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Politics and Philippine Banking During the American Period

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Introduction

In the area of Philippine political history, several studies have tried to grasp the characteristics of Philippine colonial politics during the American period, in terms of "compadre colonialism" or "colonial democracy." In the book compiled by Norman Owen, the term "compadre colonialism" was used to illustrate the nature of the relations between the United States and the Philippines. It was understood that the relations between the two countries was similar to the one under the compadrazgo system, emphasizing the fact that the American colonial administration played the role of the "god parent" for Filipino elites under the its rule.[1] Peter W. Stanley, in his edited book entitled *Reappraising an Empire,* not only emphasized the importance of the interaction between the American colonial officials and Filipino elite, but also attempted to depict how the Filipino elite reacted to American policy toward the Philippines. The reaction of the Filipino elite was considered as the key factor by which American rule in the Philippines was forced to deviate from what had been initially planned.[2] In the study compiled by Ruby Paredes, the process by which American-type democracy was introduced in the Philippines through the grant of autonomy to the Filipino elites was emphasized, thus characterizing Philippine politics as colonial democracy." The study successfully depicts the intertwined relationships between Filipino politicians and American government officials in Manila.[3] On the other hand, Frank H. Golay's monumental work, *Face of Empire,* places

Philippine politics in the much broader context of American colonial policy toward the Philippines in 1898-1946, dynamically depicting the nature of political economy during the period.[4]

It was Bonifacio S. Salamanca, who first proposed the "revisionist" approach that emphasized the need to illustrate how the demands of Filipino elites shaped the making of American colonial policy toward the Philippines. As Salamanca puts it in his book:

> The outbreak of the Filipino-American War on February 4, 1899, was the immediate Filipino response to the American decision to acquire the Philippines. It was the response of the people desiring recognition as a nation, and made all the more brutal by the feeling that the United States had betrayed an earlier trust... The result was the formulation of a policy calculated to reconcile the Filipinos to American rule as quickly as possible and to win back their confidence without promising them independence. This could be accomplished only by meeting some of their demands. From the outset, therefore, Filipino aspirations became important determinants of American policy.[5]

The demands of Filipinos that Americans tried to accept was not those of the masses, but the elites', or among the ilustrados who strongly aspired for political power after enjoying economic prosperity during the late 19th century.

Most of the ilustrados were landlords who accumulated wealth in the expansion of the export economy at the end of the

Spanish colonial period. In the 1880s they started to demand from the Spanish colonial government the establishment of financial institutions to provide them loans. At the outbreak of the Philippine Revolution in 1896 and the succeeding war against the United States, landlords were forced to rely on usury due to the scarcity of lending institutions.[6] In 1907-1909 when the Philippine Assembly discussed the issue of tariff reduction in US trade, the Filipino elite worked for the establishment of lending institutions for agriculture. With the reduction of tariff in US trade, the landlords would increase their opportunity to export agricultural products such as sugar, abaca (Manila hemp), coconuts and tobacco products. Therefore, it was not just coincidental that one year before the enactment of the Payne-Aldrich Tariff Act of 1909, the Agricultural Bank of the Philippine Government was established as the government-affiliated lending institution for agriculture. The bank first attempted to provide small loans for small farmers, but later it served mainly the landlords who required large loans for the production of export crops. In the growing demand for larger loans, the bank faced the scarcity of capital stock.[7] In this situation, the Philippine National Bank was established in 1916 to fulfill much larger functions.

The establishment of the Philippine National Bank in 1916 was extremely significant. In the same year, the US congress passed the Jones Law in which the United States promised to grant independence to the Philippines in the future. Filipinization was further promoted in various fields of politics and economy under American rule. Under the Underwood-Simmons Tariff Act of 1913, US-Philippine trade relations were covered fully under preferential tariffs.

In general, the period between 1901 and 1927, that is, from the time of the establishment of the civil government to the time of its stabilization, could be divided into three periods. (1) The so-called Taft era (1901-1913), when the United States established the foundation of colonial policy in the Philippines, responding to the various demands of the Filipino elite (2). The Harrison era (1913-1921), when the bureaucracy and administration of the colonial government was Filipinized, and the right of self-governance was given the Filipino elite. (3) The Wood era (1921-1927), when the right of self-governance by Filipinos was restricted, but the basic colonial policies laid down during the early 1900s were pursued.

