taiwan a success story through its infrastructural and social investment, teaching peasants how to become motivated workers. Similarly, Dye argues new production techniques, improving sugar cultivation and refining, were the main force behind the economic boom. In his view, “the principal forces behind [Cuba’s] structural changes were neither the political intervention nor the arrival of North American capital as predator. Rather, they were manifestations of the second industrial revolution, which heralded the rise of mass production in Cuban Sugar” (1998:4). As Dye notes, the technical requirement of refining sugar “created a unique industry and a unique set of social relations […] Any contemplation of alternative social relations was feasible only if it took into account the constraints that cane imposed on the organization of production” (1998:21). In sum,
Dye argues that the specific requirements for sugar production and new industrial forces brought about by a new era of mass production shaped the socioeconomic structure of Cuba.

These three works share two common traits. First, they argue that the ways of organizing productive forces (training peasants, types of seeds, refining techniques, quality of machinery, and so forth) in order to increase productivity are behind the increases in productivity. Second, they ignore empirical evidence contradicting their already flawed premise. More specifically, S.P. Ho and Y.M. Ho believe that peasants complied because capitalism has an economic persuasion. Their view ignores that Taiwanese peasants wanted to plant rice because it was easier to grow and offered sustenance. In fact, there is plenty of evidence suggesting that the Taiwanese population in general did not want to interact with the colonizers. For instance, in the early years of the invasion, Japanese capitalists tried to purchase low-grade sugar from Taiwanese-owned mills, but local producers refused to sell their product to Japanese capitalists.

In addition to records of peasants sabotaging sugar production as late as the 1920s, the price Japanese sugar capitalists paid Taiwanese peasants for sugar cane was based on the local price of rice, not on world-market prices of sugar. In other words, there is no evidence suggesting that either Taiwanese peasants wanted to learn how to grow sugar cane or economic incentives were behind the transformation of rice-growing peasants into sugar cane suppliers for Japanese refiners.³

Similarly, Dye writes that the “adoption of mass production techniques in [milling and cultivating] sugar” is the main force behind Cuba’s early twentieth century transformation (1998:4). Contradicting all evidence, Dye simply denies the effects American colonial policy had limiting the economic activity of Cuba, turning the island into a producer of cheap raw sugar for

³ Data on peasant revolts is from the British Consular Records on Taiwanese Political and Economic Reports from 1890s to 1920s (Eds. Jarman 1997).
American refineries. More specifically, through the Platt Amendment, the U.S. Congress controlled all economic activity in Cuba, giving the U.S. a monopoly over all of Cuba’s trade and even legally binding the U.S. to intervene militarily in the island in case of turmoil. Along with blocking trade, the American government lowered tariffs for Cuban raw sugar (polarized to 96°, not for consumer use) that would be further processed in American refineries (polarized to 99°-100°, for consumer use). These tariffs were specifically designed to encourage sugar-cane production in the island while protecting the American sugar refining industry, fostering a colonial division of labor. More importantly, this set in place a very inefficient production model where sugar had to be processed in different places: first, sugar cane was cut and milled in the colony to a specific degree of purity so that sugar/honey could be extracted before the sugar cane started to deteriorate; second, this raw sugar was purchased at a discounted rate by American sugar magnates, who, prior to selling the sugar to grocery stores, refined the sugar in their American-based refineries. In other words, it is impossible to see how mass production techniques led Cuba to mill large quantities of raw sugar that needed further processing in American refineries prior to be sold exclusively in American markets.

Skeptical of the effects of infrastructural investment shaping socioeconomic structures, Ka (1995) and Larkin (2001) write that a specific mindset also contributes to explaining the socioeconomic transformation of a colony. Ka, aware that peasants did not partake in world market incentives, argues that whereas Taiwanese peasants “retained command of their labor power and contested the terms of exchange, Japanese sugar capital controlled the commanding heights of the lucrative sugar industry and determined the conditions of cane production.” In Ka’s view, Taiwanese peasants provided “highly productive family farms” upon which Japan’s sugar investors relied (1995:4). The main issue is that Ka argues that high productivity in
farming is somehow intrinsic to the Taiwanese peasantry. In Ka’s theory, whereas Japanese colonial administrators and capitalists provided the infrastructural investment, Taiwanese peasantry provided the drive. However, evidence suggests that self-preservation, not self-determination, was behind the increments in sugar harvesting. In fact, Taiwan has very limited agricultural land, and Japan’s colonial policy coerced family farms to grow sugar cane. This meant that peasants who did not fulfill sugar cane production quotas would be evicted from the land, which was scarce and had to grow sugar cane. In other words, Japanese colonial policy set family farms in a competition to keep their land by fulfilling sugar cane production quotas.

From a different perspective, but arguing that a specific mindset is behind the socioeconomic development of a colony, Larkin argues that the “sugar industry had adverse effects on economic development, that it led to wide, harsh social and economic cleavages among the Filipino people, and that it skewed political power in the archipelago, in colonial times and later” (2001:1). Although his evidence clearly shows the dramatic class cleavages that emerged during the first decades of the twentieth century, the main issue is the process leading to the harsh levels of inequality. Larkin writes that “sugar created a native elite, prestigious and powerful who, despite their disparate provincial origins, acted together with the collusion of foreigners to shape the course of Philippine modernization” (2001:8). For Larkin, the economic opportunities that American colonialism imposed turned Filipino landed elites greedy, leading to harsh class cleavages. In his view, the real challenge in explaining economic development lies in finding the worldviews of sugar refiners and planters, shaping the distribution of profits. Larkin asks what “events shaped the thinking of sugar people, and how did they react to the changes wrought by the coming of large-scale production? One can more readily discern the social and economic structure that sprang up in sugar country during the frontier era than penetrate the
outlook of sugarmen.” Larkin adds that several “important phenomena shaped the thinking and behavior of sugar planters and landowners: conquest of the frontier; acquiescence, even encouragement, on the part of the colonial government in this endeavor; strong participation of foreigners in that undertaking; and dependence on international market conditions” (2001:102–103). In Larkin’s theory, the economic transformation itself changes mindsets and attitudes towards wealth accumulation, leading elites to waste resources while fostering economic inequality. However, this view ignores that even prior to the American colonization of the Philippines, peasants lived in poverty, while friars and Spanish elites consumed as conspicuously as they could afford. The new cleavages, I argue, were brought about by the change in property rights because we can observe classes protecting their interests before achieving high levels of profit.

Instead of suggesting that infrastructural investment and self-determination have a causal effect increasing a colony’s agricultural output, I emphasize that changes in property rights around resources needed to produce are the main drive behind the socioeconomic transition. As Zanetti-Lecuona and García show, infrastructural investment in Cuba only benefited capitalists. For instance, Cuba had a highly developed railroad infrastructure and was one of the first countries to have a fully functional railroad system. Despite this early infrastructural investment, the livelihood of Cuban workers did not improve along with Cuba’s economic growth. Zanetti-Lecuona and García show that the development of the railroad in Cuba was subjugated to the interests of the sugar industry, thereby shaping the investment on infrastructure to serve the needs of a select group of capitalists (1987), meaning that infrastructural investment was not as a driving force increasing peasant productivity. Infrastructural investment streamlines agricultural production but cannot motivate peasants to cut sugar cane for someone else’s profit. Instead of
seeing infrastructural investment as causal, I emphasize that it is access to the resources needed to produce what transforms the socioeconomic structure of the colony.

Access to resources needed to produce varies according to the stage of production, creating the multidimensional property of production. Following Ayala’s model to studying the sugar industry in the Caribbean, I focus on the vertical and horizontal dimensions of sugar refining. The series of steps needed to transform a resource into a commodity constitute the vertical dimension of production. For instance, the vertical dimension of sugar production entails land, seeds, irrigation system, and so forth until sugar is packed and ready for sale. The horizontal dimension of production, Ayala continues, entails the control for resources needed at each stage of production (1999:23–47). In other words, at each step of production (vertical dimension) there is a specific way to access the resources needed to produce (horizontal dimension). For instance, the horizontal dimension refers to whether local peasants were free to sell their sugar cane to the highest bidder or if a corporation owns all land. Just as the horizontal dimension of production varies according to property rights, the vertical dimension of production can only advance if all stages of production are met. Disruptions at any stage of production (horizontal) affect the process of production (vertical), meaning that property rights directly affect both dimensions of production. The question I address is how did the process of production flow through these two dimensions leading to high levels of production.

4. State, Empires and Colonialism

Since the state is a major actor in this analysis, the next chapter discusses in detail the role of modern states in colonialism. In this section, I briefly discuss the theoretical considerations for my usage of the state as a concept. I observe imperialism as a state development project, and
colonial policy is the means through which the state materializes its project. In particular, I focus on the development of the Japanese and American states since the mid-nineteenth century, when both states embarked in similar transformations. Seeking to fend off Western European empires from their shores, the Japanese and American states engaged in aggressive state development programs, which included expansion of their military and territory. Moreover, these state projects came on the heels of their own revolutions. In the 1860s, whereas Japan reorganized property rights and stripped feudal lords and warriors from their privileges during the Meiji Restoration, the American Civil War abolished slavery and enforced free labor as the nation’s mode of production. Armed with their own state-developmental experiences, these young states successfully embarked on imperial projects.

The Japanese and American states are examples of modern capitalist states. In order to conceptualize these two states, this work follows a long line of research defining the modern state. First, these two states are modern and capitalist, meaning that they have an intrinsic interest in generating conditions that are propitious for the production and sale of commodities. Modern capitalist states cater to the interests of its members, mainly by promoting economic growth. The state is not responsible for producing commodities; instead, it creates conditions where wealth can be accumulated. Second, the state has autonomy and engages in programs that not only promote economic growth but also perpetuate the longevity of the state itself. Mainly, modern capitalist states do not embark on developmental projects in order to fulfill the needs of an economic elite (Chibber 2003; Evans 1995; Offe and Ronge 1975; Rueschemeyer, Skocpol, and Evans 1985; Wade 1990). Imperialism as a state project promotes not only wealth accumulation, but also the interests of the state—whether to protect itself from other empires, improve geopolitical position, gain access to natural resources, spread democracy, and so forth. It is
important to note that imperialism itself is not the state’s goal. Instead, through imperialism, interest groups achieve goals (Mann 2012:17).

I follow Mann’s institutional definition of the state, which consists of clearly defined institutions, its power is centralized, and has a clear territory upon which it exercises authority and power (1993:55). To observe the infiltration of the imperial administration in its colonies, I focus on the extent to which colonial policy not only lured investors but also directed the colony’s agricultural output in a specific direction, fulfilling the state’s project. After a military excursion successfully controls the territory, the state needs to implement policies that not only maintain the colony under its command but also steer the colony’s agricultural output. For instance, the American colonial administration in the Philippines not only implemented a land reform in order to increase agricultural productivity, but also sought tariff reductions for Filipino sugar entering American shores, all this in addition to heavy military presence in the colony.

From a methodological perspective, conceptualizing imperialism as a state project allows for a systematic comparison between states, whose role in imperialism grew by the 19th century. While the shape of the American and Japanese empires differed dramatically, both empires have common departing points. Continuing the historical perspective of this analysis, I contend that colonial policies seeking to increase productivity stem out of the state’s own developmental experiences.

This dissertation project argues that these empires imposed versions of their own domestic developmental programs unto their colonies. In other words, I contend that colonial policy and its implementation are shaped by the state’s own developmental experiences. For instance, while both empires imposed land reforms in their colonies, Japan’s reliance on land taxes to fund its colonial expenditures led them to implement a highly efficient land taxation
system, emulating the land reform implemented in Japan after the Meiji Restoration. In contrast, the American colonial administration, which did not rely on local Filipino land taxes, established a very lax taxation system while making the insular government depend on tariffs for revenue. In sum, the very ways in which a state shapes its colonial policy is predicated upon its own developmental experiences, giving rise to colonial policies with rather different consequences in the colony.

5. Historical and Comparative Methods

In this section I use data to show the phenomenon and discuss the methodology used in this dissertation project to measure reality and test my theoretical premise. I observe the effects of colonial policy during a specific historical period across colonized nations that experienced agricultural growth. More specifically, in addition to controlling the temporality and comparing the colonial policies of two non-Western European modern capitalist states, I emphasize that the three colonies are comparable because they not only experienced an economic boom during the early years of the invasion, but also relied on exporting sugar. As table 1.1 shows, the three colonies share basic characteristics, warranting a systematic comparison between their socioeconomic structures.

The systematic comparison between Cuba, the Philippines and Taiwan offers an opportunity to test exactly how colonial policy increases agricultural productivity. As figure 1.1 shows, all three colonies experienced dramatic growth in terms of sugar exports, with the Philippines experiencing the slowest growth. However, a closer look shows that in terms of production of centrifugal sugar, figure 1.2, Cuba was much more productive than either the Philippines or Taiwan. In fact, in 1925 Cuba produced 5,347 thousand metric tons of centrifugal
sugar, which was about 25% of the entire world sugar production for that year—total sugar production was 21,230 thousand metric tons.\(^4\) In addition to being the largest world producer of sugar, Cuba was also the largest sugar exporter of the three colonies. As figure 1.3 shows, Cuba’s sugar industry not only produced vast amounts sugar, but also exported most of the world’s sugar. By 1925, Cuba’s exports accounted for over 35% of the world’s sugar exports of sugar, dwarfing production in both Taiwan and the Philippines.

Table 1.1: Similarities between Cuba, Taiwan and the Philippines prior to the 1930s

<table>
<thead>
<tr>
<th></th>
<th>Taiwan</th>
<th>Cuba</th>
<th>Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonies before 1890s</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Re-colonized after 1890s</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Sugar extracted from cane</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Local peasants had access to world-markets</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Sugar industry experienced economic growth in first decades of 20(^{th}) century</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

However, my general argument posits that Cuba’s exponential growth, like the other two cases, is predicated upon colonial policy. More specifically, despite the fact that Cuba had a sugar industry prior to the American invasion, I contend that the reorganization of property rights through colonial policy is behind the increases in production. As figure 1.4 shows, between 1914 and 1930, changes in production in all three islands are comparable. From these data, we can see that the Philippines experienced the largest changes in productivity, with Cuba and Taiwan

\(^4\) All data used for this section, including figures, was gathered from the Food and Agriculture Organization of the United Nations (1961). Sugar production data from the Philippines is not available prior to 1914. However, data on sugar exports from all three nations is available since the 1890s.
experiencing very similar changes in production throughout the entire period. In addition to these colonies sharing similar fluctuations in their sugar productivity, their exports grew at similar rates. As figure 1.1 shows, Taiwan is the nation that experimented the most growth in exporting sugar. Compared to the year 1900, Taiwan’s sugar industry had almost grown 3,000% by the year 1930. The fact that Cuba’s massive sugar industry grew at similar rates as the sugar industries in Taiwan and the Philippines, where the sugar industry was almost nonexistent in either colony as late as the 1890s, suggests that these three colonies were undergoing similar transformations. In sum, Cuba’s case is the crucial experiment testing my general theoretical premise.

Figure 1.1: Percentage change in sugar exports, 1900-1930 in thousand metric tons
Figure 1.2: Centrifugal production, 1914-1930 in thousand metric tons

Figure 1.3: Sugar Exports, 1900-1930 in thousand metric tons
Figure 1.4: Yearly percentage change in production of centrifugal sugar, 1915-1930

6. Conclusion and Dissertation Overview

This work offers a sociohistorical analysis explaining how colonialism changed property rights, thereby altering class dynamics and levels of productivity. Like previous research on colonial development, this dissertation project was inspired by the story of Mr. Peel, a nineteenth century British capitalist, who took fifty thousand British pounds and three thousand free workers with him to open shop in West Australia. To his surprise, soon after arriving in Australian shores, Mr. Peel found himself unable to compel the free workers to work for him—all workers simply abandoned him. Only then, Mr. Peel found out that capital becomes productive “only under circumstances in which [it] serve[s] at the same time as means of exploitation and subjection of the laborer” (Marx 1990:931–940). This dissertation project seeks to explain why people in
colonies have been compelled to work for the profit of foreign invaders. Through historical and comparative methods I explain how American and Japanese empires successfully imposed their capital, in all of its forms, upon their colonial subjects.

My dissertation is a monograph consisting of two chapters discussing theoretical imperatives, three chapters testing the theoretical premise with data from my case studies and a conclusion. The following chapter shows the institutional logic behind American and Japanese colonial projects. After the second half of the nineteenth century, both Japan and the United States increased their military, carried a major land reform, and reorganized their taxation systems. Despite these similarities, I find that whereas the Japanese state was supportive of its imperial project, American imperialism faced staunch opposition from within. The third chapter discusses Japan’s colonization of Taiwan, a small island neglected by the Chinese government. After invading, the Japanese colonial administration monopolized government posts and implemented a sweeping agricultural reform. I find that Japanese colonial policy not only coerced Taiwanese peasants to grow sugar cane, but also blocked their access to any other economic activity. Chapter four focuses on the American invasion of the Philippines. American colonial policy in the Philippines aimed to modernize the nation while including Filipinos in every step of the process. Whereas the U.S. Congress encouraged the growth of the Filipino sugar industry by encouraging American investment, Filipino elites had to organize in order to secure credit in order to compete with foreign investors in the archipelago, leading to sinecures in government, oligarchies and a large proletariat. The fifth chapter discusses Cuban sugar. Before the American invasion, Cuba had a local class of extremely successful sugar millers. I find that the Platt Amendment and special tariffs on Cuban raw sugar placed Cuban sugar millers in direct competition with American millers and millers from other American colonies. This
competition rendered the price of Cuban raw sugar noncompetitive in the American market, leading to the dissolution of Cuba’s sugar miller class. In the concluding chapter, I offer an overview of the socioeconomic and demographic changes that occurred in these colonies, and discuss why by the 1920s new class dynamics replaced the old ones, all the while Japanese industrialists and American sugar magnates accumulated wealth.
7. References


Chapter 2
The Institutional Logic of the Colonial State

1. Introduction

My general argument posits that colonial policy is the putative cause leading to highly productive class antagonisms. My goal in this chapter is to elucidate the mechanisms through which modern capitalist states impose their policies upon their colonies. While Offe and Ronge show that a modern capitalist state must foment conditions propitious for economic growth in order to sustain itself, they do not explain how states can successfully carry such task (1975). I argue that Mann’s extensive work on the state and empires offers the most applicable conceptualization of the state by allowing the researcher to observe both the boundaries of the state and the mechanisms through which the state accomplishes its goals.¹ More specifically, Mann’s institutional definition emphasizes that the functioning of the state is case specific but all functioning states require clearly defined institutions, public servants, and centralized power with the ability to coerce within a clearly defined territory. To unveil how the state actually works within its boundaries, the researcher needs to study the history of the state, the interests of the state, and how it manages to coerce people into following its laws.

1.1 Crystallization

States evolve, and their evolution is constrained by their own past. In order to observe the evolution of the state, the researcher must turn their attention to the historical processes, such as

¹ This section relies heavily on Mann’s work on The Sources of Social Power vol. 2, chapter 3; and vol. 3, chapters 2-4 (1993, 2012).
class conflict, revolutions, and geopolitical imperatives, shaping the state’s institutional framework. Mann refers to the institutional transformation and path dependent evolution of the state as its *crystallization*, which emphasizes that no two states, even if both are contemporary, modern and capitalist, have the same institutional configuration (1993:75–87). In essence, states have “multiple institutions, charged with multiple tasks, mobilizing constituencies both through their territories and geopolitically” (Mann 1993:75). The state’s own internal evolution crystallizes the shape of its institutions, multiplicity, tasks and ability to mobilize constituencies. More specifically, in this dissertation research I claim that the developmental history of the Japanese and American states led them to have different institutional approaches to implementing their colonial policies.

I observe the crystallization of these two modern capitalist states by throwing light at how their own history shaped their approach to carrying out a land reform in their respective colonies. As figure 2.1 shows, the Meiji administration, stemming out of its Tokugawa period, heavily relied on land taxes. After Japan invaded Taiwan, the Japanese government funded a land reform so that the colony would not become a financial burden on Japan’s coffers (Myers and Saburo 1984:428–430). The land reform aimed at making taxation simple and direct, enabling the Japanese colonial administration to fund the expenses it incurred. Contrastingly, the 1862 U.S. Homestead Act aimed at stimulating the economy by giving land to developers, not at increasing tax revenue for the state (Gates 1936, 1976). As figure 2.2 shows, the bulk of American tax revenue was from tariffs. Land taxes were mostly used for local government expenditures. When the American colonial administration in the Philippines planned the land reform, it was not intended to increase the revenue of the colonial administration. In fact, the insular government depended on customs for revenue. Instead, the American land reform in the Philippines had one
clear goal: free land by removing old feudal-style landlords in order to stimulate the local economy (Burns 2010:65–7). From their own developmental experiences, the implementation of their land reform in their respective colonies had different goals, leading to radically different socioeconomic structures.

1.2 Institutional Autonomy
The state’s own institutional development shapes and cements its own institutional logic and interests. When discussing state autonomy, the prevailing notion is that the state engages in programs and policies that protect its interests as well as those of its members. Since the interests and members of modern capitalists states are diverse, it is a mistake to conceptualize the state’s autonomy as if it consisted of a cohesive set of interests. To account for the diversity of interests existing within the boundaries of the state, the researcher can observe the autonomy of the state through its institutional logic, which through time defines and protects the state’s ever-evolving interests. In other words, state autonomy resides “in the autonomous logic of definite political institutions, arisen in the course of previous power struggles, then institutionalized and constraining present struggles” (Mann 1993:52). I observe the autonomy of the state through both the debates that precede the formulation of colonial policy, and, more importantly, the specifics of colonial policy, protecting certain groups while exposing others and evolving through time. More specifically, from the Japanese Land Reform in Taiwan to the Platt Amendment to the Cuban Constitution, all colonial policies presented in this dissertation research were debated by members of the state and written according to the autonomous institutional logic of the time.
Tariffs are the most direct observation of the institutional autonomy of the state. Tariffs are not only a source of revenue for the state, but also a means to protect its industrial development and encourage trade; however, the state does not protect all its industries or industrialists in the same way. Moreover, tariffs must create some balance where items entering the state’s boundaries do not threaten its local industries while stimulating economic growth. Whereas low tariffs on specific items can bankrupt local industries by exposing them to world market competition, high tariffs on specific items can also bankrupt a local industry by making its pricing too high and noncompetitive in the market. How the American and Japanese states came to favor one industry over another is beyond the scope of this project. Nevertheless, their colonial policies throw light at which industries and whose interests received protection. For instance, the sugar tariffs of the United States show the evolution of the state vis-à-vis its industrial development.

Tariffs on sugar entering the American state have fluctuated through time, sometimes protecting, sometimes exposing the same groups of people. Ayala’s work on American sugar offers an analysis of the history of American tariffs and shows that even within the sugar industry, sugar tariffs varied depending on the origin of the sugar and where it enters the state’s boundaries. Ayala shows that tariffs on sugar not only protected American sugar beet producers, but also played a big role in how sugar companies competed with each other and expanded their interests throughout the Caribbean (1999). For instance, in the early 20th century the feud between west coast and east coast sugar industrialists was mainly fought through tariffs. East coast sugar industrialists, such as Havemayer and the Sugar Trust, who relied on duty-paying sugar from Cuba, were at a disadvantage when competing with sugar refineries in the west coast, such as Spreckels’s, which received duty-free sugar from Hawai‘i. When the McKinley tariff
was in effect, 1890, sugar from both Cuba and Hawai‘i was duty free and sugar industrialists on both sides of the nation profited dramatically. Then the Dingley tariff again placed tariffs on Cuban sugar, which raised the price for raw sugar and offered protection for the nascent domestic beet-sugar industry (Weigle 1939). It must be noted that as American special tariffs on raw sugar protect different enclaves of its sugar industry and industrialists, there were two constants: first, giving raw sugar a special tariff ensured a constant flow of raw sugar to American refineries; second, special tariffs on raw sugar differentiated between raw sugar providers for American refineries, creating competitive disadvantages between raw sugar producers.