The workings of "compadre colonialism" or "colonial democracy," in the relations between American colonial officials and Filipino elites are seen in various fields such as administrative institutions, nation-wide elections, local politics, economic policies and economic institutions at the above three periods. Since it was political historians who conducted most of the research on this topic, they focused their analysis on politics or bureaucracy, not paying enough attention to economic institutions such as banks. In this context, Peter W. Stanley provides a pioneering study of how the economic interests of the Filipino elite was protected and enhanced by the establishment of the Philippine National Bank, resulting in the bankruptcy of the bank at the at the end of the Harrison era.[8]

However, many questions remain to be analyzed. First, in relation to the economic nationalism of the Filipino elite, it should be shown to what extent their strong demands were reflected in the establishment of the Philippine National Bank. Moreover, the economic mechanism that worked for the protection of the interests of the Filipino elite in the management of the bank needs to be analyzed.

Second, the politico-economic factors of the colonial bureaucracy which caused the bankruptcy of the bank and later caused the deep financial crisis in the Philippines in 1919-1922 have to be examined. Why did the Philippine National Bank go into bankruptcy after World War I? Was it only because of the corruption and the mismanagement of Filipino banking officials, as has been widely recognized? Were only Filipinos responsible for the financial crisis at that time? How was the bankruptcy of the Philippine National Bank related with the currency system? If it was much related with the set-up of the currency system, which institutions were responsible for the Philippine currency system? Did the Filipino elite take the initiative to establish its currency system in the wave of self-governance? How did the Bureau of Insular Affairs (BIA) play its role in administering the colonial government? If the BIA was the agency of the US War Department to handle Philippine matters, was it not involved in the administration of banking and currency system in the Harrison era? To depict the whole picture of the financial crisis in 1919-22, we have to painstakingly untangle the complicated colonial network among the U.S. officials in Washington, American and Filipino officials in the colonial administration, the Filipino elites in politics, and Filipino and American officials in the Philippine National Bank. This work might go beyond the scope of the framework of "compadre colonialism" or "colonial democracy."

The Establishment of the Philippine National Bank

Why was the Philippine National Bank established? It is interesting to follow the process of how the demand of Filipino elites for a larger bank met with the interest of the Bureau of Insular Affairs, as well as that of American merchants in Manila.

First, the move to establish a larger agricultural bank was initiated by the Filipino elite in the early 1910s. During this period the Agricultural Bank of the Philippine Government realized its inability to provide enough agricultural loans for landlords who had growing interests in the expanded export agriculture. In October 1911, Governor-General W. Carmen Forbes paid attention to the fact that Benito Legarda, a member of the Philippine Commission, actively supported the establishment of a private mortgage bank of French capital under the name of Credit Foncier de Philippines. In early 1913, an assemblyman from Negros Occidental submitted a bill to the Third Philippine Legislature to increase the capital of the Agricultural Bank of the Philippine Government, appropriating one million pesos from the Philippine Treasury fund.[9]

On the other hand, between the American officials in Washington, DC and Manila, the possibility of establishing an agricultural bank under private capital was repeatedly discussed. However, the most serious problem was that no American capital showed strong interest to invest in an agricultural bank in the Philippines. As a result, Frank McIntyre, Chief of the Bureau of Insular Affairs, sent a letter to Governor-General Forbes in May 1913, proposing that a government bank, rather than private banks should provide agricultural loans to the producers.[10]

By the early 1910s it was not only the Filipino elite but also Manila Americans who needed a larger bank to service their business activities. At that time in Manila there were only four major banks, which offered foreign exchange services for foreign traders. They were the Hongkong and Shanghai Banking Corporation, the Chartered Bank of India, Australia and China, the Bank of the Philippines Islands, and the International Banking

Corporation. The first two banks were British, the third was Spanish, and the fourth was American. The most active banks at the time were two British banks that almost monopolized foreign trade business in the Philippines. Even in the mid-1910s the Philippine foreign trade was largely incorporated within the sphere of British financial network based in Hongkong. In this situation, American merchants were disadvantaged against the British merchants in trading business in Manila.[11]

Some other imperatives for the colonial government necessitated the establishment of the multi-purpose government-affiliated bank. Those were related with currency control as well as the depository of the fund of the colonial government. First, by the early 1910s, it was only the Bank of the Philippine Islands that was authorized to issue bank notes equivalent to 75% of its paid-up capital. The bank also provided loans for commercial and agricultural activities, but its capacity was extremely limited to absorb the growing demand.[12] Second, most of the colonial government fund was deposited in the major private commercial banks mentioned above, although by the mid-1910s the provincial government funds were transferred to the Agricultural Bank of the Philippine Government from the International Banking Corporation. For the colonial government, it was very important to have its own bank to deposit its funds.[13] Third, the Philippine peso was linked with the dollar under the Gold Standard Act of 1903. To stabilize the value of pesos, the Gold Standard Fund was created. A part of the fund was appropriated for public as well as private investment, a task to be performed by the government bank.[14]

Under these complicated circumstances, in the middle of 1915, Vice-Governor-General Henderson Martin drafted a bill to establish an insular bank as the government credit bank not only for agriculture, but also for industry and commerce. In October of the same year, Governor-General Francis Burton Harrison recommended to establish a multi-purpose national bank, which could support the total development of the Philippine economy under the colonial government.[15]

Frank McIntyre first disagreed with Harrison's recommendation. He was of the opinion that the colonial government should not further involve itself in loan business. After receiving information that the International Banking Corporation was merged with the National City Bank of New York in 1915, McIntyre recommended to Harrison that the colonial government should withdraw from all the banking business and turn it to the National City Bank. In the Philippine Chamber of Commerce in Manila opinions were divided regarding the involvement of the colonial government in banking business, but it was agreed to propose a four-time increase of the capital of the proposed bank.[16]

On the other hand, in the Philippine Assembly, the leaders of the Nationalist Party recognized the importance of establishing a government credit bank as proposed by Martin. For them, it was important that the bank should be not an American bank, but a bank of the Philippine government. Manuel L. Quezon even asked the revaluation of the Martin bill to H. Parker Willis, secretary of the Board of the Governors of the newly born US Federal Reserve Board in Washington, DC. Later Willis himself drafted a new bill to establish a governmental bank to shoulder larger tasks both in the investment in private sectors and the currency control as well as the administration of the government funds. In December 1915, the Willis bill was sent to Manila with the support of Quezon. It was made a new bill, being combined with the Martin bill, and passed as An Act Creating the Philippine National Bank, Act No. 2612, in the Philippine Legislature on February 4, 1916.[17]

It is very important to note here the relationship of the Philippine National Bank with the US Federal Reserve System. The Federal Reserve System that started in 1914 was the unique nation-wide system of banking control in the United States. Placing the Federal Reserve Board at the center of the system, the United States was divided into twelve districts, in each of which a Federal Reserve Bank was established. Then these Federal Reserve Banks regulated the financial and banking business of the banks, which were affiliated with the system. In the Federal Reserve Act, the Philippine bank was regarded as a foreign bank which could not be affiliated with the system. Therefore, in Act No. 2612, it was stated that foreign agencies could be opened by the Philippine National Bank in the United States.[18] In this way, the Philippine National Bank was established as a multi-purpose bank for a larger credit institution, and for issuing bank notes, controlling currency reserve and depository of the government fund.

The Philippine National Bank and Its Loan Business

How did the Philippine National Bank conduct its loan business in the export expansion of primary commodities after the outbreak of World War I? H. Parker Willis was the first president of the Philippine National Bank followed by Samuel Ferguson who served for a little over a year till March 1918. In turn, Ferguson was succeeded by Venancio Concepcion, the first Filipino president of the National Bank. It was Concepcion's term between 1918 and 1920 that massive loans were provided to export related industries of primary commodities, which almost bankrupted the bank.[19] After the war ended and the prices of primary commodities collapsed, the bankruptcy of the National Bank was caught by the attention of the Secretary of War Department in Washington, DC. In 1919 he sent Francis Coates, Jr. to investigate the Philippine National Bank, and the report was finalized in 1920. Later Haskins & Sells also examined the management of the bank and submitted its report in 1922. The reports by Coates and Haskins & Sells, revealed that massive lending services were provided in abaca trading, coconut processing and sugar processing business. In the loan business of the bank Filipino firms largely benefited; however, American firms also enjoyed privileges through their special connection with American bank officials.