This is particularly observable in the Filipino and Cuban cases, where American tariffs protecting the nascent American beet-sugar industry had different results. In order to avoid the establishment of large sugar cane plantations in the Philippines, the U.S. Congress imposed limitations to the size of the plots that speculators could buy in the Philippines; however, these limitations were never enforced in the colony and American corporations purchased very large plots of the most fertile soil available in the colony. In contrast, in 1903 the U.S. Congress issued a 20 per cent discount for Cuban raw sugar, a special tariff suggesting that Cuban raw sugar would have a competitive advantage over raw sugar from different provenance. In reality, however, this special tariff priced Cuban sugar higher than sugar from other insular properties that enjoyed free entry to the United States. In other words, through special tariffs, the U.S. Congress rendered Cuban raw sugar noncompetitive in the American market. By the 1930s in the United States, whereas consumption of sugar originating from Cuba decreased, consumption of sugar originating from other insular properties that entered duty-free increased.
1.3 Despotic and Infrastructural Power

States must have the institutional ability to coerce people into following laws, but the institutional ability to coerce people varies according to the state. Mann writes that states can make people follow its rules either directly or indirectly, conceptualizing state power along two parallel, non mutually-exclusive expressions of power: despotic (direct) or infrastructural (indirect) (1993:55–63). An oversimplification of despotic state power can be observed through the ways states subdue their colonies with violence. Both Japanese and American militaries were heavily involved in the process of colonization, and their colonies were even ruled by military leaders—for instance, General Leonard Wood governed over Cuba by the turn of the twentieth century and later over the Philippines. However, states oscillate between the two types of power in order to make people follow its rules, and it is a mistake to assume that the state’s despotic and infrastructural capacities are not intertwined. Although the state can use violence in order to coerce its members into following its laws, such as violence to placate peasant protests, it can be just as coercive through other not-so-direct means.

I observe the coercive ability of the state through the way its colonially-involved institutions enforce its colonial policies. More specifically, the institutional evolution of the state also shapes the state’s ability to coerce its people—it is one of the tasks that state institutions develop over time. For instance, Taiwanese peasants received specific types of sugar cane seeds from local agricultural development offices set up by the Japanese colonial administration; peasants then cultivated the specific type of sugar cane and sold it to designated Japanese-owned sugar refineries (monopsony), who not only paid for the sugar cane but also distributed state subsidies and issued credit (Ka 1995:117–23). Within this institutional framework, the Taiwanese peasantry had limited options to earn money in order to pay their land tax. For the
Taiwanese, failure to meet production quotas translated into an inability to pay the Japanese land tax and lose their livelihood. The coerciveness of the Japanese state emerges through its myriad of institutions deployed in the colony and in the ways in which these institutions operate in order to enforce the state’s colonial policy, thereby limiting the ways peasants could earn money and pay their land tax.

The Japanese colonial administration controlled all higher posts in government and the business sector, suggesting that Japanese colonial rule was more “direct.” However, this should not suggest that less “direct” forms of control are less coercive. If there is something exceptional about the American empire is its ability to completely control its colonies while remaining on the shores. More specifically, by giving a discount to raw sugar entering the American market, the U.S. Congress stimulated the production of raw sugar in its colonies but not the production of refined sugar. As the U.S. Congress encouraged imports for the domestic market of sugar, it placed high tariffs on refined sugar, rendering it too expensive to compete in the American market—Cuban raw sugar refined in Cuba was more expensive than Cuban raw sugar refined in the United States. This high tariff on refined sugar restricted local millers to a specific position within the colonial division of labor. Whereas special tariffs on raw sugar were the source of heated debates, the high tariffs on refined sugar were not even debated in Congress.

The mechanisms through which the state accomplishes its projects, crystallization, autonomy and power, are intertwined and the lines demarcating them are blurred when observing reality. Nevertheless, Mann’s conceptualization of the state enables the researcher to observe the reach of the state, and how and why it manages to reach specific lengths. In sum, to gauge the causal relevance of colonial policy, I delineate the state, observe its history, evolution of its institutional logic and interests, and the way institutions enforce its laws in their respective
colonies, unleashing highly productive class antagonisms. The state’s causal force does not lie within one type of policy, such as taxation\(^2\); instead, the causal force of the state emerges through its policies that interact and require a specific institutional configuration in order to enforce them.

2. Modern Capitalist States and Empires

The evolution and institutional transformation of the state implies that empires also evolve. However, the exact relationship between the state and imperialism has not been fully researched. The imperial expansions analyzed in this dissertation research were deliberate, with Japanese and American members of the state learning from the tactics and mistakes of previous empires. As Mann writes, American empire was “not the ad hoc networks of adventurers and armed trading companies, as in the British Empire” (2012:84). Instead, it was trained bureaucrats who set out to subdue territories with the institutional muscle of their state. In this section, I emphasize that this dissertation research elucidates the importance of the state in colonialism by systematically comparing the Japanese and American states.

More specifically, an issue with studies on imperialism is that they do not consider the evolution of the state as a major player in empire because they amalgamate centuries of imperialism under one universal and law-like theoretical statement. Point in case, Frank’s (1975) and Mahoney’s work on development (2010) arrive at the same conclusions while using different causal models. Whereas Frank argues that local conditions in the colony and world market forces determine the colony’s development, Mahoney argues that local institutions and institutions from empire determine the colony’s development. Mainly, their causal model does not account for the evolving role the state plays in empires. For instance, Frank writes that *between 1760 and after* Martin, Mehrotra and Prasad argue that causal power of the state is observed through its taxation policies (2009). However, this view undermines the causal force of other non-taxation policies, such as land reforms and land distribution programs.
1898, “economic and political changes in the world and in Cuba itself transformed Cuba into the world’s principal sugar plantation” (1975:445). The main issue is that Frank assumes that whether under the American or the Spanish empire, local conditions and world market forces shaped Cuba’s economic development, thereby undermining how the American colonial government fostered the growth of sugar cane by both controlling Cuba’s exports and giving Cuban raw sugar privileged entry to the United States. In other words, Frank ignores how modern capitalist states have the institutional capacity to generate market forces.

While Frank undermines the role of the state, Mahoney exaggerates the role of the Spanish Crown in the New Spain. In his view, as imperial institutions interact with local institutions, their specific interaction leads to a preset developmental outcome (2010). The main issue is that Mahoney assumes that the Spanish Crown was able to export mercantilist institutions throughout Latin America, undermining the weaknesses of the Spanish crown. The Spanish Crown slowly expanded its empire in Latin America with the Caribbean as its departing base, and the further away from Madrid, the more difficult and expensive to control the colony. One of the main examples of the lack of institutional muscle by the Spanish crown can be observed with the Philippines. The archipelago was not only neglected by the crown, but resembled more a colony of Mexico, with Acapulco receiving the loot from Manila.

To alleviate the issues in Frank’s and Mahoney’s analyses, I not only observe two modern capitalist states that became empires between 1895 and 1898, but also compare their internal evolution since the second half of the nineteenth century. Mainly, by taking into account the temporality of the American and Japanese states, the comparison reveals that these states took a conscious effort to become empires, ultimately shaping the way they colonized and
differing from previous empires. In the remaining of the chapter, I undertake two tasks: first, I connect the state to its empire, the head to another one of its tentacles, by showing that geopolitical imperatives led states to protect themselves by expanding their territorial boundaries; second, I offer an overview of the systematic transformation that Japan and the American state experienced in the second half of the nineteenth century.

3. The Blueprint of Colonial Policies

In addition to becoming empires in the second half of the 1890s, the Japanese and American states experienced several dramatic transformations since the 1860s. During the Meiji Reformation, the Japanese administration completely transformed all property rights by abolishing a feudal-like system and establishing a new socioeconomic system following western models of development. In the same decade, 1860s, the United States was in its Civil War, which changed property rights in the south by abolishing slavery. The transformations both states experienced during the nineteenth century established capitalism as their main socioeconomic system. Both states experienced a transformation of property rights, heavy infrastructural and military investment, as well as tax reforms increasing the state’s revenue.

3.1 New Property Rights

The Meiji Restoration in 1868 removed all vestiges from Japan’s Tokugawa (Edo) era and established a new socioeconomic order. The Meiji administration abolished the existing feudal system by imposing new citizenship and property rights, removing local governors as absolute rulers of the land, and centralizing all government administration in Tokyo. Even though the

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3 Sewell writes that in historical and comparative analyses, a common mistake is to compare cases across time, which undermines the relevance of time itself (2005)
Tokugawa regime relied on land taxes, the Meiji administration’s Land Tax Reform, which began in 1873 and took about seven years to be fully implemented, greatly increased the state’s revenue (Nakabayashi 2008, 2012). As figure 2.1 shows, by 1873 the state’s coffers were growing. Through the Land Tax Reform, the Meiji administration increased the size of arable land in Japan and established the tax rate for land, which was set at 2.5 per cent of the market value—estimated by the possible agricultural output of the land.\(^4\)

More importantly, the new set of property rights allowed peasants to sell their land, and peasants unable to pay the new land tax sold their land. The Land Reform of 1873 gave peasants new rights making them “free to choose their own crops and methods of farming” (Hayami and Ruttan 1970:568). Under the new land taxation system, sectors of Japanese landowners became burdened by the tax rates. However, as Tokyo became more industrialized, new employment opportunities emerged in the urban centers, effectively turning peasants into proletariat (Gordon 1991:13–25). It is important to note that as the Meiji administration enacted the Land Tax Reform, the administration also generated new opportunities for the displaced peasantry by stimulating its industrial development, turning Japan into a modern capitalist society.

In the United States, the Civil War started in 1861 and completely transformed the socioeconomic structure of the American state. In the 1860s, in addition to waging a war abolishing slavery, the federal government was engaged in a series of programs distributing land, aiming to increase small-farm productivity. As Post writes, the abolition of slavery “removed the obstacles presented by the expansion of the slave form.” Moreover, the “Homestead Act, protective tariff and liberalized immigration laws provided a powerful impetus to the capitalist accumulation of capital” (Post 1982:51). I pay special attention to the Homestead Act of 1862

\(^4\) Originally, the Meiji administration set the rate to 3 per cent, but it was considered too high by peasants and was lowered to 2.5 per cent after popular unrest (Beasley 1960; Bird 1977; Nakabayashi 2008).
because the American Colonial Administration in the Philippines, led by W.H. Taft, relied on it as its model to encourage the economic growth of the Philippines.

The Homestead Act of 1862 aimed to stop land speculators from amassing land by giving federal lands to the landless. The act stated that “any family head who was at least 21 years old could claim between 40 and 160 acres and upon paying fees and commissions and satisfying the 5-years continuous residence and improvement (cultivation) requirement, receive title” (Hansen and Libecap 2004:3). As LeDuc notes, through the Homestead Act land was virtually free (1962:222). Moreover, the distribution of federal land was “for a time an outstanding success in enabling many thousands of settlers with little capital to become farm owners” (Gates 1976:218). However, Gates writes that the program did not necessarily work as intended because there were several other reforms distributing land, creating several opportunities for land amassment. He argues that from the “outset the cards were stacked against the efficient and successful operation of the Homestead Law. Other acts in existence in 1862 greatly limited its application and new laws further restricting it were subsequently enacted. The administration of the law, both in Washington and in the field, was frequently in the hands of persons unsympathetic to its principle” (Gates 1936:655). In sum, the Homestead Act of 1862 was a state program distributing small plots of federal land with the goal of creating small farms, but was conducted within a legal and institutional framework allowing land accumulation.

While the shape of their transitions into modern capitalist states differs drastically, it is possible to see that neither of their transformations is sui generis, and their general transition to capitalism brought about several institutional transformations. More importantly, the Meiji’s experience with its Land Reform of 1873 and the American experience with its Homestead Act of 1862 would become extremely important in planning their colonial policy. For the Japanese
colonial administration, the Land Reform enacted in Taiwan clearly aimed at increasing tax revenue by increasing agricultural productivity. For the American colonial administration, the Land Reform enacted in the Philippines sought to stimulate industrial farming by removing old landlords. Even before their colonial policy was implemented, Japanese and American colonial administrators already had a different understanding of the goals of a land reform, let alone its implementation.

3.2 Colonial Policy and Revenue

During the nineteenth century, whereas the Japanese state relied on land taxes, the American state relied on tariffs. However, it is important to note that their colonial policies, which included land taxes and tariffs, were not implemented only in order to increase the state’s revenues. In other words, Japan did not impose a land reform because it needed the funds, and the United States did not impose tariffs on products from its colonies simply in order to increase revenue. Instead, these modern capitalist states used these policies to subdue their colonies. Despite the increase in revenue from land taxes, the Japanese economy became less dependent on them, less agricultural and more industrialized. Similarly, American taxation changed in the 1910s, making income tax the state’s main source of revenue.

While its revenue increased shortly after 1873, Japan’s reliance on land taxes steadily decreased since the end of the 19th century, with land taxes contributing 40 per cent of all tax revenue between 1894-1898, 32 per cent between 1899-1903, and 27 per cent between 1909-1911 (Bird 1977). In order to increase its revenue without increasing its land tax, Japan started issuing bonds, which were bought mainly by the United Kingdom (Nakabayashi 2008, 2012). At the outset of the 20th century, Japan’s transformation not only increased its agricultural and
industrial productivity, but also diversified its ways to generate revenue. On the other hand, as figure 2.2 shows, the American state heavily relied on tariffs until 1913, when the Sixteenth Amendment to the U.S. Constitution established that the federal government could tax personal income. The diversification of the state’s sources of revenue suggests that the policies implemented in the colonies were not aiming at increasing the state’s coffers. Instead, the imperial expansion of other states and the evolution of the state’s interests were the main impetus and inspiration for their drive to become empires.

Figure 2.1: Japan’s Tax revenue, current prices, 1868-1914 in millions of Yen

(Source: Nakabayashi 2008 Appendix 3)
3.3 Geopolitical Imperatives

Japanese and American states became empires following the British model, but interpreted it in different ways. Emulating the British imperial model that granted different levels of autonomy to its colonies, the type and level of governance that the Japanese and American states gave their colonial subjects varied drastically. As Hinckley writes, Japanese and American imperialism shared several traits, such as fearing the expansion of western European empires. Whereas Japan found itself threatened by Russia, the American state wanted to keep Europe away from Latin America. In addition, Hinckley adds, both Japanese and American empires came in the heels of their own economic development. Finally, both Japanese and American colonialists claimed that their empires would bring progress to the less developed (Hinckley 1996). Aside from the
rhetorical justification for empire, their expansion was predicated upon the growth of their military, which occurred in different ways.

By the middle of the nineteenth century Japan did not have a military. During the Meiji Restoration, the traditional Japanese warrior class, the samurai, was stripped from their rights, and the Meiji administration set out to create a Japanese army. With the abolition of the traditional Japanese warrior class, the Meiji’s program to create an army relied on conscription, making all males, regardless of their social class, candidates for the army. The 1873 Conscription decree stated that at the “age of twenty, all males were obligated to give three years of active service and four years on reserve status” (Gordon 2003:66). By the late 1870s, the Japanese army found itself fighting its old warrior class and establishing the superiority of modern military (Gordon 2003:84–6). In addition to the new conscription law, the Japanese state invested heavily in its military infrastructure.

Before Japan colonized Taiwan, the Dutch and the Portuguese empires had reached its shores. When Japan was awarded Taiwan after winning the 1895 Sino-Japanese war, there were calls for the government to sell the island to a European nation. Top Japanese officials “suggested that Japan should accept France’s offer to buy the island” (Han-Yu and Myers 1963:435). However, this was not truly an option for the modern capitalist state because its imperative was to keep the French away. As figure 2.3 shows, Japanese expenditures on its military increased dramatically with spikes during the first Sino-Japanese War (1894) and in the First Russo-Japanese War (1905). From the abolition of its traditional warrior class to its heavy investment on its military, the Meiji administration actively sought to reform its defenses and protect its borders and newfound interests.
For the United States, the Monroe Doctrine shaped its military expansion. Despite the fact that the American navy in the 1850s played a crucial role in persuading Japan to open its ports for trade, the display of force shown by the American navy was basically the entire force. LaFeber writes that the formation of American empire started brewing since the early nineteenth century with the Monroe Doctrine, which suggested that American interests included Latin America. LaFeber argues that the Monroe Doctrine slowly evolved into including the building of naval forces after the 1880s in Central America. In his view, the Monroe Doctrine spread and transformed American interests, which culminated with the building of the Panama Canal, built under the banner of protecting American prosperity and security (LaFeber 1997:60–73). As the Monroe Doctrine morphed into imperialism and not just keeping Europe away, the American state invested heavily in its military. As figure 2.4 shows, American investment in its military spiked in the 1880s and kept growing.

Figure 2.3: Japanese military expenditure, current prices, 1868-1914 in millions of Yen
In sum, the transformation these two states underwent during the nineteenth century not only transformed the interests of the state, but also its institutional configurations and ability to carry tasks, from creating an army to finding new ways to generate revenue. By the end of the 19th century and in the first decades of the 20th century, American and Japanese states defeated two decaying empires, and transformed the socioeconomic structure of their colonies, turning them into agricultural powerhouses.

4. Conclusion
Through the implementation of their colonial policy, the Japanese and American states unleashed highly productive antagonisms. The policies used in their colonies stem out of their own developmental history; however, the specific ways in which colonial policies were implemented turned these domestic policies pernicious. While the Land Reform in Japan levied heavy taxes on its peasantry, it also fomented other industrial sectors where peasants could find subsistence. In Taiwan, the Japanese Land Reform actually tied peasants to agricultural work by limiting the colony’s industrial development, blocking local participation in Japanese businesses and government, and restricting the types of crops peasants could grow. This was accomplished through a series of institutional configurations exported from Japan and molded to fit its newfound imperial interests. Through an specific institutional configuration that enforced colonial policy, Taiwanese landowners, who subdivided their plots of land and rented them to Taiwanese sugar-cane growers, were forced to coerce their renters to increase their sugar cane production in order to afford the Japanese tax on Taiwanese land. Through colonial policy, new relations between Taiwanese landowners, Taiwanese sugar-cane growers, Japanese capitalists and administrators emerged leading to high productivity levels.

Similarly, the American Land Reform in the Philippines was implemented differently than the U.S. Homestead Act of 1862. Particularly, the introduction of the Torrens System and the lack of any type of subsidies made peasants lose their land and enabled American sugar investors to amass soil. As fertile soil became available through the American land reform, and as the U.S. Congress in 1909 gave Filipino raw sugar free entry to the United States, American sugar magnates built sugar cane milling facilities in the archipelago, turning Filipino landed elites into sugar cane planters for American mills. This division of labor endured until Filipino
elites were able to form the Philippines National Bank in 1916, a commercial bank that issued loans to local landed elites willing to invest in sugar-milling technology.

Finally, the American colonization of Cuba had a different institutional configuration than in the Philippines. In Cuba, the American colonial administration not only controlled Cuba’s exports, but also limited the access to credit for Cuban refiners. In other words, through the Platt Amendment, special tariffs on raw sugar, and the blocking of the creation of a national bank, the U.S. Congress made Cuban millers completely dependent on both foreign banks to keep their sugar industry going and the American market for raw sugar. American colonial policies in Cuba were implemented from American shores but pitted Cuban sugar-cane millers against American sugar magnates in the island and against millers in other insular properties.
5. References


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Chapter 3
Taiwan under the Japanese Colonial Division of Labor

1. Introduction

Under the Japanese colonial state, Taiwan’s agricultural productivity grew dramatically. However, not everyone involved in the development of the Taiwanese sugar industry benefited. Mainly, I show that Japanese investors and the Japanese colonial state were the only two parties directly benefiting from the profits generated through the colonially-imposed sugar milling industry in Taiwan. How did Japan’s colonial policy increase sugar productivity in Taiwan? Moreover, how did Japanese colonial policy frame the organization of the Taiwanese sugar industry? I contend that Taiwan’s agricultural growth during the first decades of the twentieth century occurred directly under the whip of the Japanese Colonial State.

I argue that through both the reorganization of property rights and an specific institutional configuration promoting the growth of specific cash crops, Japan’s colonial administration created the necessary conditions enabling Japanese venture capitalists to exploit Taiwan’s agricultural resources, leading to higher levels of agricultural productivity. Through a sweeping land reform, the Japanese colonial administration replaced absentee landlords by their foremen, who supervised, planted and sublet small plots of land. By placing an extremely high and non-negotiable tax burden on the newly created landowning class, the Japanese colonial administration gave rise to a new set of class dynamics between the former foremen and their tenants. The specific shape of these new class dynamics emerged due to Japan’s colonial institutional framework. By monopolizing all business and government posts, the colonial
administration effectively made agricultural work the main source of income for the Taiwanese. As the colonial administration both placed a tax burden and limited their sources of income, the new Taiwanese landowning class was able to pay their land tax only by meeting production quotas of specific cash crops, leading to a set of class antagonisms where landowners diffused their production quotas between their tenants, who were in constant risk of eviction. It is important to emphasize that agricultural land was scarce in Taiwan, and eviction from the land meant a complete loss of access to resources. In order to stimulate the growth of specific cash crops, the Japanese colonial administration set in place an institutional framework not only offering subsidies on specific seeds, fertilizers, and irrigation systems, but also ensuring that Taiwanese agricultural workers sold their cash crops to designated Japanese investors. Through the complete reorganization of socioeconomic life, the Japanese colonial administration created the conditions where its capitalist class received a constant supply of raw materials, turning Taiwan into an agricultural powerhouse.

After losing the 1895 Sino-Japanese War, China ceded Taiwan, along with the Korean peninsula and territories in Manchuria, to the Japanese Empire. In the first decade of the invasion, Japan set out to create a sugar refining industry in the south of Taiwan, where conditions for growing sugar cane were ideal. Prior to the Japanese invasion, Taiwan did not have a sugar industry. However, in the first decades under the Japanese colonial state, Taiwan’s sugar output increased dramatically (see figures 1.1, 1.2 and 1.3 in chapter 1). More importantly, despite exhibiting great agricultural growth, Taiwan lacked certain characteristics present in other colonies that also increased their agricultural output during the same period. Whereas other colonies that developed a sugar industry in the late 19th and early 20th century relied on a strict separation of the workers from the land, in Taiwan there were very few plantation-style sugar
can farms. Instead, the bulk of sugar cane harvesting was produced under a system with high tenancy rates and low rates of property-less and migrant workers. Due to the lack of plantation-style industrial farming, the persistence of high tenancy rates and the vast amounts of agricultural investment by the Japanese colonial administration, the growth of Taiwan’s agricultural output seems to be a continuation of the previous system but with more efficient agricultural technology. However, I show that Japan’s colonization of Taiwan completely uprooted the previous socioeconomic system by imposing a version of capitalism.

The attempt to build a sugar industry in Taiwan by the Japanese colonial administration was met with fierce and persistent resistance. For Taiwanese peasants, growing sugar cane not only transformed their landscape since sugar cane requires a radically different irrigation system than rice, and a network of railroads and sugar mills, but also threatened their way of life. Unlike rice, sugar cane did not offer sustenance, could not be stored for future droughts, and was not the basis of their diet. Instead, during the Japanese colonial period Taiwanese peasants unsuccessfully attempted to go back to planting rice, a grain that offers sustenance even during droughts and the staple of their diet. In the following, I show the exact sociohistorical process of determination through which the Japanese colonial state violently uprooted the way of life of the Taiwanese peasantry by imposing a socioeconomic system with a new set of class antagonisms that led to high productivity levels in the sugar industry.

2. Market Incentives, Infrastructure and Highly Productive Peasantry

Along with the existing research on this subject, the guiding question in this research is as follows: why did agricultural productivity increase in Taiwan despite the lack of plantations and the continuation of high levels of tenancy? The consensus among economic historians and
economists is that Japan was a benevolent empire that transformed Taiwan’s stagnant economy into an agricultural powerhouse through heavy infrastructural investment. Other social scientists are skeptical of Japanese benevolence and argue that Taiwan’s economic boom in the early 20th century was determined by Japanese infrastructural investment and coercion as well as by the productive mindset of Taiwanese peasants (Ka 1995). In this section I analyze the two most prevalent lines of research seeking to explain the process that turned Taiwan into an agricultural powerhouse under Japan’s wing. First, I focus on Ka’s analysis (1995) that argues there were two main forces driving production in Taiwan: Japanese coercion and Taiwanese drive to produce. While my research corroborates the former, evidence contradicts the latter. Second, I focus on the most commonplace argument seeking to explain Taiwanese economic growth during its Japanese era. This school of thought suggests that Japanese investment—from fertilizers and irrigation systems to education and transportation—is responsible for the increase in agricultural productivity that Taiwan experienced during its Japanese era (Y.M. Ho 1966; S.P. Ho 1968, 1975, 1978; Myers and Saburo 1984). The basic notion is that Japan’s industrial system was efficient and contagious with market incentives turning peasants into capitalists. While both lines of research offer valuable insight into the ways the Japanese colonial state increased Taiwan’s agricultural output, both undermine the importance of the new class dynamics that emerged in the island under the Japanese colonial administration.

2.1 Taiwanese Resistance to Increasing Agricultural Productivity

Following Wickberg’s argument that Taiwan’s land tenure system in the 19th century continued during the 20th century (1981), Ka argues that the tenancy system in Taiwan and its peasantry were moving towards increases in agricultural production even before Japan’s invasion. For Ka,
Japan provided the stimuli Taiwanese peasants needed in order to finish the developmental projects that Governor Liu started between 1884 and 1891. Had Governor Liu remained in power longer, the argument continues, Taiwan would have developed into a productive agricultural powerhouse even without Japan’s invasion. In addition to the developmental policies that were cut short in the late 19th century, Ka argues that Taiwan’s peasantry was not only market savvy but also willing to exploit themselves in order to produce more (1995). I argue that Ka’s notion that Taiwan’s peasantry was intrinsically interested in profit seeking is neither theoretically nor empirically sound on two basic grounds. First, Ka’s argument that Taiwan’s peasantry was intrinsically moving towards a more productive society ignores the historical fact that peasants who produce for sustenance do not intrinsically feel the need to generate profit (see Brenner 1987). Second, throughout the entire Japanese era, Taiwanese sugar producers not only were disinterested in adopting new technologies but also distrusted the Japanese and wanted to revert to planting rice, which gave them sustenance.

Prior to the Japanese invasion, the existing class dynamics in Taiwan were not conducive towards a highly productive agriculture. More specifically, the policies that Governor Liu tried to implement between 1884 and 1891 were unsuccessful but their failure was not due to lack of time, as Ka suggests. Instead, Chinese elites, whose interests were threatened by Governor Liu, stopped the reforms. To further explain this point, I will briefly describe land tenure conditions in late 19th century Taiwan and Liu’s policies.

 Taiwanese land tenure system prior to Japan’s invasion was complex and differed from the mainland. The island had a three tier system: 1) Chinese elites had the title to large plots of land in Taiwan. This group consisted of high-ranking military close to the Chinese emperor—Governor Liu came from the military. The elite class paid tax to the emperor and most of its
members were completely detached from agriculture. 2) Land foremen were hired by the elites with the task to develop the vast plots of land. These land developers paid rent to the elites and acted as *de facto* landowners, subdividing the land and leasing it to direct producers. When Japan conducted its land reform, these foremen received the land titles and had to pay the land tax to the Japanese government. 3) Tenants had the right to work the land and paid rent in kind to the land developer. As Speidel argues, the lack of an administrative body in Taiwan and the detachment of the elites from their land generated a system where most elites did not know how much land they possessed and how much rent land developers owed them (1976:452). In view of the situation, Governor Liu in 1884 started a series of reforms aimed at strengthening Chinese presence in the island. Among Liu’s projects was the reorganization of property rights where land foremen assumed the land title and tax responsibilities (Ka 1995; Speidel 1976; Wickberg 1969, 1981).

Since by 1905 Japan turned the foremen into tax paying landowners, Ka argues that Taiwan was moving towards a more fiscally responsible society decades before Japan invaded. Since Liu’s policies were not successfully implemented, Ka writes that Liu simply needed more time in order to carry his reforms—due to health issues, Liu had to retire in 1891. Ka notes that by “creating the legal framework for a modern system of absolute and free ownership in the countryside, the Japanese colonial government put the finishing touches on an evolution that had begun long before” (Ka 1995:60). However, historical records show that Liu lacked not only more time to implement his policies but also the support of Chinese elites, who halted his reforms. Speidel writes that Chinese bureaucrats within his administration not only constrained Liu’s policies, but also “hostility toward him grew among the local elite in southern Taiwan” due to his projects. The hostility towards Liu was such that he and his government had to move from
Tainan to Taipei (Speidel 1976:447–8). Even if Governor Liu had more time in Taiwan, we can observe that the existing class interests in the Chinese colony obstructed the creation of a more productive and fiscally efficient land tenure system.

Moreover, Ka argues that Taiwanese peasants increased their agricultural output due to both Japanese investment and “self-exploiting” family farms. Ka writes that “indigenous family farms were supported by both the state and agroindustrial capital, and they reproduced themselves at high levels of production. Vertical concentration [Japanese control of refining and exporting sugar] prevented family farms in colonial Taiwan from being confined to low-productivity units […] Family farming was strengthened not only by intensive use of family labor but also by increasing productivity” (Ka 1995:109). Ka’s view suggests that Taiwanese peasants were willing to produce more and Japanese investment and inclusion in the sugar industry allowed peasants to increase their production. However, historical records suggest that Taiwanese peasants were reluctant members of the sugar industry throughout the entire Japanese era. In fact, records show that Taiwanese peasants were not only reluctant to grow sugar cane but also engaged in various ways of resistance.

In the first years of the invasion, as Japan tried to stimulate a native Taiwanese sugar industry, there were no signs of growth. The slow growth of a native sugar industry was due not only to the presence of active guerrillas and overall insecurity in the island, but also to the business practices of the Taiwanese. The collection of British Diplomatic Consular Reports on Taiwanese Political and Economic Reports (BDCR) show that since 1897 Taiwanese peasants were rather reluctant to trade with Japanese investors and to use modern machinery (ed. Jarman 1997, see Volume 5, years 1897-1900). More specifically, the British consulate writes that the sugar industry in Taiwan could not grow because of the “opposition of a few powerful Chinese
merchants who have gained control of half the sugar production of [Taiwan] through advancing money for the purchase of the year’s crop at usurious rates of interest, thus keeping the producers in their debt and power” (ed. Jarman 1997, BDCR 1899; Vol 5, 617-618). Despite this situation, Taiwanese peasants still preferred to deal with Chinese merchants and constantly refused to sell their sugar cane to the Japanese (ed. Jarman 1997, BDCR 1900; Vol 6, 24). In addition to the reluctance to trade with Japanese investors, Taiwanese peasants were constantly trying to switch crops, mainly from sugar cane to rice.

The BDCR documents Taiwanese resistance and their constant attempts to stop planting sugar cane and move to rice, which had been grown in the island for centuries and provided sustenance to peasants. Even after Taiwanese sugar experienced the economic boom of the 1910s, peasants were still apprehensive towards growing sugar cane. One of the best examples of Taiwanese resistance towards producing for the Japanese sugar industry is worth quoting at length:

A sugar company has a dispute with the cane growers. The latter wish to plant rice, if their land is suitable therefor [sic]. The sugar company holds out and uses all its influence to make them grow cane. Suddenly the group of farmers concerned give in. Cane is planted and allowed to go grow to a certain height. The young shoots then suffer damage, mysterious and nocturnal, the manner of the occurrence of which is obscure. Unknown resources are placed at the farmers’ disposal and he loses nothing on the “transaction” (ed. Jarman 1997, BDCR 1925; Vol 7, 86).

In sum, I agree with Ka’s argument that the infrastructural investment made by the Japanese was not the main force leading to the growth of agricultural output in Taiwan. However, evidence
shows that Taiwanese peasants were rebellious and their resistance effectively hindered Japan’s sugar industry in the earlier stages. I argue that Taiwanese peasants were concerned with sustenance and not intrinsically developing a taste for high productivity.

2.2 Taiwanese Peasants and Market Incentives

The Japanese colonial administration invested heavily in Taiwan: in the first decade cropland doubled, new machinery was imported, new roads and railroads were built, more productive sugar cane seeds were imported from Hawai‘i and Java, and planters associations introduced peasants to more efficient agricultural techniques (Y.M. Ho 1966, 1971; S.P. Ho 1968, 1975, 1978; Ka 1995; Myers and Peattie 1984). Due to the largesse of Japan’s investment, the most prevalent research on Japanese colonialism in Taiwan argues that direct sugar producers became convinced that participating in the newly established, Japanese-controlled industries benefited their economic interests. However, assuming that both peasants had economic interests and investment translates into active peasant participation in the newly formed industries is unwarranted. In Taiwan, just as in other sugar producing colonies, industrial investment benefited the investor class and established a colonial division of labor.

Japan invested heavily in Taiwan in order to exploit the island’s natural resources, not to entice peasants to produce. Through monopolies and oligopolies the Japanese state and its investor class controlled the island’s economy. Mainly, Taiwanese sugar cane growers did not benefit from the infrastructural and industrial development because Japanese policies prevented their participation in the upper echelons of its industrial complex and limited their access to infrastructure. The Japanese colonial administration relegated all agricultural work to Taiwanese peasants, and Japanese industrialists and administrators reaped the market incentives. More
specifically, while the Japanese government monopolized the profits of the tobacco, alcohol, opium and camphor industries, Japanese sugar magnates created a sugar oligopoly. Contrastingly, Taiwanese peasants were forced to supply raw materials to the newly-formed Japanese industries. To further limit access to markets, sugar capitalists paid very low prices for sugar cane. In fact, the price for sugar cane paid to Taiwanese agricultural workers by Japanese investors was not based on world market prices for sugar; instead, sugar cane prices paid to the Taiwanese direct sugar producers were a function of local rice prices (Ka 1995:4–5).

In one of the most prominent works on Japanese colonialism in Taiwan, S.P. Ho writes that colonial “economic growth was initiated and sustained through powerful government efforts to expand the economic infrastructure, to increase investment in human capital through health and education, and to raise productivity” (S.P. Ho 1984:351). S.P. Ho further argues that even without plantations Taiwan thrived because “the Japanese realized that developing peasant agriculture under the plantation system would have involved enormous supervision costs. It was easier and less costly to use market incentives to induce peasants to increase production” (emphasis added, S.P. Ho 1984:385). In that same volume, Myers and Saburo write that “villagers began to note that they could market a larger quantity of their crop while still buying other goods […] Farmers responded by allocating more land and labor to produce the more profitable crops for the market […] Land and labor in that crop activity became more productive, and output per unit rose” (emphasis added, Myers and Saburo 1984:430). According to this line of research, Taiwanese peasants realized that taking part in Japan’s economy improved their condition, thereby increasing their productivity. Surprisingly, it is this line of research that accurately shows all industries were in the hands of the Japanese while sugar cane prices kept peasants living at subsistence levels. In other words, this line of research suggests that Japan’s
colonial government effectively barred Taiwanese sugar cane growers from market transactions but Taiwanese peasants willingly increased production because of market incentives.

Upon the invasion of Taiwan, the Japanese government monopolized the production and sale of camphor, opium, tobacco and alcohol. Moreover, by 1914 all sugar mills and the infrastructure to ship sugar cane to the mills were owned by Japanese investors. In this economic environment of state monopolies and industrial oligopolies, it is difficult to see how markets were an incentive to increase production for direct sugar producers. Moreover, as table 3.1 shows, the Japanese government generated all of its revenues through industries that excluded Taiwanese participation: all income made by the Japanese Colonial Government in Taiwan was in the hands of the Japanese state.

Table 3.1: Taiwan’s Receipts by Source, Annual Averages in Percentage

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Taxes</td>
<td>11.4</td>
<td>19.4</td>
<td>11.8</td>
<td>13.2</td>
<td>13.3</td>
<td>10.2</td>
</tr>
<tr>
<td>Excise Taxes</td>
<td>8.0</td>
<td>7.1</td>
<td>9.5</td>
<td>16.2</td>
<td>16.8</td>
<td>13.2</td>
</tr>
<tr>
<td>Monopoly Profit</td>
<td>23.9</td>
<td>32.9</td>
<td>26.0</td>
<td>30.7</td>
<td>30.5</td>
<td>36.9</td>
</tr>
<tr>
<td>Custom Duties</td>
<td>15.9</td>
<td>11.0</td>
<td>1.5</td>
<td>4.7</td>
<td>11.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Property income</td>
<td>3.4</td>
<td>5.8</td>
<td>9.9</td>
<td>16.2</td>
<td>9.3</td>
<td>17.1</td>
</tr>
<tr>
<td>Others</td>
<td>2.2</td>
<td>4.4</td>
<td>10.4</td>
<td>17.6</td>
<td>14.9</td>
<td>10.1</td>
</tr>
<tr>
<td>Individual payments</td>
<td>1.1</td>
<td>1.3</td>
<td>1.5</td>
<td>1.4</td>
<td>4.3</td>
<td>4.5</td>
</tr>
<tr>
<td>Transfers from Abroad</td>
<td>34.1</td>
<td>18.1</td>
<td>29.4</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

(Sources: data from S.P. Ho 1975:436 table 6)

In addition to fostering an economic structure where only Japanese venture capitalists and colonial administration benefited from market transactions, the sugar industry, the most important force behind Taiwan’s economic growth, also invested heavily in infrastructure. As in
other sugar colonies, i.e. Cuba and the Philippines, private investment on infrastructure did not benefit direct sugar cane growers. Despite Japan’s inability to successfully establish plantation-style farming in Taiwan, industrialists controlled all access to production infrastructure.

In 1908 there were seven large sugar companies in Taiwan, five Japanese-owned: Taiwan Sugar Co., Dai Nippon Sugar Co., Toyo Sugar Co., Meiji Sugar Co., and Ensuiko Sugar Co. (also spelled Enshuiko); and two British-owned: Formosan Sugar and Development, Hokuto Sugar Mill (ed. Jarman 1997, BDCR 1908, Vol 6, 371-373.). Along with the construction of more advanced sugar-refining facilities, these corporations also built railroads so that sugar cane could be shipped to their mills faster.¹ As table 3.2 shows, out of 279 miles of railroad, only 46 were for public use. In other words, peasants could not activate market competition between mills buying sugar cane, limiting their ability to tap into market incentives and fostering a colonial division of labor.

Table 3.2: Railroad miles owned by Japanese Sugar Companies in Taiwan, 1908

<table>
<thead>
<tr>
<th>Sugar Corporation</th>
<th>Total Railroad Miles</th>
<th>Public Railroad Miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan Sugar Co</td>
<td>90</td>
<td>30</td>
</tr>
<tr>
<td>Meiji</td>
<td>31</td>
<td>10</td>
</tr>
<tr>
<td>Shinko*</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td>Ensuiko</td>
<td>50</td>
<td>6</td>
</tr>
<tr>
<td>Toyo</td>
<td>47</td>
<td>0</td>
</tr>
<tr>
<td>Dai Nippon</td>
<td>51</td>
<td>0</td>
</tr>
</tbody>
</table>

(Sources: ed. Jarman 1997, BDCR 1908, Vol 6, 378)  
(*Shinko Sugar co. was a small sugar company)

In sum, all profits from selling in markets were in the pockets of Japanese industrialists or colonial state; moreover, all infrastructure for production was controlled by the Japanese. In addition to the controlled access to markets, Tun-Jen shows that “growth rate of per capita

¹ Unlike other crops, sugar cane needs to be milled shortly after harvesting because its sucrose content decreases rapidly.
consumption was far behind that of per capita production, thanks to cartelized sugar production, organized export and the control of input materials such as chemical fertilizer” (2001:22).

Clearly, Ka disagrees with the market-incentives perspective. Whereas Ka argues that Taiwanese peasants were intrinsically productive, S.P. Ho argues that market incentives turned peasants into capitalist farmers. Departing from these two main perspectives on Taiwan’s agricultural growth under Japan, in the remaining sections of this article I argue that the exact process that led to an increase in agricultural production was the drastic change in class dynamics brought about by the land and tax reforms and Japan’s institutional configuration limiting the economic activity of Taiwanese agricultural workers. The data shows that Japan was not Midas and the Taiwanese peasantry was not self-exploiting.

3. Colonialism and High Levels of Productivity

Like previous research on the development of the sugar industry in Taiwan, I rely on the British Diplomatic Consulate Reports for data (ed. Jarman 1997, 1890s-1920s, vols. 4, 5 and 6). However, unlike other works that mainly use data from tables, I also include the narrative, which offers rich and detailed descriptions of the rise of the sugar industry in Taiwan. Based on historical evidence, I argue that the Japanese invasion of Taiwan created a new set of class dynamics that not only coerced peasants into producing sugar cane, but also tied them to agricultural work. More specifically, I argue that the Japanese state, through the land reform and the institutional configuration enforcing colonial policies, created Taiwan’s sugar industry by coercing the Taiwanese peasantry to comply with production demands of the Japanese investor class. I aim to show that increased productivity of the sugar industry in Taiwan was determined by the following factors: 1) Japanese policies blocking the movement of Taiwanese peasants
from agriculture to industry. These policies not only forbade the creation of Taiwanese owned corporations but also limited their participation in local politics. 2) The land reform and tax reform carried by the Japanese state in the first decade of the invasion. The heavy tax burden imposed on peasants not only forced them to comply with specific sugar cane production but also paying this tax allowed them to keep their land, which was scarce and extremely sought after. 3) Heavy state subsidies encouraging the growth of specific cash crops. Along with the aggressive increments in arable land in Taiwan, the Japanese state offered subsidies aimed at encouraging specific industries. Under the institutional framework imposed by the Japanese Colonial State, Taiwanese peasants had no choice but to till the soil and grow crops that challenged their lifestyle. If Taiwanese peasants did not meet production quotas of sanctioned crops, they would lose their land, leaving them few options, if any, to survive.

Japan invaded Taiwan in 1895 and until 1902 the Japanese state was mainly concerned with appeasing the many guerrilla movements occurring throughout the island. Nevertheless, investment in the agricultural development of Taiwan started under Governor Kodama and his head of government Goto. As this research shows, the creation of a sugar industry in Japan was marked by a series of failures, which heavy state subsidies sought to ameliorate. From the outset of the invasion, Taiwanese peasants were not fond of planting sugar cane. Unlike rice, growing sugar cane is labor-intensive and does not allow peasants to subsist. Under conditions where Taiwanese peasants were apprehensive towards both Japanese industrialists and sugar cane, the Japanese colonial administration invested heavily in order to develop a profitable sugar industry in Taiwan.

Before 1902, Japanese attempts to boost a Taiwanese sugar industry failed and only Chinese merchants were able to profit from the sugar trade between Taiwan, China, and Japan. In
1902 Japan enacted the Sugar Encouragement act, offering subsidies to local Taiwanese peasants interested in growing sugar cane. Taiwanese peasants who grew sugar cane sold their cane to Taiwanese-owned mills, thereby limiting the amount of sugar cane sold to Japanese-owned mills. After the 1902 act failed to increase the supply of sugar cane sold to Japanese-owned sugar mills, the Japanese colonial state took a more aggressive approach. By 1905, the colonial administration enforced sugar cane monopsonies ensuring that Japanese sugar mills received cane, eradicating local Taiwanese mills and effectively cancelling any market competition between sugar cane sellers. Moreover, along with the creation of monopsonies, Japanese subsidies for sugar refining machinery for Taiwanese owned mills ceased. Even after monopsonies were put in place, however, Japanese lack of expertise in refining sugar led to a slow growth in the industry in the first years. By 1908 there were five large Japanese sugar corporations and two British owned sugar corporations in Taiwan, but by 1914 all sugar milling was in the hands of the Japanese sugar oligopoly. In addition to state sanctioned measures ensuring that Taiwanese peasants sold their sugar cane to Japanese owned mills, the Japanese colonial government offered subsidies and training to peasants as long as they planted sugar cane.

Monopsonies and state subsidies, however, became enforceable only due to Japan’s land reform of Taiwan, carried in 1903. The Japanese colonial government was able to coerce peasants to working with sugar cane after the land reform implemented in 1903-4. In 1903, Japan concluded its cadastral survey, which not only allowed them to calculate the tax burden for landowners but also unveiled that Taiwanese landowners severely under reported the amount of land under their control. The land reform changed property rights and turned de facto landowners into de jure landowners, placing the tax burden on them. This meant that the high tenancy rate
remained almost constant—the new property rights allowed landowners to keep their tenants. However, despite the profound transformation in property rights that the Japanese administration imposed, the relationship between tenants and Taiwanese landowners was not regulated by the Japanese colonial administration until the 1920s, allowing the newly formed landowning class to impose its interest to keep their land title upon their tenants.

4. Rise of the Sugar Industry

Drawing from the BDCR and corroborating with other sources, in this section I offer a narrative of the rise of Japan’s sugar industry in Taiwan. The main point of this section is to elucidate that the creation of the sugar industry in Taiwan was quite a difficult task marred by constant production failures but that effectively limited Taiwanese participation in the industry. Japanese sugar industrialists in Taiwan had to not only fight a tug-of-war with direct sugar cane producers who wanted to switch to rice, but also cope with their own lack of experience and even Taiwan’s weather. Despite Japanese attempts to increase sugar production in Taiwan since the beginning of the invasion, sugar mills only started receiving steady supplies of sugar cane after Japan created a monopsony system in 1905. And even after Japan introduced the monopsony system, sugar production in Taiwan had a slow start.

In the first years of the invasion, the sugar industry could not develop due to the guerrillas fighting the Japanese empire. The dust settled by 1902 and the Japanese colonial government enacted the 1902 “Regulations for the Encouragement of the Sugar Business.” This act encouraged the development of native-owned sugar refineries. The original text stipulated that sugar “manufacturers who use machinery approved by the Government may receive over 20 per cent. of the cost of the same as grant.” This was in addition to subsidies that were “granted to
those sugar manufacturers who use machinery capable of disposing of over 75,000 lb. of cane a day, and also to those refiners using machinery capable of refining over 15,000 lb. of crude sugar a day. The percentage of these subsidies will be duly notified every year” (Takekoshi 1907:244).

These measures actually boosted Taiwanese-owned sugar mills. As BDCR show, in 1905 there was a “large number of native-owned semi-foreign style mills erected. With one or two exceptions the mills all employ foreign cane crushing mills driven by steam or kerosene engines, but retaining the old style evaporating process […] It is expected that as the native Chinese become more experienced that they will adopt more modern machinery and that eventually there will be a regular central factory system” (ed. Jarman, 1997, BDCR 1905, Vol 6, pg 233). Japanese industrialists who invested in building mills in the island were dissatisfied with the arrangement because Taiwanese sugar producers were keen on not selling their sugar cane to the Japanese-owned mills. To assuage the worries of its own capitalist class, the Japanese colonial government enacted monopsonies, which were enforced vigorously.

In contrast to 1905, the sugar industry in 1906 was quickly changing. Writing soon after monopsonies were put in place, BDCR records illustrate the situation: “most of the available land at present planted with cane is allotted to the various mills, and the majority of small mills, semi-foreign included, will be absorbed by the big factories which produce a different kind of sugar” (ed. Jarman, 1997, BDCR 1906, Vol 6, pg 279). In addition to ensuring a supply of sugar cane for Japanese-owned mills, the Japanese government stopped issuing subsidies for machinery to Taiwanese-owned mills. Instead, subsidies for Taiwanese sugar cane producers were only in the form of seeds and fertilizers. In 1905 the Japanese government set out to completely obliterate the Taiwanese sugar industry and started limiting Taiwanese involvement in the industry to only supplying sugar cane. This arrangement, although differing from
plantation-style farming, established a colonial division of labor, where locals were relegated to working the land while colonizers managed all infrastructure and access to world markets.