Sugar processing

The loan business of the Philippine National Bank started at the Mindoro Development Co., an American firm which bought San Jose Estate in Mindoro, one of the former Spanish friar lands. Right after the opening of the bank in 1916 when H. Parker Willis had not yet arrived in Manila, a loan of 1.5 million pesos to the Mindoro Development Co. was approved under Harrison's recommendation. Section 37 of Act No. 2621 (the National Bank Act) provides that the bank could approve a loan of up to 1.5 million pesos in special occasions. However, Willis expressed apprehension about this particular transaction.[20]

It was the Filipino sugar mills that enjoyed much larger lending services from the National Bank. In his report, Francis Coates, Jr. indicated that as of November 1919, the bank provided credits to eleven sugar mills, ten of them were Filipino and one was Spanish. The total amount of their borrowing reached approximately 13 million pesos, 15 percent of which were agricultural loans, 74%, loans and overdrafts, and 11%, letters of credit. All of the eleven sugar mills received loans from the bank between May 1918 and March 1919 during the term of Venancio Concepcion as its president. Bacolod-Murcia Milling Co., Isabela Sugar Co., Talisay-Silay Milling Co. and Ma-ao Sugar Central Co. enjoyed the biggest loans or overdrafts from the bank without secured collateral.[21]

Coconut processing

Coconut processing industry grew rapidly during World War I with the export boom of coconut oil. In the vicinity of Manila, more than thirty coconut mills, large and small, were established by American or Filipino entrepreneurs. After the end of the war, exports declined sharply and many mills were closed.[22]

The Philippine National Bank offered lending services to most of the newly established mills during World War I. Haskins & Sells Report of 1922 revealed that as of February 1922, twelve coconut mills owed a total of 23.7 million pesos to the bank. Of twelve mills, the Philippine Vegetables Oil Co., Philippine Manufacturing Co. and Cristobal Oil Co. were most indebted. The Philippine Vegetable Oil Co., a Filipino firm, accumulated debts of 17.2 million pesos to the bank, while Philippine Manufacturing Co. (American) and Cristobal Oil Co. (Filipino) owed the bank, 2.7 million pesos and 1.7 million pesos respectively. The total liabilities of the above twelve mills, which included debts to the National Bank, other loans or unpaid accounts and capital, amounted to 51.8 million pesos, as against their total assets of 21 million pesos. This figure clearly shows that the above twelve mills received massive loans, far beyond their capabilities of payment.[23]

Abaca trading

The abaca industry was the most badly affected by the end of World War I. Major export products of the Philippines in the 1910s were abaca, sugar and coconut products. Among them abaca was the most important one, comprising 30-40% of the total export. The crash of export prices of abaca as well as the sharp decline of its export brought the abaca trading firms into ruin. In spite of rapid change of circumstances in 1918-1919, the Philippine National Bank continued its financing to the trading firms and increased its bad loans. The Coates Report of 1920 particularly gave precise information on the loan activities of the National Bank to abaca trading firms such as the Philippine Fiber and Produce Co. and G. Martini Ltd.

Between December 1917 and July 1918, the Board of Directors of the Philippine National Bank approved to provide loans or credits of 1.65 million pesos to the Philippine Fiber and Produce Co., with quedans (warehouse receipts) and other assets as collateral. However, by March 1919 the credit offered to the firm reached 4.6 million pesos or 2.8 times the original plan. Then president of the company, a certain Kaufman disclosed the following transactions. By the time Kaufman returned to the United States in March 1918, the company got a credit of 1 million pesos from the bank once in July 1917, with quedans as collateral. After Kaufman's return to the home country, a certain Wicks took over the company's management. Wicks negotiated with an American vice-president of the bank, J. Elmer Delaney, who then approved a credit facility of four million pesos for the Philippine Fiber Co. As of November 30, 1919, the indebtedness of the company to the bank amounted to 2.3 million pesos, which was much bigger than its collateral.[24]

The case of G. Martini Ltd. was much more serious than the Philippine Fiber and Produce Co. In March 1917 G. Martini Co. first got a modest credit service of 100,000 pesos from the bank. Right after that the National Bank approved to offer 3.5 to 4 million pesos as advance for purchasing abaca from local producers, on the condition that it should be paid back within six months. Samuel Ferguson, president of the bank, recommended to decrease the amount of advance to only 390,000 pesos. However, the bank still continued to approve credit lines of 2.7 million pesos for five times from January to July in 1918. In November 1918, the board of directors of the bank approved once again a new credit line of two million pesos for the firm. It accepted the opinion of Vice-President Delaney and President Concepcion that by supporting the business expansion of G. Martini Ltd., the skyrocketing increase of the prices could be blocked. The indebtedness of the firm to the bank ballooned to 4.6 million pesos by November 1919.[25]

Why Financial Crisis in 1919-1922?

It has been widely known that the above mentioned extravagant behavior of lending activities brought the Philippine National Bank into near bankruptcy. How was it related with the financial crisis in 1919-1922? In order to answer this question clearly, we have to discuss, first, the nature of the Philippine currency policy and, second, the role of the National Bank as the depository of currency reserves of the Philippine colonial government.