Despite the efforts of the Japanese government to facilitate the acquisition of sugar cane by Japanese industrialists, Japanese inexperience with sugar refining affected production. For instance, in 1910, the brown sugar business came “practically to a stand still. No definite idea prevailed as to the classing of the sugar, and, profits being diminished owing to the increased labour required for the various examinations by the tax assessors, different methods of packing, &c., the manufacturers tried to get the farmers to lower prices. This led to much discontent and threats to burn the cane rather than selling it at a lower price” (ed. Jarman, 1997, BDRC 1909, Vol 6, 414). As Japanese-owned mills became more efficient and organized, these issues became less prevalent. Nevertheless, Japanese investors had to contend with Taiwanese weather and resistance, which were often cited as reasons to reconsider the development of a sugar industry in Taiwan.

After the monopsony system was established, Taiwanese peasants stopped using native sugar cane and started growing Rose Bamboo, a sugar cane with higher fructose content than Taiwan’s native cane. As Table 3.3 shows, by 1907 most sugar cane grown in Taiwanese fields was Rose Bamboo. In 1912, a typhoon badly damaged agricultural output in the island. And the island was forced to bring cane seeds from other countries, despite the availability of Japanese sugar cane experimentation facilities in Taiwan. As Table 3.4 shows, in order to compensate for the losses of sugar cane seed, the Japanese colonial government had to import sugar cane seeds to Taiwan.
Table 3.3: Type of Sugar Cane Seeds in the first years of the Japanese Invasion

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Percentage of native cane</th>
<th>Percentage of Rose Bamboo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1902-3</td>
<td>99.72</td>
<td>0.28</td>
</tr>
<tr>
<td>1903-4</td>
<td>98.89</td>
<td>1.12</td>
</tr>
<tr>
<td>1904-5</td>
<td>96.80</td>
<td>3.21</td>
</tr>
<tr>
<td>1905-6</td>
<td>92.66</td>
<td>7.44</td>
</tr>
<tr>
<td>1906-7</td>
<td>73.46</td>
<td>26.54</td>
</tr>
<tr>
<td>1907-8</td>
<td>40.71</td>
<td>59.29</td>
</tr>
<tr>
<td>1909-10</td>
<td>15.48</td>
<td>84.53</td>
</tr>
<tr>
<td>1910-11</td>
<td>6.59</td>
<td>93.41</td>
</tr>
<tr>
<td>1911-12</td>
<td>5.05</td>
<td>94.59</td>
</tr>
<tr>
<td>1912-13</td>
<td>3.81</td>
<td>96.19</td>
</tr>
<tr>
<td>1913-14</td>
<td>4.50</td>
<td>95.50</td>
</tr>
<tr>
<td>1914-15</td>
<td>5.15</td>
<td>94.85</td>
</tr>
<tr>
<td>1915-16</td>
<td>5.19</td>
<td>94.81</td>
</tr>
<tr>
<td>1916-17</td>
<td>6.19</td>
<td>93.81</td>
</tr>
</tbody>
</table>

(Sources: Fan 1967, Table XII, Page 74. Note: Data lacks information for year 1908-9)

Table 3.4: Seed Cane imported to Taiwan 1913-1914

<table>
<thead>
<tr>
<th>Year</th>
<th>Provenance</th>
<th>Quantity</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>1913</td>
<td>Japan</td>
<td>3,498,499</td>
<td>Pieces</td>
</tr>
<tr>
<td></td>
<td>Java</td>
<td>2,047,296</td>
<td>Pieces</td>
</tr>
<tr>
<td></td>
<td>Hawai‘i</td>
<td>902,039</td>
<td>Pieces</td>
</tr>
<tr>
<td>1914</td>
<td>Japan</td>
<td>1,646,471</td>
<td>Pieces</td>
</tr>
<tr>
<td></td>
<td>Java</td>
<td>58,573</td>
<td>Pieces</td>
</tr>
<tr>
<td></td>
<td>Hawai‘i</td>
<td>45,554</td>
<td>Pieces</td>
</tr>
</tbody>
</table>


Along with Japanese lack of experience in the sugar industry and struggles with nature, Taiwanese peasants were not making the life of Japanese investors any easier. In 1912 Taiwanese peasants forced to plant Rose Bamboo sugar cane were trying to switch to rice growing: “It is also stated that there is a tendency to deterioration in the sugar production owing to careless or inefficient cultivation; comparative statements have been made showing the small crop per acre in Formosa against those of other sugar producing countries […] Another difficulty is the tendency of some of the farmers to revert to rice planting; not only do they understand and
prefer this cultivation, but the rise in the price of rice is naturally a great inducement to change” (ed. Jarman, 1997, BDRC 1912, Vol 6, pg 509). With the outset of the First World War and the destruction of beet-sugar fields in Europe, demand for sugar from sugar cane grew dramatically. Taiwan, along with most other sugar-producing colonies, experienced dramatic agricultural growth.

By the 1920s the Japanese sugar industry in Taiwan was stable, albeit peasant revolts became more prevalent (S.P. Ho 1975; Ka 1995; Myers and Saburo 1984). In the end, the Japanese sugar industry in Taiwan “was controlled by four sugar manufacturing corporations - Taiwan, Meiji, Nitto Kogyo, and Enshuiko. These four corporations, with collected capital, had under them 42 modern sugar factories with a total grinding capacity of 65,000 m.t. per day. They had 15 alcohol factories, owned 114,000 ha. of land and 3,075 km. of light railways, and hired a staff of over 5,000 and more than 19,000 workmen” (Fan 1967:14). Interestingly, after Japan lost the Pacific War and Taiwan experienced a brief period of independence, the Chinese invasion of Taiwan in 1946 put the sugar oligopoly in the hands of the Kuomitang regime, which created the Taiwan Sugar Corporation, one of the most profitable sugar companies in East Asia.

In sum, the creation of the sugar industry in Taiwan was punctuated by issues in production that stemmed from lack of expertise, weather conditions and the resistance of direct producers to grow sugar cane. Nevertheless, the institutional configuration put in place by the Japanese colonial administration effectively created a barrier in terms of the position Taiwanese agricultural producers had in the burgeoning economic system. As Howe clearly writes, in the case of Taiwan’s sugar there was “thus from the outset a sharp distinction between the small-scale, labour intensive cultivation of cane, and the large-scale, mechanized processing and transportation end of the business” (Howe 2001:45). In the following section, I show how within
this institutional configuration Taiwanese agricultural workers were forced to increase production.

5. Class antagonisms and High Productivity

In this section I argue that the increase in Taiwanese agricultural production was the result of the class dynamics introduced by Japan in the first years of the invasion. Once Japan concluded its cadastral survey and gave the land title and tax burden to the foremen, thereby turning them into landowners, a relationship of exploitation between the new landowners and their tenants emerged. On top of the industrial complex, Japanese sugar industrialists, through government assistance, coerced landowners to produce sugar cane. While the Japanese administration closely regulated the relationship between Japanese industrialists and the Taiwanese new landowning class, the relationship between landowners and their tenants was left up to the landowner. In this system, tenants were forced to produce because failure to meet production quotas would cause them to lose their right to till the land, i.e., eviction. Just like the economic opportunities available to landowners were limited, tenants were even less mobile. Taiwanese landowners and their tenants had to comply with production quotas because land in Taiwan is scarce. If landowners failed to comply with production quotas, they would be unable to pay their tax, which would lead them to lose their property. In an island where arable land is limited and the main source of income, eviction meant starvation.

The Japanese cadastral survey of Taiwan was concluded by 1904 and it ignited the reorganization of class relations in the island. The survey not only revealed that the plots of land already supervised by foremen were much larger than previously reported, but also established
the tax rate for each plot of land. VanderMeer and VanderMeer offer a detailed analysis of the
way the Japanese government carried the survey:

Preparatory to the field survey, landowners [land foremen at the time] were asked
to identify property boundaries with stakes. Local or higher level committees
arbitrated disputes between neighboring landowners over the location of property
lines. Each plot was given a number and a page in a Land Report Book on which
was recorded the type, grade, size, and location of the plot and the names and
addresses of its owners and mortgagees. The type of land, whether irrigable field,
dry field, fish pond, or building land, was determined by observation. In turn, the
land within each type category, except building land, was graded according to a
numerical system to represent its approximate net productivity. The grade number
was determined by the amount of rent which a tenant would or did pay for use of
land of that quality. (VanderMeer and VanderMeer 1968:144)

This systematic appraisal of land allowed the Japanese administration to accurately assess the tax
value of the land. Because the amount of arable was found to be much larger than previously
estimated, and because tax rates for the land were based on estimated market value of the crops,
the tax burden placed on the new landowning class was extremely heavy, especially when
compared to the tax paid during the Chinese era. Wickberg shows that the “best paddy lands
were assessed at a rate of four times that in the Chinese period, and in the ten-grade scale
established by the Japanese the first seven grades of paddy land were charged with rates higher
than anything levied in Chinese times” (Wickberg 1969:370).

This increase in the tax burden placed on Taiwanese landowners was accompanied by a
series of subsidies encouraging the growth of specific crops. In addition to the coercive approach
of the Japanese state to foster sugar productivity, most of the adult male population in Taiwan worked the land (Y.H. Ho 1966; S.P. 1978; Ka 1995). This was due to the constraints placed on the Taiwanese in terms of access to resources and ability to organize. S.P. Ho writes that the “emergence of an indigenous industrial class was never encouraged; in fact, government policy was to discourage the emergence of such a class. Until 1924 Taiwanese were not allowed to organize or operate corporations unless there was Japanese participation […] Through its power to regulate and license and by granting exclusive privileges to Japanese capitalists, the government successfully kept economic power from the Taiwanese” (S.P. Ho 1978:38).

Moreover, in addition to limiting the creation of native-owned corporations, the Japanese administration took control of the native Farmer’s associations. S.P. Ho shows that farmers associations, under Japanese supervision, “implemented the usage of specific seeds, fertilizers, etc. It was originally composed of wealthy Taiwanese landowners but Japan took over control” (S.P. Ho 1978:63).

The relationship between Japanese industrialists and Taiwanese landowners was clearly shaped by the Japanese colonial government, who fostered policies that protected the interests of its capitalist class. The only way the new landowning class could afford to pay the tax, and keep their land, was to comply with all of the requirements imposed by the Japanese colonial government. The coercive nature of the class dynamics between Japanese industrialists and the new Taiwanese landowning class trickled down and shaped the class dynamics between landowners and their tenants.

Japan did not intervene in the relationship between landlord and tenants until 1920s, when there were a series of clashes, but the new class dynamics between the new landowners and their tenants helped increase agricultural productivity. As table 3.5 shows, tenancy rates
remained almost constant, but landowners who solely relied on rent decreased. Most families who were given a land title also sublet smaller plots, and the part-tenant/part-owner families slowly increased while the percentage of owner-only families decreased. This meant that even the new landowning class competed against tenants for soil to till.

Table 3.5: Increase in the percentage of part-owner, part-tenant families

<table>
<thead>
<tr>
<th>Year</th>
<th>Tenant Families</th>
<th>Part-tenant, Part-owner families</th>
<th>Owner families</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>43</td>
<td>24</td>
<td>33</td>
</tr>
<tr>
<td>1922</td>
<td>41</td>
<td>29</td>
<td>30</td>
</tr>
<tr>
<td>1931</td>
<td>41</td>
<td>31</td>
<td>28</td>
</tr>
</tbody>
</table>

Sources: Wickberg 1969, Table II, pg. 375

As difficult as the situation was for the new landowning class, the conditions of the tenants were even grimmer:

During the Japanese period rental rates went up almost everywhere, on both paddy and dry lands. Roughly speaking, rental increases seem to have paralleled increases in per unit income from land. Land values continued to increase, partly because of increased yields, but also because the population-land relationship was even more intense than before. As the limits of arable land were approached and the population continued to grow, tenant competition for the best lands became intensified (Wickberg 1969:376).

Moreover, under the Japanese administration, contracts between landowners and tenants remained traditional. Taiwanese tenants established their relationship to the landowner through oral contracts that stipulated the length of the lease for up to three years. Wickberg writes the tenure of “any tenant on desirable rice lands might not go much beyond that. Rising land values were already encouraging landlords to shift tenants with the expiration of each contract in order
to gain better terms” (Wickberg 1969:376). The Japanese government ignored the living conditions of tenants until the mid-1920s, when peasant unrest became militant (S.P. Ho 1978; Ka 1995; Wickberg 1969).

Ka (1995) and Wickberg (1969) argue that there was an elite class alliance between Japan and the new landed elites. However, evidence contradicts this statement. Yes, land developers received the land titles and the right to keep their tenants. But this ‘alliance’ imposed a heavy tax burden on the new landowners; moreover, Japanese colonial policies did not allow Taiwanese ‘elites’ to create corporations and excluded them from important government positions. It is possible to see that the ‘alliance’ between Japanese government and Taiwanese new landowning class was far from beneficial for the new class.

6. Conclusion

This chapters offers the first test to the main theoretical premise of this dissertation project. In this sociohistorical analysis, I emphasize how the Japanese colonial administration imposed new property rights in Taiwan, thereby altering class dynamics and levels of productivity. More importantly, this chapter seeks to explain why Taiwanese workers were compelled to increase productivity in order to supply Japanese colonizers with sugar cane, a crop that Taiwanese peasants disliked. I have shown that Taiwanese peasants did not partake on market incentives and constantly attempted to sabotage production of sugar cane. Moreover, I emphasize that the process of increasing productivity is completely dependent on the class dynamics that the Japanese colonial administration imposed. It is important to note that Japanese colonialism in Taiwan, even without the development of plantation-style sugar cane farming, created a
traditional colonial division of labor, where direct producers from the colony were barred from partaking in world markets and forced to supply raw materials for the colonizing investor class.
7. References


Chapter 4
The Philippines and Trickle-down Socioeconomics

1. Introduction

Unlike wealth, class antagonisms trickle down. In this chapter I show how the American colonial administration imposed a specific institutional configuration pitting the interests of Filipino elites against those of American venture capitalists. The antagonism fomented between these two groups by the American colonial administration percolated throughout all the stages of sugar production in the Philippines, the vertical dimension of production. Soon after the American invasion, all Filipino social classes dependent on agriculture were forced to realign their interests. More specifically, the American colonial administration severed the lifelines for Filipino elites. Through the reorganization of land tenure and the limiting of economic activity, the American colonial administration imposed a new relationship between American investors and Filipino elites, thereby creating new class antagonisms between sugar cane millers, sugar-cane plantation owners, and direct sugar cane producers.

As the previous chapter shows, Japan’s invasion of Taiwan created highly productive class antagonisms through the reorganization of property rights, limiting Taiwanese participation in the sugar industry as direct sugar cane producers. Unlike the Taiwanese case, where the Japanese colonial administration effectively barred locals from participating in markets, the American colonization of the Philippines placed Filipino landed elites in direct competition for their natural resources with American venture capitalists. Before the American invasion, Filipino elites, whether Spanish Peninsulares or mestizos, depended on agriculture and small trade. The
Philippines had stronger ties to New Spain than to the old one, and most trade from Manila was between Chinese ports and Acapulco, with the Mexican Silver dollar as the main currency. The American colonial administration abruptly removed this socioeconomic system. By 1902, after Taft’s Commission (Second Philippine Commission) implemented a series of policies changing property rights, Filipino elites found their land tenure rights altered, and lost control of their ports as well as access to credit. I aim to show that the emergence of highly productive class antagonisms in the Philippines was predicated by two main factors: first, a series of policies granting local elites some degree of political autonomy created an institutional framework where elites could come together and organize in order to protect their newfound economic interests; second, a series of economic policies opening Filipino agricultural resources to American investors and controlling Filipino access to credit and world markets.

Starting in 1900, William H. Taft, the first Governor–General of the Philippines, and his commission undertook the task of modernizing Philippine society by implementing a legal code and political system mimicking the United States. American early colonial policies in the Philippines created a network between Manila elites and provincial governors, who would convene for the first time in the Philippine Legislature. This legislature worked in tandem with the American Commission in passing laws—both the executive, led by an American appointed governor, and the legislature had to approve a law before becoming effective. By 1916, the U.S. Congress approved the Jones Act, promising Filipinos independence and increasing their role in local politics. Despite the apparent political empowerment of Filipino landed elites, the American colonial administration regulated all economic activity of the archipelago.

In other words, Filipino political autonomy was constrained by American control of the colony’s economy. More specifically, despite their newfound political power, Filipino elites had
limited access to credit and, through a sweeping land reform carried by the American administration, Filipino agricultural land was put for sale to American investors. Under these conditions, the Filipino landed elite was faced with extinction. Nevertheless, the political forum afforded them the opportunity to organize and create the Agricultural Bank in 1908 and the Philippines National Bank in 1916, and both banks were used by elites to exploit their agricultural resources in order to compete with American interests. It is only after the creation of the Philippines National Bank that Filipino elites became a bourgeoisie, allowing them to build modern sugar centrales and compete with American investors in milling sugar cane. In sum, the creation of the Filipino bourgeoisie was shaped by the institutional framework and economic restrictions imposed by the American colonial administration. It is important to note that this is not a story of opportunism, where Filipino landed elites or American administrators cleverly profited from the circumstances. Instead, this is the story of people having circumscribed reactions to socioeconomic forces outside of their control.

1.1 Chapter organization

In what follows I offer an overview of the prevailing works explaining how American colonialism subdued the Philippines. Next I discuss the institutional changes and new property rights implemented by the Second Philippine Commission, which set in motion the legal framework where Filipino landed elites found political power and organized as a class. I then show that the American invasion caught the undivided attention of the Filipino landed elites, leading to their organization in order to secure capital and compete with American venture capitalists. Finally, I show how this process, starting at the top, spread the pressures to increase agricultural productivity through out the entire Filipino sugar industry.
2. Policy of Attraction and Filipino Elites

In this section I offer a brief historical overview of the Philippines prior to the American conquest and during the early years of the invasion. I then offer a review of the existing body of research that seeks to explain how American colonialism altered the lives of Filipinos in the first decades of the twentieth century. Mainly, I contend that the prevailing line of research on American colonialism in the Philippines simply regurgitates official colonial policy by believing that the American colonial administration used a “policy of attraction” to stimulate Filipino-American ties. Although American colonialists claimed to engage in a policy of attraction to create socioeconomic ties between the U.S. and the Philippines, I contend that there was no attraction between Filipino elites and Americans. In fact, researchers who subscribe to the policy of attraction forget that the first step the American government took to entice Filipinos to establish close ties with Americans was the killing of thousands of Filipinos during the American-Filipino War (1899-1902) and subsequent quarrels, lasting until around the First Philippine Legislature in 1907 (Cooke 2010; Foster and McChesney 2003; Laurie 1989).

The United States Congress inherited Spain’s most neglected colony and, after a brief military rule, sent a colonial government with the goal to prepare Filipinos for independence. In the spring of 1898, American Commodore Dewey sailed from Hong Kong to Manila with the order to free Manila bay. Soon after arriving, the American army joined forces with Filipino revolutionaries and overthrew the Spanish Crown. As the outbreak of the 1899 American-Filipino war shows, that alliance was rather ephemeral. By 1902, the Filipino independence movement was defeated, and the landed elite became the main link between American colonizers.

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1 As Burns writes, the “policy of attraction” was designed to “engender the trust of the Filipino people.” The “overarching aim of the policy was as simple as it sounds: to attract the Filipinos to both Taft and American rule more generally” (2010:48).
and the general Filipino population. When the American colonial government replaced American military rule in the Philippines in 1901, friar orders monopolized the archipelago’s best and most developed agricultural lands, the archipelago lacked modern infrastructure and a centralized administrative/fiscal system, and had experienced years of war and pandemics. William H. Taft, inaugurated as the first colonial governor of the Philippines in 1901, started a series of reforms with the manifest that these measures would prepare Filipinos for independence and set them on a path to prosperity.

Inspired by British colonial policy, the bulk of American policies were meant to attract Filipinos to cooperate with American administrators by giving the colonized a degree of political autonomy and establishing close economic ties between the colonized and the colonizer. From Barrows’s report on ten years of American governance in the Philippines, American administrators seem quite honest in their hopes that American policy of attraction would inspire Filipino cooperation with Americans (1914). As these policies of attraction were implemented in the first decades of the twentieth century, the Philippines was transformed from a far-flung colony of a decayed empire into a capitalist nation with a very small, very wealthy and very influential domestic elite, and a very large, very poor and very-much dispossessed working class. The predominant line of research suggests that American policy of attraction actually worked but there was misbehavior by elites leading to the high levels of inequality that are still very much present in the Philippines.

More specifically, the prevailing argument is that American policy worked to the point that local elites found ways to profit dramatically but without having to share their newfound wealth in order to improve the livelihood of all Filipinos. For instance, Larkin writes that the commercialization of sugar turned Filipino elite greedy:
Sugar created a native elite, prestigious and powerful who, despite their disparate provincial origins, acted together with the collusion of foreigners to shape the course of Philippine modernization. For more than a century and a half, sugar represented the most important and influential sector of an insular commercial life that this elite, with rare exception, exploited almost exclusively for their personal advancement. Their conspicuous consumption contributed not so much to the progress of the islands as to the outflow of cash and to the inequitable colonial economy (Larkin 2001:8).

Similarly, McCoy writes that the Filipino bourgeoisie was domestically created and was already on the verge of increasing productivity. In his view, Filipino elites cleverly navigated through American colonial policies to become economically and politically powerful. McCoy argues that as “producers of the archipelago’s main export crop, the sugar planters of Negros and Central Luzon [Pampanga] were more capable than other Filipino elites of exploiting economic relations with the United States and the resources of the nascent Filipino nation.” He adds that the American policy to “administer the islands indirectly through elected officials allowed the planters to elaborate their local power into national influence […] By mediating between the local and the national, the planters increased their power at both levels throughout the American era” (McCoy 1992:122–123).

Disagreeing with McCoy’s notion that Filipino elites were naturally evolving into a bourgeoisie, Aguilar argues that Filipino elites had to find ways to create a labor force and secure credit. However, Aguilar agrees with McCoy with the notion that American colonial policy of attraction worked—they mainly disagree on how it actually worked. Aguilar writes that the growth of the Filipino bourgeoisie and the creation of a proletariat occurred under “conditions of
a comparatively stronger state, a colonial state solidly supportive of sugar capital, a planter class that had established its dominance, constrained circumstances for labour’s struggles, modern technology, and a secure, lucrative and non-competitive export market” (1994:74). The prevailing notion here is that American colonial administrators won the trust of the Filipino elites by giving them access to infrastructure and world markets; consequently, elites exploited their newfound American-sanctioned circumstances.

Asserting the notion that American policy of attraction truly seduced elites, Go suggests that Americans engulfed Filipinos in the “American way” and argues that Americans earned the trust of Filipino [and Puerto Rican] elites through tutelary colonialism (2008). He writes that American administrators’ ability to tap into Filipino culture played a causal role in getting the attention of Filipino elites. More specifically, he writes that signifying practices, or semiotics, enabled American administrators to get the elite’s attention and concludes that American authorities in the Philippines “sought to cultivate compliance and consent through a myriad of signifying practices, using signs and symbols so as to win hearts and minds” (Go 2008:7). In his view, “signifying practices” behind tutelary colonialism fill the gap between official American colonial policy of attraction (training Filipinos for independence) and the way in which American administrators actually trained Filipino elites for independence. However, Go ignores that the vast majority of Americans had no interest in the Philippines or even heard of the place—President McKinley wanted to introduce Christianity to Filipinos.\(^2\) Moreover, the administration struggled to get teachers and administrators to move to a tropical colony, and by the late 1910s only a few administrators remained. The few Americans who became colonizers had no idea how to connect with Filipinos, with the classic example that American teachers

\(^2\) In justifying the American invasion of the Philippines, President McKinley noted in that one of the reasons to colonize the Philippines would be to introduce them to Christianity (Wertheim 2009:500). Of course, Spaniards had already introduced the archipelago to the doctrine centuries before.
talked to Filipino children about shaking apple trees in a place where there were no apple trees (see Buenaventura 1998). The lack of any critical analysis of colonial policy and reliable data makes Go’s work, at best, an aberration of reality. It is precisely the lack of critical analysis of colonial policy what undermines the complex causal connection between colonialism and productivity levels.

2.1 Policy of Attraction of the Chinese Market
The so-called policy of attraction would be more credible if it explicitly showed that the conquering of the Philippines opened a trade route between American ports and Chinese ports. As McCormick shows, adding military bases and controlling the ports of the Philippines allowed American ships to go from Chinese to American shores by stopping in Manila, Guam and Hawai`i (1963). In fact, before October 25, 1898, five months after American troops seized Manila, President McKinley had been interested in controlling only Luzon, the island where Manila is located. After being advised by a close circle, the President reconsidered American expansion:

The redoubtable Mark Hanna, State Department economic expert Frederic Emory, the American Minister to China Charles Denby, his successor Edwin H. Conger, Comptroller of the Currency Charles G. Dawes, Assistant Secretary of the Treasury Frank A. Vanderlip, to name a few, all shared in general the conviction (as Vanderlip stated) that an American-controlled Philippines would be “pickets of the Pacific, standing guard at the entrances to trade with the millions of China and Korea, French Indo-China, the Malay Peninsula, and the islands of Indonesia” (McCormick 1963:164).
It is important to note that Frank Vanderlip eventually became the president of the National City Bank of New York and was deeply involved in financing of sugar refineries. Moreover, McKinley’s military advisors even suggested “general American expansion into Micronesia and the islands of the South China Sea” (McCormick 1963:165). Ultimately, President McKinley opted to only take the 7,000 plus islands that compose the Philippines.

Finally, May (2004) and Hutchcroft (2000) clearly challenge notions that the development of the Filipino bourgeoisie was a process shaped by greedy landed elites seduced by newfound access to world markets and political power. May writes that the line of research that explains land amassment simply posits that “as cultivators in those regions shifted from subsistence agriculture to cash-cropping, land became more valuable, and local elites—in particular, Chinese mestizos began, by fair means and foul, to increase the size of their landholdings, typically at the expense of smallholders” (2004:276). However, May shows that the amassment of land is not a continuation of the Spanish land tenure system simply exacerbated by access to world markets. Similarly, Hutchcroft shows that the levels of corruption in the Philippines during the American colonial era are not a continuation of Spanish behavior under an American institutional framework. He writes that “it was precisely American-inspired structures of governance that encouraged the particular type of patronage-driven corruption most commonly associated with Filipinos. This behavior was by no means ‘traditional’ but rather a distinctly modern outcome of the particular configuration of the U.S.—crafted colonial polity” (Hutchcroft 2000:298).

To conclude, research suggesting that American colonial policy of attraction is behind the patterns of land amassment and political corruption simply correlates the emergence of the native bourgeoisie with American colonial policy. Their suggestion is that Filipino landed elites
reproduced their traditional behavior under different political and economic circumstances. In the remaining sections of the chapter, I show that there was no attraction between Filipino elites and American colonizers; instead, Filipino landed elites found themselves threatened by Americans and had to reorganize their interests within the constraints of a colonially imposed institutional framework.

3. Class, Status and Party

This section focuses on the main institutional changes the American colonial administration implemented in Philippines during the first two decades of the invasion. These policies not only created the institutional framework limiting Filipino participation in local politics but also imposed new property rights, setting the landed elites in a scramble to find ways to survive in the new environment. This section pays particular attention to three changes imposed by the American colonial administration: 1) the establishment of a set of political institutions and legal code stimulating decentralization, the creation of local political parties and empowering provincial governors; 2) the complete transformation of property rights in the shape of a sweeping land reform that affected land titling for vacant lands as well as for occupied lands; 3) the tariffs and economic constraints limiting the economic activity of the local Filipino elite and opening the archipelago to American investors.

3.1 Establishing Local Governance

Relying on information from the 1899 First Exploratory Philippine Commission (Schurman Commission), the Second Philippine Commission arrived in Manila 1900. The commission consisted of Ohio Judge William H. Taft, University of Michigan Botany Professor Dean C.
Worcester, Hon. Luke E. Wright from Tennessee, Hon. Henry C. Ide from Vermont, and University of California Spanish History Professor Bernard Moses. By September 1901, with the approval of Secretary of War Elihu Root, three prominent and wealthy Filipinos were invited by Governor-General Taft to join the commission: Benito Legarda, Trinidad Pardo de Tavera, and Jose R. de Luzurriaga (Burns 2010:89; Schirmer 1975). Between September 1900 and August 1902 the commission enacted 449 laws attempting to reorganize the Filipino Government (Barrows 1914:xii–xiii). By October 16, 1905, under Governor-General Luke E. Wright, the Reorganization Act (No. 1407) established the entire institutional framework of the colony, creating the Executive Office, the Department of Interior, Department of Commerce and Police, Department of Finance and Justice, and the Department of Public Instruction. In addition to the consolidation of government offices, by 1903 the “number of municipalities was reduced by over four hundred” (Barrows 1914:15–18).

The year 1902 was crucial in shaping the institutional and legal framework curtailing the behavior of landed elites. Between 1899 and 1901 the administration was mainly occupied with war but by 1902 the new American colonial administration took control of Luzon and the Visayan Islands, leaving a military government ruling Mindanao, the southernmost and predominantly Muslim island. In 1902 the main order of business was the implementation of the Philippines Organic Act, which created the Philippine Legislature. The purpose of this legislative body was to work with the Colonial administration in order to both propose and pass laws. Moreover, the Organic Act specified that members of the legislature had to both come from the provinces and be elected by a very restrictive suffrage.3 The elections were held in February

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3 Suffrage restriction in 1901 was as follows: Only men 23 years of age or older, who could read and write either English or Spanish, held municipal office under Spain and had at least US$250 in property or paid US$15 in taxes per year. Only 1.15 percent of the Filipino population qualified (Burns 2010:84 fn. 210)
1906 and the First Philippine Legislature convened in 1907. The 1902 Philippine Organic Act established a framework where a small and preselected group of elected local landed elites had to negotiate with the appointed members of the executive branch.

The pool of candidates elected to the Philippine Legislature came from the Federal Party, formed in December 1900 by the three Filipinos who Taft included in the commission in 1901 (Burns 2010:89–90). Members of the Federal party had endorsed independence but realigned themselves with the American government once the defeat of the independentist forces was imminent (Escultura 1974:57). As Hutchcroft writes, Taft recruited elites from a very small pool because most were against the American occupation (2000:284). Burns writes that the Federal party was pro-America and its “rise to power hinged almost entirely on the patronage of Governor Taft.” Nevertheless, its “lack of a popular base would prove to be its downfall” (Burns 2010:93). The Federal party, after lacking a popular base, morphed into the Nacionalista party, which was the same as its predecessor with a new slogan: Independence for the Philippines (Escultura 1974:58).

Since the American colonial administration stipulated in the Organic Act that only provincially elected members could be in the Philippine Legislature, a network between the Manila-based American-sanctioned Federal Party and provincial leaders emerged. Escultura writes that the Federal Party “supplied the loyal bureaucrats needed by the colonial administration and provided the first group of bureaucrat-capitalists during the American regime. When the party became too discredited the Nacionalista Party and the Liberal Party were allowed to take turns in running the colonial bureaucracy” (Escultura 1974:58). Taft completely supported the Federal party and gave them a “powerful role in making appointments to key provincial offices” (Hutchcroft 2000:287–288). In 1906, Sergio Osmeña Sr., leader of the
Federal Party and Governor of Cebu, and Governor Manuel Quezon of Tayabas led the first meeting of Provincial Governors. The next year the Philippine Legislature was inaugurated, and despite all the handpicking of officials by the American administration, their first order of business was to lower American supervision on financial affairs (Hutchcroft 2000:291).

The framework of the Philippine Legislature remained until the implementation of the Jones Act, which was sanctioned by the U.S. Congress in 1916. Quezon, who was also the Filipino representative to the U.S. Congress (no voting privileges), lobbied for independence in the sense of removing American supervision over domestic financial affairs. Ultimately, the Jones Act created the Senate and the House of Representatives and the “only officials to be appointed by the President of the United States were the Governor General, the Vice-Governor, members of the Philippine Supreme Court, and two auditors. All appointments made by the Governor-General had to be approved by the Philippine Senate” (Beadles 1968:439). In sum, the institutional and legal framework established by the American colonial administration not only created a political party of Manila-based elites, but also established political networks with provincial leaders from distant regions. More importantly, the network of provincial leaders consisted of people whose interests were in agriculture, but not necessarily with sugar cane. For instance, Sergio Osmeña was the governor of Cebu, a region that did not produce sugar.

3.2 Reorganizing Access to Natural Resources

Taft’s Commission noted that land tenancy was a serious issue in the Philippines and embarked in a sweeping land reform that affected everyone whose livelihood depended on agriculture. The reform had three stages encompassing all land in the archipelago: 1) the purchasing and sale of lands controlled by friar orders; 2) the Land Registration Act of 1903, which entailed the titling
of all occupied lands, regardless of the titling situation; 3) the Homestead Act encouraging new settlements in frontier territories. From the outset, the legal framework for the purchasing and sale of land was not designed to help Filipino peasants engaged in sustenance farming. Instead, the American colonial administration “pursued agrarian policies in the Philippines designed for farmers rather than the peasants who made up the great majority of the population of the islands” (Adas 1998:59). More specifically, neither the policy to open Friar Lands, nor lands that could be registered through the 1903 act, nor the Homestead act were in any way designed by the American colonial administration to incur higher ownership rates from peasants.

As Reuter writes, the Friar Lands were the best agricultural lands in all of Philippines (1982:111). The majority of these lands were in Luzon, near Manila or in the surrounding islands, such as Mindoro. In addition to being closer to the capital, these lands had been developed, cleaned and worked by peasants under the command of the Catholic church. In other words, Friar Lands were the most ready for growing cash-crops. These lands were owned by “the Augustinian, Franciscan, Dominican, and Recollect orders” and “amounted to about 425,000 acres, 275,000 acres being in the vicinity of Manila” (Barrows 1914:9). Taft set out to remove the friars and open the land for sale, and he negotiated their price with the Vatican. In the end, Friar Lands were “bought by the United States from the Vatican for $7,239,000 (despite being valued at $1.5 million in 1893) and sold to the Filipinos on instalment plans to be paid for over several years” (Burns 2010:67). The high price paid by Taft for the lands, however, was not due to American largesse.

Instead, the amount paid for the Friar Lands had to be raised by the insular government, despite the fact that the U.S. Congress approved the price paid for the land. To raise the money, the “insular government issued special bonds […] The bonds offered a 4% interest rate and were
payable between ten and thirty years, at the option of the government. They were not officially backed by the U.S. Treasury, but by the revenues of the government of the Philippine Islands” (Iyer and Maurer 2009:12). In addition to the American administration consenting to pay a very high price for the Friar Lands with Filipino funds, the “average sale price for a hectare of friar land was US$131, considerably higher than the average value of US$114 per hectare in the rest of Luzon” (Iyer and Maurer 2009:16). The high price paid for Friar Lands and their resale at high prices meant that the tenants tilling the land simply were not able to purchase it. Moreover the administration’s emphasized the “sale in large tracts to private individuals and corporations. The aim was to promote efficient, large- scale commercial agriculture, not social justice” (Landé 2001:529).

The second tier of the land reform entailed the Land Registration Act of 1903, which aimed to register all occupied agricultural lands. Taft, relying on a model used by the United Kingdom in Australia, implemented the Torrens System. The Torrens System made land registering easier by omitting a trip to administrative offices in order to register the land. After surveying the land, if there were no complaints from neighboring landowners, the land could be registered in situ, and the landowner was responsible for all fees. Because Torrens titles were “incontestable, registration required an investigation of the title and all possible liens on the property in order to work” (Iyer and Maurer 2009:14). Moreover, the cost of the program “included the overhead cost of setting up the land court and land registry, and the cost of sending professional surveyors out to create new titles — surveyors were not common in the Philippines (most were, in fact, either American or Japanese) and their services were very expensive,” and these high expenses meant that only large farms could afford to apply for the title (Iyer and Maurer 2009:18).
The third and last tier of the land reform included the settling of the public lands, which were the only lands that the Treaty of Paris (peace treaty between U.S. and Spain) placed under American jurisdiction. The policy, modeled after the U.S. Homestead Act of 1860, aimed to discover and expand agricultural lands (Iyer and Maurer jokingly refer to the policy as “forty acres and a Carabao” (2009:14)). The Philippine Homestead Act, as the other two tiers of the land reform, was not a device encouraging small tenants and direct producers to become landowners. Under the act “potential homesteaders could apply for a plot of land up to a maximum of 16 hectares (40 acres). The government would survey the plot, and if approved, the family would receive a ‘non-patented approval.’ After five years’ residence, the family would receive a title” (Iyer and Maurer 2009:14–15). However, the expenses for registering land were placed on the families:

Rather than survey first and then distribute, the U.S. decided as an economy measure to survey only as applications came in. This drove up the cost of the program in both time and money. The costs of such surveys were compounded by the fact that many of the applicants for free-patents were not currently occupying the land, having been displaced by the violence of the Philippine Revolution (against the Spanish) of 1896-98 or the Philippine War (against the Americans) of 1899-1902. By 1918, 60 percent of all the farms that the census recorded on public lands still lacked a title, and only 2.2 percent of public land had been settled through homesteads or free-patenting (Iyer and Maurer 2009:21).

Moreover, despite the fact that the land reform was put in place early in the invasion, land amassment did not start until much later in the American period.
3.3 Monopolizing Philippine Revenue

In addition to constraining the political activity of landed elites and removing their existing property rights, the American administration completely controlled the economic life of its largest colony through tariffs and the control of Philippine Government bonds. From the beginning of the invasion, the U.S. Congress stipulated that all revenue for the colony had to be generated from its own customs (Barrows 1914:xiii). The tariffs for products entering the Philippines underwent four major changes between 1898 and 1934: 1) from 1898 to 1902, the U.S. military regulated all Filipino tariffs; 2) from 1902 to 1909, the Philippines Revenue Act, approved by the U.S. Congress, stipulated all tariffs for products entering the colony; 3) from 1909 to 1913, the Philippine Tariff Act, a special section under the Payne-Aldrich Act, determined all tariffs; 4) from 1913 to 1934, the revised Payne-Aldrich Act determined Filipino tariffs (Dorfman 1948). It is important to note that the U.S. Congress determined all tariffs shaping the revenue of the Philippine government. In other words, the Philippine Legislature had very little say over the Filipino economy. Moreover, all these tariffs were contingent upon the changing needs of American agricultural and industrial interests (Barney and Flesher 2008; Taussig 1910).

The complete American control of Filipino shores meant that American interests curbed all possible economic action in the archipelago. Writing in 1908, Le Roy explains the issue with American control of Filipino shores: “As for the Filipinos and the Filipinos […] their welfare demands a low revenue tariff, applied uniformly against all the outside world, ourselves included.” He adds that:

The natural markets of the Philippines are at their doors, in Asia and the Western Pacific. Indeed, if the free admission of Philippine sugar into the United States,
under a virtual bounty system, would result in directing large shipments of sugar to our country, after unnaturally stimulating in those islands a culture which makes against small holding and for large plantation and a peôn system, then it is objectionable in view of our general policy in the islands (Le Roy 1908:207–208).

U.S. Congress did not alter any of its measures. Moreover, since the Philippines was not a formal American state, none of the tariff laws implied any reciprocity between the U.S. and the Philippines, creating uneven trade patterns and fostering Filipino economic dependence on the U.S. (Pineda-Ofreneo 1985). As Morrison writes, the “U.S. government could enact commercial legislation for the Philippines that was distinct from laws applicable to the states; for example, Congress could impose a tariff on imports from the Philippines to the mainland” (Morrison 2009:121).

The Philippine Tariffs section of the Payne-Aldrich Act, enacted in 1909 and sponsored by then U.S. President W. H. Taft, is of particular interest because the main focus for Filipino products entering American shores was on specific raw materials (Solvick 1963:429). More specifically, the 1909 Payne-Aldrich act arranged for the free entry of up to 300,000 metric tons of raw sugar and 150 million cigars. In 1913, the Underwood-Simmons act removed the restrictions on these two raw materials but did not modify the remaining parts of the law banning manufactured products from entering American shores. With the original law placing a “ceiling of 20 percent for non-Philippine or non-U.S. materials, relative to the total content, used in the manufacture of goods for export to the United States” (Ybiernas 2007:351). These restrictions came as the American market absorbed the bulk of Filipino exports, turning the archipelago completely dependent on its trade with the U.S. and fostering a colonial division of labor.
The increased dependence of Philippine revenue on American trade agreements proved deleterious for the government’s coffins. Ybiernas shows that “the country’s increased trade dependence on the U.S. under the aegis of free trade caused customs collections to fall from a high of P17.4 million in 1911 to P11.9 million in 1914” (Ybiernas 2007:352). This was mainly due because no “tariffs were collected on Philippine exports to, and imports from, the United States. However, sales, excise, and other kinds of taxes were imposed on imported items from the U.S. after clearing the government customs houses and once the said products entered the distribution channels in the Philippines” (Ybiernas 2007:353). In other words, the U.S. Congress made the Philippine government dependent on tariffs while limiting the revenue they could get from trade.

In addition to limiting the sources of revenue by controlling tariffs, the U.S. Congress also regulated the sale of Philippine Government bonds. More specifically, Ybiernas writes that section 11 of the Jones Law of 1916 “explicitly limits the insular government's borrowing capacity—its rights to sell certificates of bonded indebtedness.” However, due to the lower revenue from tariffs, the Filipino government sold out all bonds, making U.S. Congress reconsider its limitation. The U.S. Congress modified the law and allowed Filipinos to increase borrowing “up to 10 percent of taxable property.” It is imperative to note that the main purchasers of these bonds were Americans. In fact, “bonds issued all throughout the American era by Philippine provinces and municipalities […] were also bought by many American banks […] by 1934, American banks were in possession of about 80 percent of all bonds issued by the Philippine government” (Ybiernas 2003:101–102).

In sum, during the first decades of American colonial policy in the Philippines, landed elites were placed in a position where they enjoyed a relative degree of political autonomy but
their two main lifelines were cut. First, the U.S. colonial administration carried a sweeping land reform that put all agricultural land for sale. Second, the U.S. Congress made the Philippine Government dependent on tariffs that the U.S. Congress determined. Under these conditions, Philippine elites saw their property rights destroyed, their sources of revenue were limited, and American investors made their appearance in their new tropical colony, where the U.S. administration generated conditions for the beginning of a sugar industry.

4. American Sugar Trust and the Creation of the Filipino Bourgeoisie

As table 4.1 shows, elites did not rush to amass land as soon as they had political power. Moreover, they did not own sugar mills that could compete with American mills until 1918, when the Philippines National Bank (PNB) was created. Prior to the creation of the PNB, Filipino landed elites were relegated to supplying sugar cane to American-owned centrales. In this section I show that the stimulus that transformed the elite’s interests and shaped its antagonism with American investors started soon after the implementation of the Payne-Aldrich Act.

<table>
<thead>
<tr>
<th>Ownership Category</th>
<th>Fraction of Farms 1903</th>
<th>Fraction of Cultivated Area 1903</th>
<th>Fraction of Farms 1918</th>
<th>Fraction of Cultivated Area 1918</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners</td>
<td>80.8%</td>
<td>74.1%</td>
<td>77.7%</td>
<td>74.0%</td>
</tr>
<tr>
<td>Cash tenants</td>
<td>1.8%</td>
<td>4.5%</td>
<td>3.2%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Share Tenants</td>
<td>16.2%</td>
<td>19.0%</td>
<td>13.1%</td>
<td>13.3%</td>
</tr>
<tr>
<td>Labor tenants</td>
<td>0.2%</td>
<td>0.0%</td>
<td>0.3%</td>
<td>0.4%</td>
</tr>
<tr>
<td>No rental (squatter)</td>
<td>1.1%</td>
<td>2.4%</td>
<td>5.7%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

(Source: Table 8 from Iyer and Maurer 2009)

4.1 American Presence in Mindoro

One of the first attempts to exploit the agricultural conditions in the Philippines was carried by Horace Havemayer of the American Sugar Trust through the purchase of the San Jose Sugar
Hacienda in the island of Mindoro. According to one key provision of the American land reform in the Philippines, U.S. Congress ruled that corporations could purchase a maximum of 1,024 hectares. However, since Friar Lands, the best agricultural lands, were not public domain, i.e. American lands under Treaty of Paris, the Commission “disposing of the friar lands had not felt bound by these limitations. The Philippine public domain was property of the United States and subject to disposal under such conditions as Congress had determined, but the friar lands were entirely distinct and were the possession of the Philippines government” (Barrows 1914:48). The 22,284.815 hectares that made the San Jose Estate were purchased by the Philippine Government on October 4, 1904 for P$600,000 and were sold after the enactment of the Payne-Aldrich Act to American sugar investors Charles Welsh, Horace Havemeyer and Charles Senff, for P$734,000 (Schult 1991:461).

Schult’s detailed analysis of the estate describes the vast investment made by Havemeyer in the Philippines. By November 25 1910, “the management built a narrow-gauge railway that connected Camina-wit pier with the sugar central situated ten miles inland.” Moreover, the hacienda also had entertainment facilities such as “tennis court (for the management only), gambling halls, movies, dance halls, and cockpits” (Schult 1991:463–464). Havemeyer’s mill became the most productive refinery in 1912, with an initial capacity to process 1,100 metric tons of sugar cane in 24 hours. In contrast, that same year, the Filipino-owned Talisay Central in Negros had the capacity to process 100 metric tons of sugar cane. Further comparing Filipino and American raw sugar output, in 1914 the American-owned San Carlos Milling Co. in Negros Island had the capacity to process 1,600 metric tons of sugar cane in 24 hours. In 1913, the Filipino-owned Lumangub Bago Central, also located in Negros, had the capacity to process
only 300 metric tons of sugar cane in 24 hours (Data collected from the Facts and Statistics about the Philippines Sugar Industry 1928).

Documenting the extent of American investment in the Philippines, Beadles writes that as early as 1913 “the number of American corporations in the Philippines was increasing so that by 1920, 135 corporations with a total capital stock of $430,000,000 were registered in the Philippines” (Beadles 1968:428). In addition to preferential tariffs inciting American investment in the colony, there were publications in the United States encouraging investment:

[The New York Journal of Commerce June 12, 1912 issue] pointed out that the “Fallows Syndicate,” headed by Edward Huntington Fallows, President of the Grandanor and Falvan Corporations and Vice-President of the Holdings Investments Corporation, was about to “begin development of the islands.” Backed by the Standard Oil Company, Fallows planned to build several sugar mills in the Philippines. The National City Bank of New York, largely through the efforts of its President, Frank A. Vanderlip also attempted to encourage business interest in Philippine retention through the publication of various economic reports showing increasing American investment in the Philippines. Vanderlip had been Assistant Secretary of the Treasury in 1898, and at that time he had strongly advocated acquiring the islands for the commercial good of the United States (Beadles 1968:429).