The Philippine currency system was established by the enactment of the Philippine Coinage Act, which passed the US Congress in March 1903. This act was created on the recommendation of Charles A. Conant, a money expert, who was sent by the War Department to study the money conditions in the Philippines.[26] By this act the fundamental rules for a gold exchange standard system was established in the Philippines. At this time silver pesos were used in the Philippines and was linked with the US dollar based on a gold standard system. Under this law, the Philippine government was authorized to issue silver certificates as paper currency, whose value was totally guaranteed by the Silver Certificate Reserve.[27] In October 1903, the Philippine Commission passed Act No. 938, known as the Philippine Gold Standard Act. By this act, the Gold Standard Fund was created for exchange operations to maintain the gold standard, and as currency supervisory agency the Division of Currency was established.[28]

However, immediately after the enactment of the currency laws, the colonial government faced the difficulty of maintaining the 100% reserve of silver against the issuance of silver certificates, owing to the high price of silver. In June 1906 US Congress created a law that 60% of the Silver Certificate Reserve could be held in the form of US gold coins and silver certificates should be redeemable by either silver peso coins or US gold coins.[29] The World War I saw the enormous expansion of the currency circulation in the Philippines. At this period, more Silver Certificate Reserves were deposited in various US commercial banks which were designated as the depositories of the Philippine government than those reserved in the vault of the Bureau of Treasury of the Philippine government. For instance, at the end of 1916, 18.3 million pesos were kept in the Treasury in Manila, while 12.3 million dollars were deposited in the United States. At the end of 1917, only 13.3 million pesos were in Manila while 28.4 million dollars were in the United States, far exceeding the limitation under the Act of 1906.[30]

In the early 1910s the fate of the Gold Standard Fund was also changed. In July 1911 the Philippine Commission passed Act No. 2067 which authorized the Insular Treasurer, with the approval of the Governor-General, to invest a portion of the Gold Standard Fund in non-Christian provinces and municipalities or in purchases of mortgage bonds of sugar mills.[31] Then in December 1911, Act No. 2083 was enacted which had the following regulations. First, the amount of the Gold Standard Fund was limited at 35% of the money in circulation, except silver certificates issued on the security of US gold coin. Any excess to accrue to the Fund would be deposited to the credit of the general fund in the Insular Treasury. Second, the 50% of the Gold Standard Fund could be loaned to provinces or municipalities for building infrastructure for a period of less than ten years. However, one-half of the approved proportion of the Fund for investment should be appropriated to fund the Manila Railroad Company for railway construction.[32]

The investment of the Gold Standard Fund did not stop here. Governor-General Harrison recommended the increase of the portion of the investment from 50% to 80%, and in February 1915, the Philippine Legislature passed Act No. 2465 in accordance with such recommendation. As of December 31, 1917, nearly 80% of the Gold Standard Fund of 13.5 million pesos was invested in long term and non-liquid loan.[33] At this point, the Gold Standard Fund could not function fully as a currency regulator and its function was largely shouldered by the Silver Certificate Reserve.

How did the colonial government tackle this situation? As early as 1910, the Bureau of Insular Affairs in Washington, DC already contemplated countermeasures to stabilize the colonial treasury. Towards this goal, one major policy sought to combine the two currency reserve funds into one. The Bureau of Insular Affairs assigned Charles A. Conant to draft a new bill in 1914. Conant's bill proposed to abolish the Gold Standard Fund and to turn its assets to the General Fund of the Insular Treasury, and to use the Silver Certificate Reserve to maintain the parity of the Philippine currency.[34] It took a couple of years for the communication between the Bureau of Insular Affairs and the American colonial government officials in Manila to finalize a draft of the bill, which passed the Philippine Legislature in May 1918.[35]

The main features of the currency Legislation of 1918 embodied in Act No. 2776, were as follows. First, the term of "silver certificate" was changed into "Treasury certificate." Second, the Gold Standard Fund and the Silver Certificate Reserve were combined into a Single Currency Reserve Fund. Third, the Currency Reserve Fund should be deposited in any authorized depository of the Philippine Government in the United States as a branch of the Philippine Treasury. Such deposits should not be more than 25% of the Currency Reserve Fund with any single branch, except a New York agency of the Philippine National Bank. Fourth, the amount of the Currency Reserve Fund was fixed at not less than the nominal value of the Treasury certificates in circulation, plus 15% of the total money in circulation, except silver certificates issued on the security of US gold coin.[36]

The enactment of Act No. 2776, therefore, strengthened the function of the New York Agency of the Philippine National Bank, as a depository of the currency reserve of the Philippine government. Before the New York Agency of the Philippine National Bank was opened in 1917, the Philippine government deposited the Gold Standard Fund and the Silver Certificate

Reserve in various commercial banks in the United States under the Federal Reserve System. However, after its opening, most of the currency reserve funds in the United States were transferred to the New York Agency.