The early years of the American invasion of Filipino agricultural lands turned Filipino landed elites into sugar cane growers. As Wolters writes, with the “establishment of large-scale mills, sugar production became localized in the most efficient production areas. The old muscovado mills, small in size but numerous and widely spread over Central Luzon, were
abandoned. The planters hence forth delivered the sugarcane to the centrals” (Wolters 1992:419). The situation set the landed elites in a scramble and Manuel Quezon attempted to curb American amassment of Filipino agricultural land. Schult writes that the “idea of the U.S. entrepreneurs to run the hacienda by a central administration system caused objections in the Philippines. Leading Filipino politicians, for example Manuel Quezon, feared that the Philippines would be exploited by American capitalists” (Schult 1991:465).

4.2 Aguinaldo, Landed Elites and the Search for Capital

The situation imposed by the American colonial administration pressured Filipino landed elites to organize their interest and find ways to compete with American sugar magnates. Filipino landed elites, within the institutional framework imposed by the American colonial administration, organized in order to create a bank that would foment domestic agricultural investment. The struggle to secure credit started in 1902, but Filipino landed elites were only able to compete with American investors sixteen years later. Emilio Aguinaldo, who fought to remove friars in 1896, Spaniards in 1898, and Americans in 1899, representing the interests of the Filipino landed elites submitted the first plan for an agricultural bank. On “23 November 1902, Aguinaldo presented a petition to create an agricultural bank to the Philippine Commission. Governor Taft sent the petition to Secretary Root, who forwarded it to the President of the U.S. Senate and the Speaker of the U.S. House of Representatives on 20 January 1903” (Nagano 1997:306). Before the Agricultural Bank was established, Taft checked with the U.S. Attorney General if the “Philippine Legislature could enact a law to establish a government agricultural bank without authorization from the U.S. Congress, and received an affirmative reply. The decision of the Attorney General spurred the government to act, and on 18 June 1908,
the Philippine Legislature finally passed the Agricultural Bank Act (Act No. 1865)” (Nagano 1997:314).

Despite the creation of the bank in 1908, it did not attract many applications for loans. Moreover, after failing to attract private funding, the Agricultural Bank was “capitalized by the colonial government […] in order to facilitate channeling credit to cash-starved sugar planters” (Billig 2003:45). However, the legal framework of the bank restricted its activities. Since the bank was allowed to only give small loans to landowners with Torrens titles, there were not many loan applications in its first five years in existence. Moreover, landowners did not need small loans because the insular government subsidized irrigation systems, which was about the only investment loans from the Agricultural Bank could afford. The same year that the bank was formed, the “insular government created the ‘Special Permanent Fund’ for irrigation, under which any province, municipality, or ‘group of neighborhoods’ could apply for funding for irrigation projects as long as they would agree to charge sufficiently high fees for the water to reimburse the insular government for construction within 20 years at no interest” (Iyer and Maurer 2009:26). As Table 4.2 shows, it is only after the Agricultural Bank changed its laws that it started receiving application for loans. As Nagano writes, by “1913, through altering the original idea of giving loans to small farmers, the Agricultural Bank’s loan business had ballooned remarkably by offering capital to big landlords” (Nagano 1997:320). The bank, due to the size of the loans it issued, was dissolved by 1916. Filipino landed elites turned their attention to the Philippines National Bank (PNB).
Table 4.2: Applications for Loans in the Agricultural Bank of the Philippine Government

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>1909</th>
<th>1910</th>
<th>1911</th>
<th>1912</th>
<th>1913 (Jan-Jun)</th>
<th>1913 (Jul-Dec)</th>
<th>1914</th>
<th>1915</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Applications</td>
<td>417</td>
<td>148</td>
<td>123</td>
<td>170</td>
<td>369</td>
<td>172</td>
<td>350</td>
<td>441</td>
<td>2,190</td>
</tr>
<tr>
<td>Amount requested in P$1,000</td>
<td>804</td>
<td>495</td>
<td>482</td>
<td>711</td>
<td>3,068</td>
<td>1,516</td>
<td>2,752</td>
<td>3,772</td>
<td>13,600</td>
</tr>
<tr>
<td>Percentage of the Loan Amount approved</td>
<td>6.8</td>
<td>45.3</td>
<td>47.7</td>
<td>31.1</td>
<td>33.5</td>
<td>75.7</td>
<td>50.7</td>
<td>29.7</td>
<td>39.9</td>
</tr>
</tbody>
</table>

(Sources: Table 1, Nagano 1997)

Proposed since the first meeting of the Philippine Legislature in 1907, the PNB was established in 1916 and gave a lifeline to landed elites. Quirino’s analysis on the history of the American-owned Pampanga Sugar Milling Co. (PASUMIL) and the Filipino-owned Pampanga Sugar Development Co. (PASUDECO) elucidates the process allowing Filipino elites to compete with American investors (1974). PASUMIL was a joint venture between Claus Spreckels and Alfred Ehrman, two American sugar magnates. The mill processed 8,700 metric tons of sugar by 1919 and 19,400 metric tons by 1921. Moreover, it had 35 kilometers of railroad, which was used by landowners to ship sugar cane to the mill. The landowners supplying PASUMIL with sugar cane were predominantly Filipinos, but the central also processed sugar from American, Spanish and British landowners in the region (Quirino 1974:58–60).

Filipino landowners in the region, frustrated because their sugar cane was deteriorating before it could be shipped to PASUMIL, were trying to mill their own sugar cane. PASUDECO was the product of Filipino landed elites mortgaging their land and borrowing US$10 million from the PNB in order to build the central. The Pampanga Sugar Development Co. was a success. Quirino writes that the PASUDECO model became the standard process leading to an increase in the number of Filipino owned mills (1974). Data from the 1929 Handbook of
Philippine sugar corroborates the success attained by PASUDECO. In 1919, American-owned PASUMIL had the initial capacity to process 3,600 metric tons of sugar cane in 24 hours. In 1921, Filipino-owned PASUDECO had the initial capacity to process 3,000 metric tons of sugar cane in 24 hours (Facts and Statistics about the Philippine Sugar Industry 1928). Right after its formation in 1916, the PNB financed the following six Filipino owned mills: Bacolod-Murcia, Binalbagan Estate, Maoa Sugar Central, Isabela Sugar Co., Talisay-Silay Milling, and PASUDECO.

The creation of the PNB was not simply used as a bank for elites. On the contrary, the large PNB loans offered to Filipino landed elites were used to import modern sugar milling machinery:

All of these six centrals imported their machinery from the United States, particularly from Hawaii. The PNB's financial assistance to establish these modern sugar centrals was consistent with Philippine government policy to promote the provision of primary commodities. However, after being established, these sugar centrals faced one financial and management crisis after another and the PNB had to reschedule their previous amortization period of twenty years and oblige them to pay their debt in a few years, by allotting the total amount of net profits for amortization (Nagano 1993:224).

In sum, Filipino elites realigned their interests only after American control of sugar cane milling threatened their livelihood. Soon after the implementation of the Payne-Aldrich act in 1909, Filipino elites were pressured to organize and secure credit in order to compete with American sugar magnates. Only after the creation of the PNB in 1916 and after the importing of American made machinery could Filipino elites become owners of their means of production.
Despite the slow start of the Filipino native sugar milling industry, table 4.3 shows that by 1927 the local bourgeoisie became the major milling class in the colony. After the installment of the PNB and the investment in Filipino-owned mills, a new set of antagonisms spread through out the entire vertical dimension of the Filipino sugar industry.

<table>
<thead>
<tr>
<th>Nationality</th>
<th>Investment (pesos)</th>
<th>% of total investment</th>
<th>Centrals controlled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filipino</td>
<td>80,558,803.82</td>
<td>49%</td>
<td>17</td>
</tr>
<tr>
<td>American</td>
<td>43,075,665.91</td>
<td>26%</td>
<td>10</td>
</tr>
<tr>
<td>Spanish</td>
<td>40,555,776.28</td>
<td>24%</td>
<td>11</td>
</tr>
<tr>
<td>Cosmopolitan</td>
<td>1,084,835.07</td>
<td>1%</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>165,275,081.08</td>
<td>100%</td>
<td>39</td>
</tr>
</tbody>
</table>

(Source: Table 12, Ku 1989:74)

5. **Trickle-down Socioeconomics**

During the first years of the invasion, the agricultural output of the Philippines was badly diminished. In fact, the first years of the American invasion proved disastrous to the sugar industry. Between the Spanish-Filipino war and the American-Filipino war, sugar cane fields were destroyed. Moreover, rinderpest ravaged the countryside, killing water buffalos, the main force behind muscovado mills. It would take years before sugar cane could be harvested at levels prior to the American invasion. And it took until the 1920s for sugar to become the main Filipino export.

As American colonial policy pitted the interests of American sugar magnates against the interests of Filipino landed elites, the antagonisms percolated through out all of the social classes involved in sugar production: the new Filipino milling class clashed with Filipino planters, and the planters clashed with their tenants. By the 1920s, shipping raw sugar to the U.S. was the main source of income for the Philippines and raw sugar production concentrated in two main
regions: 1) Pampanga, an agricultural region north of Luzon and close to Manila; 2) Negros in the Visayan Islands.

Procuring sugar cane proved to be extremely challenging for sugar millers, and even Havemeyer’s project in Mindoro, with its vast resources, was deemed a failure because the central did not receive as much sugar cane as it could mill. As Schult shows, the San Jose Sugar estate since its inception struggled to get direct sugar cane producers, leading to management even paying for the transportation of workers from neighboring islands to Mindoro. This approach failed to get workers who were dissatisfied with the working conditions—their salary was P$26/month and a meal plan offering enough calories for their arduous labor cost P$20/month (Schult 1991:462–463). By 1917 the Mindoro Development Company (MDC), which owned the estate, reorganized land access by establishing a sharecropping system through the sale of land. Under the new system, landlords “were responsible for recruiting laborers, providing them and their families with housing facilities, and cultivating the land.” But the new system also failed to get enough sugar cane (Schult 1991:466–467). The MDC, a subsidiary of the Mindoro Sugar Company in 1917, then “adopted the policy of financing families on a piece of land of six to eight hectares each. Thus, twenty-nine share planters and around 500 tenants with their families were living on the hacienda in 1929. The infrastructure was improved to more than 40 miles of railroad track, to eight locomotives, and to 480 sugar carts” (Schult 1991:468).

The struggle to get sugar cane was very real but Filipino millers found ways to procure it. In this section I describe the way new antagonisms increased the amount of sugar cane cut by workers. As data show, centrales found ways to successfully procure sugar cane: in 1910, 121,472 metric tons of raw sugar were exported from the Philippines. In 1920, 180,341 metric
tons were exported. By 1930, 743,980 metric tons of raw sugar were exported (data from Table 1, Wolters 1992).

5.1 Filipino Monopsony, Millers vs. Planters

In order to procure sugar cane, the newly formed Filipino miller class pressured the Filipino landowning class through the establishment of a monopsony system. Billig writes that most “sugar land was divided into milling districts so that all planters in a district had to mill with the central of that district. Since sugar was transported almost entirely by rail, a planter could not choose to send his cane to a different central. Contracts between millers and planters typically ran for five to thirty years” (Billig 2003:47). The common arrangement between millers and planters was to split the sugar 50-50. However, this division created a serious conflict between both classes because planters were on the losing end. McCoy offers an insight into the arrangement:

Under the terms of the 30 year milling contracts signed with all haciendas in the districts surrounding their respective factories, the mills processed harvested cane in return for a 50:50 or 55:45 division of the milled sugar, an arrangement that allowed extraordinary profits. In 1925, for example, La Carlota Sugar Central retained 22,777 metric tons of sugar from the 124 haciendas in its district […] While millers concentrated capital and profit through technology, the planters continued to fragment their wealth through inheritance (McCoy 1992:127).

The conflict between Filipino millers and Filipino planters led to the formation of associations protecting the interests of each group. The Philippine Sugar Association was formed

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4 This type of settlement between centrales and the surrounding sugar cane planters was prevalent in most raw sugar producing colonies. In other words, the 50-50 split is not unique to the Philippines sugar cane milling industry.
in 1923 with the goal to protect the interests of the native milling class. Its counterpart was the National Federation of Sugarcane Planters (NFSP), formed in 1928 to protect the interests of the planters (Ku 1989:84). Ku writes that the NFSP’s objective was to “obtain a better bargaining position towards the sugar mills in the distribution of benefits” (Ku 1989:85). As McCoy writes, once Filipino owned centrales began production, “the wealthier Negros families were transformed into sugar millers whose interests were, at several key points, in direct conflict with those who had remained pure planters […]. While pure planters remained rooted in local politics and society, the milling families soon entered the ranks of the national financial elite” (McCoy 1992:127). Moreover, the conflict between millers and planters also transformed the relationship between planters and their direct sugar producers.

5.2 Planters and Workers

It is important to note that wage labor was more readily found in the sugar regions of Negros Island than in Pampanga. However, in both regions direct sugar producers were dispossessed and at the mercy of the landlords. McLennan describes the transition from cash tenants (traditional system) to a sharecropping system in Luzon. He notes that in 1903 there were 2,215 cash tenants and 290 share tenants in Nueva Ecija. By 1918, there were 2,796 cash tenants and 1,798 sharecroppers. He adds that the increase in sharecroppers was accompanied by an increase in the quota that sharecroppers had to fulfill (McLennan 1969:677). Ku adds to the scenario in Pampanga by showing that corporations in Luzon “managed multiple economic activities, such as sugar, rice, corn crop, etc.” Moreover, every hacienda “had share tenants […] through contracts. Under the [tenant], there were wage laborers, who were employed seasonally and their wages were daily based” (1989:86). The situation in Negros Island differed slightly:
[The landowner] employed [foremen] to administer [resident workers] on sugar farms. [Resident workers] were able to take care of all jobs in the sugar field during the leisure season (from May to September). But, during the harvest season (from September to April), more laborers were demanded. Thus, a [labor contractor] was then hired by the [landowner] to recruit [migrant workers] from neighboring islands to work on sugarcane fields. Both [foremen] and [seasonal workers] were directly engaged in producing sugar in the cane fields” (Ku 1989:89–90).

Ku adds that at the end of the season, migrant laborers returned home indebted to the planter (1989:90).

While there are some differences between workers in both regions, these differences were nominal and did not alleviate the condition of direct sugar producers. McLennan shows that the sharecropping system was exploitive at best, and writes that under the system direct sugar producers were easily removed from the land. He notes that lessees were under no obligation to keep the direct sugar producers working their land, and many were fired (McLennan 1969). As in Negros, direct sugar producers in Pampanga did not enjoy any job security.

The main difference in class relations between the two regions was in terms of shortage of labor, which was more prevalent in Negros. Nevertheless, Pampanga also had migrant labor coming from other regions in Luzon—such as Pangasinan, Ilocos Sur, and Ilocos Norte. Due to the geographic location of Negros, migration came from neighboring islands such as Cebu and Panay (Facts and Statistic about the Philippine Sugar Industry, 1928). In sum, it is important to note that nowhere in the Philippines direct sugar producers owned their means of production and their increases in sugar cane cutting were predicated by their need to eat. Direct sugar producers
were not only wage laborers but also at the mercy of the newly formed planter class and the newly formed Filipino miller class.

6. Conclusion

American colonial policy set the stage for the creation of one of the most exploitive and powerful social classes: the Filipino bourgeoisie. This social class, navigating through a colonially imposed institutional framework, was able to secure credit in order to compete with American sugar investors taking over their land. I have shown that American colonial administrators did not persuade Filipino landed elites to join the American way through a policy of attraction. Instead, American colonial policy, through the reorganization of property rights and the strict control of all economic activity, pitted the interests of the Filipino landed elites against those of American sugar investors. Moreover, I further show that infrastructural investment on milling facilities does not simply increase productivity. As Havemeyer’s sugar central in Mindoro shows, investment only builds refineries but does not bring sugar cane to the mills. Instead, I have emphasized that a series of highly productive class antagonisms between Filipino landed elites and American sugar magnates percolated throughout all stages of raw sugar production in the Philippines. In the end, only antagonisms spread, leaving wealth concentrated in the hands of a small group.
7. References


Chapter 5

Cuba and the Crystallization of the American Colonial State

1. Introduction

In the 1910s, a Filipino mill-owner and a Cuban mill-owner became the president of their respective national bank, soon engaged in shady loan practices and nepotism, giving very large loans to other local sugar millers and themselves; when raw sugar prices dropped after the First World War and millers could not repay their loans, one of the bank directors became wealthier, and the other committed suicide. Venancio Concepcion, a Filipino landed elite lacking any banking experience, was the president of the Philippines National Bank (PNB) between 1918 and 1920. By “all accounts, he violated important provisions in the law relating to loans. It was under Concepcion’s stewardship of the bank that the loans to the sugar centrals for the period 1918 to 1920 were granted” (Cadiz Dyball, Fong Chua, and Poullaos 2006:63). Through the PNB, Concepcion not only gave loans to sugar millers in Negros (McCoy 1992:126), but also received loans for two corporations where he was a shareholder: the Cristobal Oil Co. and Puno and Concepcion Co. (Cadiz Dyball et al. 2006:64). In all, by 1922 Concepcion committed “26 per cent of the PNB’s P167 million in assets to low-interest, 20 year loans for the Negro sugar mills. When combined with the long-term crop finance required to keep these indebted plantations from defaulting on earlier loans, this policy gave Negros an indefinite claim on a major share of the PNB’s resources” (McCoy 1992:126).

The story is radically different in Cuba, where José López Rodríguez “Pote,” a wealthy Spaniard and sugar miller, was the director of the Cuban National Bank (BNC) from 1912 until
the bank’s demise in 1921, when he committed suicide. As Le Riverend writes, López Rodríguez was an astute financier who expanded his business by using the BNC as his private bank (1965:232). In addition to being involved in finance, López Rodríguez was one of the most influential Cuban sugar millers of the era and owned two of the largest mills: Reglita and El España. In 1919, 2.2 per cent of the entire Cuban sugar production came from his mills (Santamaría García 2001:144–6). As the 1920 drop in sugar prices hit Cuban millers, López Rodríguez lost both centrals: the Reglita was demolished and El España went to the Morgan Guaranty Trust (Santamaría García 2001:145 fn. 55). Like López Rodríguez, J. Marimón, the president of the Spanish Bank of the Island of Cuba (BEIC) fled the colony in 1921 after losing the majority of his businesses during the crisis (Santamaría García 2001:141 fn. 50).

In addition to the radically contrasting effect that the drop in raw sugar prices had on prominent local millers in American colonies, during the 1920s both the Philippines and Cuba experienced dramatic changes: whereas Filipino millers became the major producers of raw sugar in the Philippines, American investors became the main producers of raw sugar in Cuba. Moreover, by the late 1920s and early 1930s, the Philippines, Hawai‘i and Puerto Rico surpassed Cuba as the main exporters of raw sugar to the mainland. As table 5.1 shows, American consumption of Cuban sugar decreased while the percentage of sugar from its other colonies increased. What accounts for these dramatic differences between raw-sugar producing colonies of the same empire? I argue that the institutional framework curbing the political and economic life of Cuban millers during the American invasion placed them at disadvantage against American sugar magnates in Cuba and millers in other American colonies. Through the passing of the Teller Amendment in 1898, and a series of special tariffs on raw sugar since the 1870s, the United States Congress devised a particularly pernicious colonial policy toward Cuba, stripping
Cuban millers from any type of protection against the vicissitudes of world market forces while directly placing them at the mercy of said forces.

Table 5.1: Origin of Sugar consumed in the United States, 1912-1932 (in percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>USA</th>
<th>Insular Areas</th>
<th>Cuba</th>
</tr>
</thead>
<tbody>
<tr>
<td>1912-13</td>
<td>22.2</td>
<td>25.2</td>
<td>50.4</td>
</tr>
<tr>
<td>1914-16</td>
<td>24.0</td>
<td>25.6</td>
<td>49.2</td>
</tr>
<tr>
<td>1917-21</td>
<td>23.5</td>
<td>23.9</td>
<td>48.6</td>
</tr>
<tr>
<td>1922-26</td>
<td>19.4</td>
<td>23.0</td>
<td>56.2</td>
</tr>
<tr>
<td>1927-30</td>
<td>18.4</td>
<td>31.8</td>
<td>49.4</td>
</tr>
<tr>
<td>1931</td>
<td>23.6</td>
<td>38.6</td>
<td>37.2</td>
</tr>
<tr>
<td>1932</td>
<td>23.7</td>
<td>47.7</td>
<td>28.2</td>
</tr>
</tbody>
</table>

(Source: Data from Table 1, US Tariff Commission Report 1934:4)

More specifically, I argue that American colonial policy monopolized Cuban exports, placing them in direct competition for entry to American markets with both American sugar refiners who owned mills in Cuba and millers from other insular properties. As American sugar magnates invested in Cuba, American and Cuban owned centrales shipped raw sugar to American ports on the East Coast, where the sugar refining industry concentrated since the 19th century. Due to American protectionism of its nascent sugar-beet industry, raw sugar from Cuba had to pay tariffs. Even though the tariffs were intended to curb the growth of the American Sugar Trust at the expense of the beet-sugar industry, American refiners were unaffected: they profited not only from the vertical integration of the sugar industry, but also from receiving cheap raw sugar from other insular properties that were exempt from tariffs since 1909. On the other hand, Cuban millers were forced to take predatory loans from American banks in order to sell raw sugar to American refiners under prices set by the American colonial administration and the American Sugar Trust. In 1920, after prices for sugar dropped worldwide, Cuban millers were not only unable to repay their loans, but also placed at a competitive disadvantage with other raw sugar producing insular properties, which not only enjoyed free entry to American shores but also incurred cheaper shipping costs with the construction of the Panama Canal.
2. Transformation of the Cuban Sugar Industry and the Platt Amendment

By 1895 Cuba had large and modern sugar mills, wage-labor and a complex division of labor between sugar-cane farmers (also known as *colonos*) and millers; by that same year Cuban mills produced over one million tons of raw sugar, a record that held until 1905. In addition, the relationship between the United States and Cuba since the 19th century was radically different to that of the United States and the Philippines. Mainly, Americans were aware of Cuba’s agricultural riches, leading Cuban and American political leaders in futile attempts to annex the island to the United States, who even tried purchasing it from Spain more than once (Pérez 1988:110–111). Moreover, since the 1870s Americans were already investing in Cuba, with Franklin Farrel, a sugar mill manufacturer from Connecticut, selling machinery to Cubans in 1872 (Weigle 1939:179). More importantly, American investors had already started incursions into the island, with Alisha Atkins and his son Edwin Atkins leading in the early 1880s. After the Soledad mill failed to make payments to Atkins’s credit firm, Edwin Atkins took over the mill: “Mr. Edwin Atkins then convinced his father that the best way to assure the return of their money would be to take over in their own name, one of these estates known as Soledad, and operate it for their own account. The settlement was finally made in 1883,” and the Soledad mill became one of the most productive in Cuba (Allen and Atkins 1926:21).

Despite the presence of American speculators in the island since the late 19th, the American invasion of 1898 dramatically transformed the socioeconomic structure of Cuba. As Ayala writes, the invasion of Cuba by American sugar interests obliterated Cuba’s plantation economy by establishing a completely new set of class relations (1995, 1999). How did the American invasion shape the Cuban sugar industry and local socioeconomic relations? Through
a survey of research on the Cuban sugar industry, I offer a brief history of the radical socioeconomic transformation American colonial policy unleashed on its colony.

2.1 The Resilience of Cuban Centralistas

Ayala shows that the American invasion of Cuba ended the plantation system that existed during the 19th century. He writes that despite “appearances of continuity, the persistence of underdevelopment in the Caribbean in [the twentieth] century is not the product of the survival of precapitalist relations of production” (1999:2). Moreover, “internal factors such as the destruction caused by the war combined with external factors such as increased foreign investment and preferential tariffs in the United States to reshape class relations and change patterns of uneven regional development in the Cuban sugar industry” (Ayala 1995:97). It is important to emphasize that the destruction of property during the Ten Year War (1868-1878) and the War of Independence (1895-1898) did not affect all Cuban regions the same way, which shaped American investment in Cuba.

The destruction of sugar cane plantations was particularly damaging to the eastern side of the island, leading to vast and empty plots of fertile soil. Stories of Máximo Gómez, the leader of Cuban independentist forces, burning down sugar mills and sugar cane fields during the Cuban War of Independence are well documented (see Pérez 1988 Chapters 5, 6, 7). However, the destruction by Gómez’s was contained: not every mill in Cuba was burned to the ground. Unlike eastern Cuba, where the destruction of sugar cane fields and old sugar mills enabled American sugar magnates to purchase vast amounts of extremely cheap and fertile land, Cubans dominated sugar production in the central region of Matanzas until the end of the First World War.
Cuban sugar millers, by protecting their property, were able to sell raw sugar to American refiners soon after 1898. Data show that in Matanzas Gómez’s pro-independence edict to burn all sugar-producing infrastructure hit sugar-cane farmers much harder than Cuban central owners. Whereas the most productive centrales were spared, smaller sugar mills and sugar-cane fields were the burned to the ground. Charadán López argues that sugar refiners who survived the wars were not the “petty bourgeoisie,” but the wealthy sugar milling class, both Cubans and Spaniards (1982:101). Instead of burning down large centrales, most damage was in the sugar cane fields: in Matanzas 89.8 per cent and in Santa Clara 96.6 per cent of sugar cane fields were burned (Iglesias 1999:194).

Despite the damage to the sugar-cane fields, by 1902 Matanzas was already producing raw sugar for the American market. As data show, the most successful mills producing raw sugar in 1902 were those spared by Gómez’s torch. For instance, the Santa Gertrudis Mill in Matanzas, owned by Antonio González de Mendoza, hired 51 men to protect the mill in 1896 and produced over 38 tons in 1902. The Conchita Mill, owned by Juan Pedro y Baro, hired 55 men to protect the mill in 1896, producing over 37.6 tons in 1902. Finally, the Alava Mill, owned by the Hermanos Zulueta, hired 216 men in 1896 to protect the mill and produced 37.4 tons of raw sugar in 1902 (mill production data from: Huguet y Balanzo 1902; mill ownership data from: Iglesias 1999:218–219). Moreover, it is important to emphasize that the ownership of these mills was the same in 1896 as in 1902, showing that the most prominent millers fended off the destruction of their property and were able to resume production soon after the American invasion. In addition to being highly productive, some of these Cuban-owned mills had advanced milling technology and were extremely large:
Some of the big sugar mills that ground cane before the beginning of the War of Independence came to control, by property of ownership or by rental, 2,000 or more caballerías of land. On this area of land, they were able to turn out up to 20,000 tons of centrifugal sugar in one crop. These large units were generally equipped with workshops, foundries, and an electrical plant. They also had their own railroads and internal telephone communications in order to coordinate more efficiently the work processes. The personnel, without counting agricultural laborers, often came to 200 or 300 men. (Grupo Cubano de Investigaciones Económicas 1965:94)

In contrast to the sugar milling industry in Matanzas, Camagüey and Oriente, on the eastern side of the island, were completely transformed by Gómez’s torch and, subsequently, American investment, which built the largest and most productive mills in the colony. As data show, the expansion of the sugar industry in Cuba grew eastward, and the bulk of the new mills built between 1899 and 1927 were in Camagüey and Oriente: while zero new mills were built in Matanzas, there were 25 built in Camagüey and 22 in Oriente (Grupo Cubano de Investigaciones Económicas 1965:237–239 Data from table 155).

The American takeover of the eastern side of Cuba has been very well documented. These new mills differed from their Cuban-owned counterparts not only in terms of their sheer size and efficiency: American owners of these new mills also owned the refineries in the American eastern seaboard that turned raw sugar (polarized to 96°) into a consumer-ready commodity (polarized to 99°-100°). Moreover, these American sugar magnates worked closely with American bankers, creating a vertically integrated sugar industry in the eastern side of Cuba (for a detailed analysis on vertical integration, see Ayala 1999 chapters 3 and 4). American

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1 Caballería = 33.6 acres
expansion and overtaking of Cuban sugar was dramatic. By “1906 there were 30 American mills out of 181 in Cuba, 70 out of 202 in 1917; by 1927, there were 75 out of 175, that produced 62.5 percent of the crop [...] By comparison, the Cubans owned 78 mills in 1906 and 85 in 1917. Spanish and other foreign mills declined from 73 in 1906 to 47 in 1917” (Hitchman 1970:105). It is important to note that as production of raw sugar in Cuba increased, the number of mills decreased, showing the concentration of sugar milling in the hands of a small group of millers: there were about 2,000 mills by the 1860s, 1,190 mills by 1877, 207 mills in 1899, and 157 mills in 1939 (Guerra y Sanchez 1940:46–47)

2.2 Eradicating Cuban Sovereignty

The American colonial administration subdued the economic and political life of Cuba through the Platt Amendment, which it imposed on the Cuban constitution as early as 1901. Among its main points, the amendment stipulated that the American Colonial administration had both to sanction all Cuban trade and the obligation to militarily intervene in the colony in times of turmoil. As Pérez writes, in order for the United States to control Cuba, the amendment was a necessity because Cuban pro-American political leaders lacked popular support among Cubans. Pérez adds that the United States sought an alliance with Cuban elites; unfortunately for the colonial administration, these elites were unable to gain a constituency (1986:49–55).

The American colonial administration “early detected in the shattered ranks of the colonial bourgeoisie its natural allies. Both opposed Cuban independence. Both opposed Cuban government. Policymakers needed supporters, property owners needed security” (Pérez 1986:37). Cuban millers were not popular among Cubans precisely because this class had not been supportive of the 1895-1898 Cuban War of Independence. In the elections of 1900
members of the pro-American Cuban miller class lost the election, and Independentists won, challenging American governance in its colony (for a detailed account of the electoral process, see De la Fuente 2001). As Pérez argues, the lack of popular support for Cuban millers, the main American ally, led to the enforcement of the amendment. Cubans were unwilling to amend their constitution, but the U.S. Congress gave Cubans an ultimatum: in order for the American military occupation to end, Cubans had to adopt the Platt Amendment (Pérez 1988:191).

In sum, as American investors built centrales in the island, the United States colonial administration controlled Cuba by censoring political life and by controlling the island’s trade. Unlike Filipino elites who feared American takeover of their natural resources (see chapter 4), Cuban elites were concerned with selling raw sugar in the world market. However, American colonial policy closed all markets for them. This pattern of controlling the ports of Cuba does not differ from American control of the Philippines; however, due to the specificities of American colonial policy towards Cuba, Cuban millers did not enjoy the same advantages Filipino landed elites did. Whereas Filipino raw sugar (96° purity, same as Cuban sugar) entered the empire’s borders free of duty, Cuban sugar was not exempt.

3. Institutional Logic of the American Colonial State

What accounts for the difference in tariffs on raw-sugar between American colonies? More importantly, what consequences did these differences have on the long-term changing patterns of raw-sugar imports into the United States and on the decreasing role that Cuban raw-sugar had on American sugar consumption? I argue that American Colonial Policy placed Cuba at a disadvantage vis-à-vis its other raw sugar-producing colonies due to the 1898 Teller Amendment and the 1902 Cuban Reciprocity Act. More specifically, since the 1870s, when raw sugar from
Hawai‘i entered American shores free of duty, debates revolving around tariffs on raw-sugar were fought among three rather distinct interest groups in the United States. First, Louisiana sugar-cane growers sought high tariffs on raw sugar because it affected their own agricultural interests. However, the level of influence this group exercised over the U.S. Congress waned towards the end of the 19th century. Second, beet-sugar interests in the Midwest and the West coast of the United States sought high tariffs on raw sugar because these affected their agricultural as well as their industrial interests. Third, American sugar refiners sought low tariffs on raw-sugar because these affected their industrial interests. The debates on tariffs, which went from the U.S. Congress to the Senate to an investigative committee, between these three interest groups had direct consequences on the formulation of American colonial policy, which restricted the socioeconomic life of its colonial subjects.

3.1 The Institutional Logic of Tariffs

Tariffs have definite consequences on domestic industrial sectors. Mainly, holding constant a commodity, tariffs on that commodity can vary depending on its provenance. As Hansen writes, unlike “general sales or income taxes, customs duties and other excises are discriminatory assessments. Because they differentiate otherwise similar transactions, they create economic rents for those competitors who are not subject to them.” Since tariffs discriminate between producers, tariffs are in effect “a negative tax, no different from the benefits created by the negative income tax or by the sale of tax credits” (Hansen 1990:534). At the core, the struggle for tariffs in the United States has been between different industrial sectors that sought rents in order to protect their interests. More importantly, since there are several interests groups within the United States, tariffs are intrinsically controversial because a tariff on a specific commodity
can have different reverberations among disparate interests groups. For instance, the duty-free entry of raw-sugar to the United States gave a cheap supply of sugar to American sugar refiners while placing Louisiana sugar-cane farmers at a competitive disadvantage—even shipping from Cuban ports to refineries in the East Coast was cheaper than shipping raw-sugar from Louisiana to Massachusetts.

As Irwin writes, in the 19th century the “South produced and exported cotton and tobacco; the North was home to import-competing manufacturing industries; and the West specialized in producing wheat, flour, and other agricultural goods” (2008:717). Whereas producers in the South and in the West wanted tariffs on agricultural products, the Northeast sought tariffs on machinery. Since one tariff cannot fit all interests, the U.S. Congress has been home to heated debates on setting schedules:

[T]ariffs were a highly charged political issue for good reason: they redistributed large amounts of income between various groups. In particular, about 30 to 40 percent of the burden of high tariffs fell on producers of agricultural exports, which helps account for the opposition of farmers to the existing levels of import taxation […] most voters may not have strongly opposed the protectionist policy because it proved to be only slightly harmful to consumers overall (Irwin 2007:584).

On the last point, it is important to note that Taft himself wrote that the schedules set in the Payne-Aldrich act had no effect on consumers (Solvick 1963:432). In other words, American tariff history elucidates the changing economic interests of the nation by creating winners and losers in its industrial sector.
3.2 Beet-sugar interests and American Colonial Policy

The beet-sugar industry became the fiercest competitor to American sugar refiners in the battle for tariffs on raw-sugar. In fact, the American beet-sugar industry was precisely in its infancy when America took possession of its tropical colonies, where sugar cane grew very easily. More importantly, the boom of the beet-sugar industry was predicated upon the establishment of tariffs on raw sugar. After several failed attempts since the 1870s to establish a domestic beet-sugar industry, the “real growth of the new industry began in 1897 with the enactment of the highly protective Dingley Tariff” (Weigle 1939:14). As table 5.2 shows, between 1897 and 1903, beet-sugar production in the United States grew dramatically. Unsurprisingly, in 1898, when the United States expanded its reach and seemed to secure a steady flow of raw sugar, the beet-sugar industry, headed by Colorado Senator Henry Teller, prepared itself for a fight. In particular, the fight between sugar-beet producers and American sugar refiners interests led to the passing of two laws by U.S. Congress that steered Cuban millers to their demise: the Teller Amendment and the Cuban Reciprocity Act of 1903.

<table>
<thead>
<tr>
<th>Year</th>
<th>Factories Completed</th>
<th>Total factories operating</th>
<th>Beet production in long tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>1897</td>
<td>3</td>
<td>10</td>
<td>37,536</td>
</tr>
<tr>
<td>1898</td>
<td>9</td>
<td>18</td>
<td>40,399</td>
</tr>
<tr>
<td>1899</td>
<td>12</td>
<td>29</td>
<td>32,471</td>
</tr>
<tr>
<td>1900</td>
<td>5</td>
<td>32</td>
<td>72,944</td>
</tr>
<tr>
<td>1901</td>
<td>5</td>
<td>37</td>
<td>76,859</td>
</tr>
<tr>
<td>1902</td>
<td>6</td>
<td>43</td>
<td>163,126</td>
</tr>
<tr>
<td>1903</td>
<td>9</td>
<td>52</td>
<td>195,463</td>
</tr>
</tbody>
</table>

(Source: Weigle 1939:15)

Beet-sugar interests forced the American Colonial administration to differentiate American control over Cuba from control over its other insular properties. Mainly, treatment of Cuba as an independent nation would ensure that raw sugar from the colony would not be
automatically exempt of tariffs. And Senator Teller took the battle to differentiate Cuba from the Philippines, Puerto Rico and Guam. Clearly, Cuba’s natural agricultural riches threatened American beet-sugar. As LaFeber writes, “Henry Teller, Republican of Colorado, intended to protect his state’s beet-sugar producers from cheap Cuban sugar, as well as take a moral antiimperialist (sic) position” (1997:144). Ultimately, Senator Teller, whose political party was the same as the W.H. Taft’s, succeeded:

In 1898 Congress passed the Teller Amendment which disclaimed any intention to exercise control over the island except for pacification. The following year, that same body passed the Foraker Amendment which forbade the granting of commercial concessions during the occupation of Cuba, an action designed to foreclose the possibility that United States withdrawal from Cuban affairs would be prevented by big business and commercial entanglements (Hoernel 1976:215–216).

This amendment shaped the legal framework of the Treaty of Paris, where the United States officially took possession of the Philippines, Puerto Rico and Guam, but only gained temporary control of Cuba. However, for American sugar refiners the legal status of Cuba was not the main concern; instead, they cared about securing a steady supply of cheap raw-sugar for their refineries.

American sugar magnates, headed by Horace Havemeyer of the Sugar Trust, in alliance with Republicans from Northeastern states and American colonial administrators sought to establish a special tariff on Cuban raw-sugar under the premise that by stimulating this market Cuba would be quickly pacified, allowing the occupation of the island to end. In other words, U.S. Congress was presented with a quandary: on the one hand, prominent figures like General
Leonard Wood insisted that special tariffs on raw sugar would pacify the island; on the other hand, beet-sugar producers, who wanted Americans to quickly leave the island, rejected special tariffs on raw sugar from Cuba.

Senator Teller, the “real champion of the beet-sugar interests” accused General Wood “of initiating the whole reciprocity movement at the instance of American property owners in the island” (Weigle 1939:336). The fight for the Reciprocity Act was fierce and the debates pointed that Cuban raw sugar would not receive special treatment at American ports. In 1902, in front of the 57th U.S. Congress, N.H. Steward, the president of the Kalamazoo Beet Sugar Co. in Michigan gave his testimony on the Reciprocity Act:

We were induced to go into [the beet sugar] industry and we put our money in in (sic) good faith, and now for the Government to take away that protection puts Uncle Sam in no other position than that of a bunco steerer for the trust, because that trust is the only institution that will derive any benefit from this reduction

(Quoted from Weigle 1939:280).

Ultimately, as Weigle writes, beet-sugar interests prevailed because the Cuban reciprocity act did not give Cuban raw-sugar free entry into the United States. Instead, the Act stipulated a 20 per cent reduction to Cuban raw-sugar:

At first, Root and the new president, Theodore Roosevelt, could not overcome the opposition of beet-sugar interests to such a treaty. In 1903, however, these interests were literally bought out by the American Sugar Refining interests that had access to Cuban fields. Industrialists and farmers from the United States also supported the treaty, because they received preferences in the island’s markets. The United States had apparently padlocked Cubans into its system politically and
economically, while giving them the semblance of self-government (LaFeber 1997:152).

In other words, despite the imposing of the Platt Amendment to the Cuban Constitution, monopolizing Cuban exports, American beet-sugar producers insisted that Cuba be treated as Java, another major world sugar producer that was free from American influence.

More importantly, the Teller Amendment, by suggesting that Cuba should not be treated as the other insular properties, and the Reciprocity Act put Cuban raw sugar at a competitive disadvantage with raw sugar entering the United States from the Philippines since the passing of the 1909 Payne-Aldrich Act. Put succinctly, in the 1920s producing and shipping raw-sugar in the Philippines cost 0.794 cents more per pound than Cuban sugar (United States Tariff Commission 1934:13–15), but raw-sugar from the Philippines entered free of duty. In other words, the Reciprocity Act placed Cuban raw sugar at a competitive disadvantage with other American colonies, while inadvertently placing a rent on Filipino raw sugar. In addition to differentiating Cuba from American colonies, beet-sugar interests sought to curb the interest of American sugar magnates in Philippines; however, they failed:

The sugar dependence of the Philippines had come about despite fervent efforts of American beet and cane interests to make sure that no formidable competition should arise in the islands. After annexation they had supported a land law which limited corporations in the Philippines to purchases of 1024 hectares in the public domain, or approximately 2500 acres. By this move they had hoped to prevent the growth of the classic sugar plantations which made for efficient production in Cuba and Java (Friend 1963:179).
In sum, the debates between different American industrial sectors within the American institutional logic and framework shaped American colonial policy towards its colonies. Moreover, it is important to note that in debates shaping American colonial policy the one constant factor is that at least one American industry benefited from the expansion. Whether by blocking or encouraging the entry of specific items from specific producers, at least one domestic industrial sector benefits. To conclude this section, I turn to Taussig’s classic work on tariffs which elucidates the problem with so-called reciprocity acts:

The United States has had one conspicuous illustration of the workings of reciprocity of this sort, in the treaty of 1876 with the Hawaiian Islands. Under that treaty, sugar was admitted free from the islands; but they were far from being able to supply all the sugar consumed; other sugar was imported, paying duty; the price remained as high as before, and the Hawaiian planters reaped the benefit of the remission. But the re-imposition of duties on articles coming from a particular country, if it leaves enough of other countries in the field, not paying duty, to supply the domestic consumption, brings a pressure to bear on the enemy without injuring the consumers at home (Taussig 1910:280–281).

4. Cuban Millers vs. American-made Market Forces

Despite their ability to both protect their property during the Cuban War of Independence and resume raw sugar production by 1902, Cuban sugar millers could not fend off American bankers since the beginning of the invasion. Prior to the American colonization of the island, Cuban millers were able to access credit from local merchants, creating a close-knit network of merchants and millers. By 1900, these merchants had limited resources, and Cuban millers
desperately needed credit in order to produce raw sugar. How did the institutional framework imposed by the American colonial administration limit access to credit for Cuban millers? Moreover, how did the competitive disadvantage placed on Cuban raw sugar and the control of Cuban ports affect Cuban millers’ ability to repay their loans? I show that American sugar magnates and bankers, with the support of the American colonial administration and within the institutional framework delineating the socioeconomic life of Cubans, devised a banking industry issuing predatory loans. These American refiners and their banker friends were not only involved in speculating the price for raw sugar and refining it, but also gave loans to Cuban millers in exchange for titles on their raw sugar producing property. In addition to predatory loan practices, Cuban millers, who had to pay tariffs, were exposed to the vicissitudes of world markets without any type of protection from the American Colonial State, unlike other insular properties. In the end, as Europe resumed beet-sugar production in 1920 and sugar prices dropped, American beet-sugar interests dealt Cuban millers the final blow by implementing two new tariffs, effectively making Cuban raw sugar noncompetitive with Filipino and Puerto Rican raw sugar.

4.1 Centralistas’ Need for Credit and American Bankers

The “Congressional Joint Resolution of April 20, 1898, bound the Americans to leave Cuba once the island was pacified, but the Paris Peace Treaty of December 10, 1898, assumed that the United States would remain for a period of reconstruction” (Hitchman 1970:90). The success of Cuba’s reconstruction, from the view of American colonial administrators, depended on the revival Cuba’s sugar industry. However, credit and raw sugar production are deeply connected. In order to produce raw sugar, millers need funds allowing mills to operate during the off-season, which is when price speculation for raw sugar happened:
Practically every mill in Cuba requires loans to cover the usual dead season operations of planting and cultivating and to finance the crop as it is harvested and milled. Dead season advances involve a speculation as to the ability of the mill to grind and as to the worth of the sugar when it is made. This is secured in many cases by mortgage on the entire mill property, or on bonds covering it, in other by crop liens which are a form of mortgage on the growing cane (Foreign Policy Association 1935:231)

Since the inception of the sugar industry in Cuba, there has been a history of merchants issuing short-term loans and establishment of close-knit networks between merchant houses and centrales; however, the loans issued by local merchants and the terms of these loans changed dramatically at the turn of the 20th century.

Before the American invasion, the main source of credit were small merchants who gave credit out of their houses, meaning that they gave loans to local refiners. Soon after the American invasion, new banks with many more resources than merchants opened several branches throughout the island, changing the way Cuban sugar millers accessed credit. New banks offered bigger loans, and, unlike merchants who were limited to their towns, opened branches nationwide (García López 1996:270–5). By 1899, small Cuban banks and merchant houses disappeared and foreign-owned commercial banks became the main source of credit. The spread of these banks in Cuba was dramatic. According to a Cuban economic report, by 1923 76.1 per cent of all Cuban deposits and 84 per cent of all loans were in foreign banks (Grupo Cubano de Investigaciones Económicas 1965:231). Moreover, since 1899 the connection between private commercial banking and Cuban millers became the backbone of Cuba’s reconstruction.
Unlike Filipino landed elites who were able to form a state-owned commercial bank by 1916, the colonial policies of the Military Government of General Leonard Wood precluded Cubans from creating a nationally owned bank. For General Wood there was no need for state loans to rebuild the sugar industry because markets would reward sugar refiners (Grupo Cubano de Investigaciones Económicas 1965:169). In his view, the solution to the lack of credit and to the financial crisis in post-war Cuba was in private investment. General Wood’s vision materialized through the J. Speyer and Co. syndicate. To pay the Cuban liberation army, J. Speyer and Co. from New York gave the Cuban government a US$35 million loan at 5 per cent interest in 1904 (Hudson 2007:60; Le Riverend 1965). Among the many members of the Speyer syndicate were the Mutual and the Equitable Life Insurance Co., the Union, Central and Guaranty Trust Co., the National City Bank of New York, Harvey Fisk & Sons, among others (Hudson 2007:60).

Moreover, in 1899 the American colonial administration granted the management of Cuban public funds to the privately funded North American Trust Co (NATC). Samuel M. Jarvis, who was part of the War Department’s Finance Commission, created the NATC. As Hudson writes, McKinley “granted him a concession to act as the fiscal agent for both the Treasury and War Departments in Cuba through the NATC. As financial agent, the NATC received Treasury Department funds in New York and paid them out in Havana, Santiago, and other locations throughout the island.” To make the NATC even more influential in Cuba’s economy, “it was used as depository for Cuban revenues collected through taxation. The company was paid a percentage commission on all money received and disbursed.” In 1901, Jarvis and Conklin “sold their shares in the NATC, dissolved its Cuban operations, and
reconstituted the bank as the Banco Nacional de Cuba” (Hudson 2007:204). As le Riverend writes, it is difficult to imagine a more ironic name for this particular bank. Early in the invasion, the American and privately-owned Banco Nacional de Cuba funded the Cuban sugar industry and handled state funds (Le Riverend 1965:228)

The growth of the BNC was dramatic, and by 1914 it had 34 branches spread through out Cuba (Hudson 2007:208). As the BNC grew, the traditional system of loans between local merchants and local millers disappeared and was replaced by commercial banking (García López 1996:270–5). The BNC offered short-term loans for sugar interests, and its capital grew from US$3 million in 1904 to US$5 million in 1905, while it opened eight branches (Collazo Pérez 1996:292). This pattern of privately-owned commercial banks opening branches in cities near centrales and shipping ports, along with Cuban raw sugar production, flourished in Cuba between 1901 and 1920.

Along with the BNC, the Royal Bank of Canada and National City Bank made their presence in Cuba since 1906. National City Bank gave loans to sugar refiners through the Banco de la Habana, which was absorbed by National City Bank in 1914, when it made its official appearance. Banco de la Habana opened “branches in Havana, Santiago, Matanzas, Cienfuegos, Guantánamo, Camagüey, Cárdenas, and Manzanillo.” After being taken over by National City Bank, between 1914 and 1920, the “number of bank branches in the country almost doubled, expanding from 148 to 294” (Hudson 2007:215). Clearly, the investment of the National City Bank of New York in Cuba was pervasive. Through the reliance on private funds to reconstruct Cuba, American colonial administrators tied American and Canadian private banking interests to

2 Interestingly, the bank that survived the Cuban War of Independence was the Banco Español de la Isla de Cuba (BEIC), which was going to become the recipient of public funds, but this was met by popular opposition (Hudson 2007:53). BEIC was the only bank to survive independence by giving out loans to sugar millers (Collazo Pérez 1996:291).
the interests of Cuban millers and to the sugar industry in the Caribbean (Grupo Cubano de Investigaciones Económicas 1965:235).

4.2 Cuban Boom and Bubble

As raw sugar production grew in Cuba, so did the size of loans private banks gave to Cuban millers. Moreover, the dramatic growth of the Cuban raw sugar industry experienced in the late 1910s occurred as the world market for sugar was altered due to the First World War. As Santamaría shows, in 1913 Europe produced 43 per cent of world sugar, but by 1919 it produced 19 per cent. In 1917, as the war ravaged beet fields, the Allied forces asked the United States to regulate the price and production of sugar, and between 1917 and 1919, the U.S. War Food Administration purchased the entire Cuban sugar cane harvest. This started a period of exponential growth in sugar production (Santamaría García 1996:246–247).

As War and the U.S. colonial administration assured Cubans that their entire crop would be purchased, the roaring 1919 unleashed the “Danza de los Millones,” a short-lived period where Cuban millers amassed profits selling raw sugar at inflated prices to the American market. More importantly, it was large loans from American banks that “financed Cuban efforts to profit” from the “short-lived speculative boom in world sugar prices in 1920. When it collapsed, the same banks took over defaulting Cuban producers and financiers” (Pollitt 2004:321).

Cayuela Fernández writes that by 1921 American banks completely transformed the role of elites in Cuba. But the process started since 1901 with the J. Speyer Co., the North American Trust Co. and the National City Bank of New York. The two main Cuban agricultural products, tobacco and sugar, were closely tied to banks and railroads, which were owned by foreign corporations
(Cayuela Fernández 2011:199). However, the story of the American takeover of Cuban mills is even more complex and dark.

In 1920, as Cuban millers took large loans under conditions outside of their control, the prices for raw sugar dropped: May, 20.8 cts/lb; June, 19.7 cts/lb; July, 17.6 cts/lb; August, 13.4 cts/lb; September, 10.7 cts/lb; October, 8.3 cts/lb. By December 1921 the price dropped to 3.7 cts/lb. (Santamaría García 2001:56). The drop in prices created a dramatic unbalance between the loans received from American banks and the money received from purchasers of raw sugar. That same year, the American colonial administration devised the Comisión Nacional de Liquidación Bancaria (National Commission for the Liquidation of Banks) to assist García Menocal, the pro-America president of Cuba, to deal with the economic crisis. As García Álvarez shows, the commission followed an American legal framework for bankruptcy, which set out to destroy the main financial institutions in the colony. For instance, Act 17 of the commission declared the Banco Español de la Isla de Cuba bankrupt, closing its 70 branches and selling its property (García Álvarez 1998:133–134).

However, Cubans put up a fight and in January 1921 the Cuban Legislature passed a series of laws in order to reorganize the banks, which was accompanied by a moratorium on payments. However, on the request of the U.S. President, Zayas, who became the Cuban president in the spring of 1920, vetoed these laws on September 26 (García Álvarez 1998:134). Santamaría García writes that the 1921 moratorium was eliminated under pressure from American financial institutions that were affected by the crisis. The American Morgan & Co. demanded the end of the moratorium in exchange for a US$50 million loan to the Cuban government to deal with the crisis (Santamaría García 2001:58).
In 1921, the Cuban sugar miller class was decimated. Pérez de la Riva writes that National City Bank took control of several mills during the summer of 1921 (1975:169). Moreover, the takeover of sugar mills by banks continued after the 1920s. By 1935, National City Bank controlled nine mills, “eight of them through the General Sugar Estates, Inc. The Royal Bank of Canada operates and even larger number of mills, most of them through the Sugar Plantations Operating Company […] The Chase National Bank of New York, in addition to its interest in the new Atlantic & Gulf Company in Punta Alegre, has three mills on its hands. Other bank-owned mills include Macareño, largely the property of the National Shawmut Bank of Boston; Caracas and Amazonas, belonging to the First National Bank of Boston” (Foreign Policy Association 1935:228).

4.3 Reification of American Colonialism

In addition to predatory loan practices and the drop in sugar prices, two more factors led to the demise of the Cuban centralistas: the expansion of American Empire and the renewal of protectionism in 1921. More specifically, the Treaty of Paris stipulated that for a period of ten years (1899-1909) American and Spanish ships would enjoy the same protections in Filipino ports. During that decade, there were no preferential tariffs for Filipino raw sugar. In 1909, the Payne Aldrich Act allowed limited amounts of Filipino raw sugar free entry into the U.S., but by 1913 the limitations on raw sugar and tobacco on the original bill were eliminated. Along with granting a rent to Filipino raw sugar producers, in 1914 the American empire stripped Colombia of the Isthmus and built the Panama Canal, giving Filipino raw sugar a direct route to American seaboard, thereby lowering shipping costs. As American sugar refiners found a steady supply of
cheap raw sugar from American insular properties, beet-sugar producers continued to produce sugar for domestic consumption.

Despite the protection given by the U.S. Congress to beet-sugar interests through the passing of tariffs on Cuban raw sugar, the First World War hurt them. As Europe resumed beet-sugar production and with sugar prices dropping worldwide, beet-sugar producers dealt their final blow to Cuban millers. Seeking protection for their class interests, U.S. Congress adopted the 1921 Emergency Tariff, raising Cuba raw sugar tariffs from 1.0048 to 1.6 cts/lb. Due to the sheer size of the economic crisis, the protection of beet-sugar industry expanded. In 1922 the Fordney-McCumber Tariff further increased Cuba’s tariff to 1.7648 cts/lb (Santamaria García 2001:57).

In sum, with the American Colonial Administration monopolizing Cuban exports under the Platt Amendment, Cuban millers were forced to sell their raw sugar to American refiners. In other words, Cuban millers were not able to activate market competition for the price paid for their sugar because their role in sugar production was an extension of the colonial division of labor. In 1920, as prices for raw sugar dropped, Cuban millers received several hits: 1) drop in sugar prices meant that they would be unable to repay their loans, leading them to lose their sugar cane mills. 2) Cuban millers had to pay tariffs for their raw sugar to enter their only market. In the end, beet-sugar interests attempting to curb the reach of the American Sugar Trust were futile:

Cuba has been compelled during the last few years to accept a swiftly falling price for raw sugar and at the same time to cut down greatly its shipments to the United States, because Cuban sugar, in order to compete in the United States markets, must pay a duty of 2 cents per pound (96° base) whereas the constantly increasing
supply of insular sugar enters that market free of duty. Cuba could find no relief from the situation by increasing its exports to European countries, for with reduced demand and heavy production in Europe itself, and in oriental countries, the price there also was falling greatly (United States Tariff Commission 1934:21).

As the American Sugar Trust secured a steady supply of cheap raw sugar through subsidies in the form of tariffs and lower shipping costs from other insular property, Cuban millers saw their expenses grow without being able to increase their revenue.

4.4 The Cuban proletariat

As in the previous chapter, the antagonisms at the top of the vertical dimension of production spread throughout the entire Cuban raw sugar producing industry. In other words, the American reorganization of property rights in Cuba sparked a process that led to the formation of a Cuban proletariat. As Ayala shows, the process of proletarianization took different forms throughout Cuba. Towards Havana and Matanzas, the agricultural economy was organized in the Colono system. This system “refers to a multiplicity of social layers, all of which specialized in the production of cane for delivery to the mills” (Ayala 1999: 121-122). These landowners either leased land to farmers and/or hired wage laborers. The land was under the control of the independent landowners, who sold cane to Cuban-owned mills and hired direct sugar producers. In this instance, large landowners controlled all access to agricultural land, leaving direct sugar producers at the mercy of the harvest season.

Similarly, towards the east side of Cuba, where American sugar magnates built the bulk of the centrales, the existence of large landowners and dispossessed workers was the dominant
feature of Cuba’s socioeconomic structure in the early twentieth century (Ayala 1999). In Oriente, large American sugar mills that also owned the arable land were prevalent. In those regions, American capitalists owned the land, and they either hired wage labor or leased plots of land, creating a controlled colonato, where landlords and millers were the same corporation, and the tenants were in charge of finding direct sugar cane producers. Generally speaking, in the east side of the island, all of the stages of production—from the agricultural to the industrial—were in the hands of a single company. Due to the organization of labor in Oriente, the proletarianization of the Cuban population was clearly noticeable, where migrant laborers from surrounding islands in the Caribbean found jobs during the harvest season only, creating a large destitute class during the off-season. As American mills became the owners of all stages of production and transformed the entire socioeconomic structure of the colony, direct sugar producers found themselves in precarious circumstances.

5. Conclusion

The story of banking in Cuba after the American invasion elucidates the difficult position of the Cuban sugar milling class. On the one hand, American colonial policy stimulated Cuban raw sugar production by slightly lowering its tariff. On the other hand, Cuban centrales needed credit in order to be able to produce raw sugar. During the First World War, demand for sugar increased as sugar beet fields in Europe were destroyed. The demand for sugar led to an increase in both the price paid for raw sugar and the size of the loans Cuban sugar millers received. This situation ultimately led to the collapse of the Cuban sugar refiner class. In a wave of defaults on loans, foreign commercial banks emerged as owners of the most productive Cuban-owned sugar mills. Cuban centralists survived the Cuban War of Independence, thrived during the first two
decades of American colonialism, but by 1921 they faced American bankers and dramatically lost the battle.
6. References


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1. Historical and Comparative Methods

What are some of the key differences and similarities between the Japanese and American colonial states? How did their different approaches to colonialism affect the well being of the colonized? In this concluding chapter, I seek to answer those two questions. In terms of similarities, this dissertation argues that both Japanese and American colonialism succeeded in increasing the agricultural productivity of their colonies after reorganizing property rights. It is precisely the alteration of property rights what sparks new class dynamics. In all three cases discussed, the new class antagonisms led to dramatic increases in agricultural productivity. However, Japanese and American colonial policies affected property rights at different levels in the vertical dimension of sugar production. Moreover, a key difference between the Japanese and American colonial states is their approach to imposing their will on their colonial subjects. Whereas Japan relied mainly on despotic power in Taiwan, the United States oscillated between despotic and infrastructural power in the Philippines, but relied on its infrastructural power in Cuba. Moreover, another prevalent difference between Japanese and American colonialism are demographic changes in their colonies. Data suggests that Japan’s despotic approach to colonialism improved the health and livelihood of the Taiwanese population. In stark contrast, the well-being of American colonial subjects did not improve as much. Whereas the Taiwanese experienced lower mortality rates and higher life expectancy under the Japanese colonial administration, Filipino mortality rates remained at almost the same levels as in Spanish times.
1.1 Antagonisms and the vertical dimension of production

Whereas Japanese colonial policy imposed new property rights on direct sugar cane producers, American colonial policy imposed new property rights on classes detached from direct agricultural work. In the Philippines, American colonial policy directly affected the livelihood of landed elites by imposing new land rights and controlling government revenues. On the other hand, American colonial policy affected Cuban millers in two ways. The U.S. Congress not only blocked Cuban access to world markets, but also priced Cuban raw sugar higher than sugar from other insular properties, making the price for Cuban raw sugar noncompetitive in the American market.

More specifically, the Japanese colonial administration set in place an institutional framework directly affecting the livelihood of direct sugar producers. Through a sweeping land reform, the Japanese colonial administration removed absentee landlords and gave the land titles and tax burden to direct agricultural producers acting as foremen. The Japanese land reform in Taiwan turned these foremen into landowners, but their landownership rights were contingent upon them paying an exorbitantly high land tax. Moreover, since Japanese colonial policy tied the new landowning class to agricultural work by limiting Taiwanese participation in government and business sectors, the new landowning class had to increase productivity in order to meet production quotas or else. In doing so, the landowners and their tenants engaged in a new set of class dynamics that led to serious conflicts, until the 1920s when the Japanese colonial administration was forced to intervene. I show that the constant threat of losing their agricultural land, their only source of income, led Taiwanese peasants to comply with production quotas, turning Japanese owned centrales productive.
In the Philippines the story is very different because American colonial policy directly affected the interests of Filipino landed elites, America’s only “ally” in the colony. Through a land reform that affected all Filipino land (titled or not), American colonial policy opened the Philippines for American investment, which occurred as Filipino raw sugar gained free entry to the United States. As American private investment turned Filipino landed elites into sugar cane growers, resembling the colonato system in Cuba, these elites organized within the colonial institutional framework in order to secure credit and purchase modern sugar cane milling machinery. It is precisely the American overtaking of Filipino agricultural lands what stimulated domestic investment in the Filipino sugar milling industry. By the early 1920s, as the native Filipino milling industry was taking off, the antagonism between American sugar magnates and Filipino elites percolated through the lower stages of the vertical dimension of production. Whereas Filipino millers and Filipino sugar cane growers fought over the rate paid for sugar cane, these sugar cane growers devised ways to increase productivity by exploiting direct sugar cane producers, who did not have resources to develop or purchase even small plots of land.

Lastly, Cuban millers were placed in a particularly difficult spot by American colonial policy. Cuban central owners relied on the sale of raw sugar in world markets. Once the American colonial administration took control of the island, all market routes stemming out of Cuba were redirected to American shores. In addition to controlling access to world markets, American colonial policy unleashed two extremely damaging colonial policies. First, American colonial policy precluded Cubans from organizing a national bank because the administration claimed that private funding was the fastest way to spark Cuba’s economy. With raw sugar producing being capital intensive, Cuban millers had to get credit from private, foreign-owned banks by mortgaging their property. Second, through a series of tariffs protecting beet-sugar
interests in the U.S., Cuban raw sugar was priced higher than sugar from other insular properties. In other words, the so-called ‘special’ tariffs U.S. Congress enacted, gave Cuban raw sugar a competitive advantage with raw sugar from Java, but made Cuban raw sugar more expensive than raw sugar from other insular properties. In this particular case, the antagonism unleashed by colonial policy is at the higher stages of raw sugar production. As in the Philippines, the antagonisms spread to the lower levels of the vertical dimension of production. American owned centrales in the eastern side of the island generated large amounts of migrant workers who found seasonal work in Cuba’s sugar cane plantations. Cuban millers and *colonos* also clashed and their new class dynamics affected the way landowners procured sugar cane from direct sugar cane producers.

### 2. Institutional Approach

This dissertation research emphasizes the importance of institutional configurations that enforce colonial policy, effectively curbing the socioeconomic activity of the colonized. In part, this work seeks to engage in a conversation with Mahoney’s work on colonial development, which clearly shows that colonial institutional legacies shape postcolonial economic development (2010). However, I find that Mahoney’s theoretical approach to colonialism does not work because it actually undermines the complexity of the institutional frameworks that emerge during colonialism. Mahoney writes that empires have a predetermined set of institutions. These empires export their institutional configuration and impose it on their colonies. The imperial institutional configuration then interacts with the local institutional configuration, setting the stage for a specific colonial institutional framework that sets the colony on a specific developmental path (2010, ch. 1). In sum, Mahoney argues that the intermingling of preset
institutional configurations shapes the colonial institutional framework that curtails post-colonial development.

In contrast, I show that modern capitalist states have different approaches to colonialism and the institutions they impose on their colonies vary. In other words, I argue that empires do not hold their colonial policies or institutions constant throughout their colonies. Moreover, this dissertation research shows that colonial administrations have to adapt to local circumstances. The capacity of the colonial administration to impose a new system depends on its ability to actually tap into local property rights. For instance, the Japanese colonial administration tried to stimulate a Taiwanese and a Japanese sugar milling industry in the colony. This experiment ended when Japanese sugar investors complained because Taiwanese peasants refused to sell them sugar cane. In turn, the colonial administration found new ways to procure sugar cane for Japanese mills: establishment of monopsonies and heavy state subsidies on raw materials only. In other words, this colonial administration was able to respond to pressures placed on them by local forces.

The American colonial administration also took different approaches to colonizing the Philippines and Cuba. This was due to conflict in the U.S. Congress between different industrial sectors. More specifically, the nascent beet-sugar industry feared that Cuban raw sugar would render them bankrupt. In order to protect itself, the beet-sugar industry was behind the colonial policies that differentiated Filipino and Cuban raw sugar. In other words, modern capitalist states that engage in colonialism do not have a preset institutional framework. Instead, the specific institutional configuration imposed on the colony is an extension of the crystallization of the modern capitalist state.
3. Colonial investment

Whereas the Japanese empire unleashed its despotic power on Taiwan, directly ruling over the people, the American empire hesitated and oscillated between despotic and infrastructural power, directly altering land rights in the Philippines and controlling both Cuba and the Philippines through local elites whose access to markets and credit was restricted. Despite the seemingly benevolent approach to American colonialism, where local elites ruled, Taiwanese society benefited from Japan’s stern rule. During the Japanese colonial period in Taiwan, “ports, railways and large irrigation systems were built […] Investment in public health and education made the population healthier and better educated” (Morgan and Liu 2007:990). Japanese infrastructural investment in the island was large, improving the life expectancy and death rates of its colonial subjects: “Public health programmes reduced the incidence of epidemics and the severity of malaria, and the colonial authorities progressively extended education. Life expectancy at birth for females rose from 29 years in 1906 to 45 in 1936/40, while death rates declined from 33.4 per 1,000 to 18.5 per 1,000 over the same period” (Morgan and Liu 2007:992). As table 6.1 shows, between 1905 and 1930, the Taiwanese population grew in size, lived longer and received an education.

Table 6.1: Indicators of development during the Japanese period in Taiwan

<table>
<thead>
<tr>
<th>Year</th>
<th>Population in millions</th>
<th>Life Expectancy at birth</th>
<th>Percentage of school-age population enrolled in primary school</th>
</tr>
</thead>
<tbody>
<tr>
<td>1905</td>
<td>3.0</td>
<td>28.3</td>
<td>n.a.</td>
</tr>
<tr>
<td>1910</td>
<td>3.3</td>
<td>33.9</td>
<td>5.8</td>
</tr>
<tr>
<td>1915</td>
<td>3.6</td>
<td>28.5</td>
<td>9.6</td>
</tr>
<tr>
<td>1920</td>
<td>3.8</td>
<td>27.2</td>
<td>25.1</td>
</tr>
<tr>
<td>1925</td>
<td>4.2</td>
<td>34.3</td>
<td>29.5</td>
</tr>
<tr>
<td>1930</td>
<td>4.7</td>
<td>41.6</td>
<td>33.1</td>
</tr>
</tbody>
</table>

(Data from Morgan and Liu 2007:994 Table 1)
The story for American colonies is different. In the Philippines, between 1903 and 1939, the population grew from 7.6 million to 16 million (Concepcion and Smith 1977:10 table 3); however, the growth in population was not accompanied by a betterment in the quality of life:

The end of the Revolution and the expansion of American colonial administration, which included some efforts at public health, had two significant effects on the mortality trend. First, the level steadily (though not very rapidly) declined […] Second, the major fluctuations in mortality level from year to year and from season to season diminished significantly. The twentieth century mortality decline was abrupt during the post-independence decade, but otherwise has been gradual throughout the entire span of time. In fact, the adjusted data suggest that the impact of American civil administration and public health methods was not extremely great over the first two decades or more […] At 25-26 per thousand, the estimated death rate for the 1920s is not far below the level for the late Spanish period (Concepcion and Smith 1977:14)

As table 6.2 shows, the death rate was very high in the Philippines through out the entire American period. While wars, pests, malaria and a cholera outbreak are behind the 1902 death rate of 63.2 per thousand, communicable diseases, such as influenza, are behind the large death rate in the late 1910s (Concepcion and Smith 1977:16).

Similarly, Cubans did not fare much better. In particular the eastern side of the island experienced large population growth but there was a very limited number of healthcare facilities. As table 6.3 shows, as the population continued to grow in Cuba, the number of doctors did not. The eastern side of the island, where migrant labor worked during the harvest season, was under rather precarious circumstances. In 1899 there were 2,625 people per one doctor; in 1919, during
the sugar boom, there were 4,630 people per doctor. In all, the despotism of the Japanese colonial state had profound benefits on the well-being of the Taiwanese peasantry. In contrast, the American infrastructural approach, that curbed the resources available to local government, did not lead to obvious health improvements of their colonial subjects.

Table 6.2 Estimated death rate in the Philippines, 1903-1920s

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted death rates per thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1903</td>
<td>58.0</td>
</tr>
<tr>
<td>1904</td>
<td>25.4</td>
</tr>
<tr>
<td>1905</td>
<td>28.2</td>
</tr>
<tr>
<td>1906</td>
<td>23.8</td>
</tr>
<tr>
<td>1907</td>
<td>22.6</td>
</tr>
<tr>
<td>1908</td>
<td>30.5</td>
</tr>
<tr>
<td>1909</td>
<td>28.2</td>
</tr>
<tr>
<td>1910</td>
<td>29.5</td>
</tr>
<tr>
<td>1911</td>
<td>28.5</td>
</tr>
<tr>
<td>1912</td>
<td>27.5</td>
</tr>
<tr>
<td>1913</td>
<td>22.4</td>
</tr>
<tr>
<td>1914</td>
<td>23.4</td>
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<td>1915</td>
<td>24.7</td>
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<td>1916</td>
<td>26.9</td>
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<td>1917</td>
<td>28.6</td>
</tr>
<tr>
<td>1918</td>
<td>49.7</td>
</tr>
<tr>
<td>1919</td>
<td>44.3</td>
</tr>
<tr>
<td>1920</td>
<td>26.6</td>
</tr>
<tr>
<td>1921</td>
<td>26.7</td>
</tr>
<tr>
<td>1925</td>
<td>23.5</td>
</tr>
</tbody>
</table>

(Data from Concepcion and Smith 1977:66 Table A4)

Table 6.3: Population, literacy and health personnel in Cuba, 1899-1931

<table>
<thead>
<tr>
<th>Year</th>
<th>Population in millions</th>
<th>Literacy rates</th>
<th>Pop. per doctor, entire Cuba</th>
<th>Pop. per doctor, Oriente</th>
</tr>
</thead>
<tbody>
<tr>
<td>1899</td>
<td>1.5</td>
<td>43.2</td>
<td>1,286</td>
<td>2,625</td>
</tr>
<tr>
<td>1907</td>
<td>2.0</td>
<td>56.6</td>
<td>1,648</td>
<td>3,610</td>
</tr>
<tr>
<td>1919</td>
<td>2.8</td>
<td>61.6</td>
<td>1,631</td>
<td>4,630</td>
</tr>
<tr>
<td>1931</td>
<td>3.9</td>
<td>71.7</td>
<td>1,958</td>
<td>3,155</td>
</tr>
</tbody>
</table>

(Data from McGuire and Frankel 2005:100–101 Table 5)
4. History matters

To conclude this dissertation project, it is important to emphasize that its main goal is to elucidate the importance of the past. Just like their colonial experiences were radically different, their postcolonial development also differed. For instance, Taiwan, the Philippines and Cuba have experienced dictatorships: Taiwan under the Kuomitang Regime, the Philippines under the Marcos regime, and Cuba under Castro’s regime. Although all these dictatorships were radically different, this research offers a point of departure to seek how the socioeconomic structures, with their particular class dynamics, set in motion a historically determined process leading to these political regimes.

In sum, just like astronomy teaches us that by studying the universe we can see our past, sociology teaches us that by studying our present interactions, shaped by our path dependent logic and circumstances, we can see into our past. The main point is that we have to know exactly what we are looking for. Ultimately, a very prominent social scientist said it best: “The tradition of all dead generations weighs like a nightmare on the brain of the living” (Marx 1998:7).
5. References