In December 1916, the Philippine government deposited a total of 16 million dollars as currency reserves funds in the United States, 12 million dollars as the Silver Certificate Reserve and four million dollars as the Gold Standard Fund. Forty-four percent of these two funds were deposited in the Irving National Bank in New York, an agency of the Philippine National Bank in the United States. By the end of 1917, the total amount of the Philippine currency reserves in the United States ballooned to 30 million dollars, two-thirds of which was under the depository of the New York Agency of the Philippine National Bank. After the combination of the two currency reserves, the total amount of the Currency Reserve Fund deposited at the New York Agency of the National Bank further increased to 38 million dollars in 1918 and 1919, composing 84% of the total currency reserves deposited in the United States.[37] At this point, the Philippine National Bank became the keystone depository of the Currency Reserve Fund of the Philippine government.

However, the Philippine National Bank became the biggest depository of the Currency Reserve Fund based on the risky currency law. With the combination of the two currency reserves, a larger proportion of the single Currency Reserve Fund being utilized for investment without due care could trigger the collapse of the currency system itself. Unfortunately, this happened in 1918-1919. With the expansion boom of agricultural exports, the Philippine National Bank provided massive loans and various lending services by way of transferring the Currency Reserve Fund in New York to the head office in Manila. As a result, the

Currency Reserve Fund was totally exhausted and the US government issued the certificates of indebtedness of 10 million dollars to the Philippine government in April 1919 to ease the situation.[38] However, the currency crisis continued in the Philippines even after Governor-General Harrison resigned in March 1921.

Conclusion

How should we understand the financial crisis of 1919-1922 in the context of the political economy of the Philippine during the American colonial period? As discussed above, the collapse of the Philippine National Bank and the financial crisis in 1919-1922 was an outcome of the weak structure of the Philippine colonial state which was in a state of formation. The key-role-players in the colonial state were the Bureau of Insular Affairs officials in Washington, DC, American and Filipino bureaucrats in the colonial government and Filipino politicians in Manila.

The Philippine National Bank was established in response to the needs of the Filipino elite who needed capital for investment in export agriculture. At the same time, the United States badly needed the National Bank to break up the monopoly of British banks based in the Philippines.

From 1916 to 1918, the different needs of the Filipino elites and their colonial master seemed to coincide with each other. However, this harmony turned into nightmare in the financial crisis of 1919-1922. While the Bureau of Insular Affairs intended to solve the problems of the scarcity of the Gold Standard Fund, combining it with the Silver Certificate Reserve, the Filipino and American banking officials in Manila took advantage of the situation and indiscriminately expanded lending capacities for export traders and manufacturers in Manila. Weakness in the law-making capacity of the colonial administration during World War I aggravated the seriousness of the financial crisis. It should be noted that the legality of the Philippine National Bank as a depository of the Philippine government in the United States was also severely undermined during the crisis.[39]

The massive plunder by Filipino elites ruined the Philippine National Bank. However, it is important to note that it was done under the creation of the risky currency system initiated by the Bureau of Insular Affairs. It should also be remembered that not only Filipinos but also American businessmen in Manila benefited very much from the irregular operations of the Philippine National Bank. ✤

Endnotes

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[32] "Act No.2083," *Official Gazette*, Vol. IX, No. 52 (Dec. 27, 1911), pp. 2177-2178.

[33] E. A. Perkins, *History of the Philippine Currency System*, Manila, c1947, pp. 21-22.

[34] Memorandum on "An act to establish a currency reserve fund for the maintenance of the parity of the Philippine currency" prepared by Charles A. Conant, October 28, 1914, National Library, Manila, Manuel L. Quezon Papers, Series IV, Subject File, Box 50.

[35] See various communications between Harrison and McIntyre in 1914-1918, US Library of Congress, Manuscript Division, Francis Burton Harrison papers, Boxes 33-35.

[36] "Act No. 2776," *Official Gazette*, Vol. XVI, No. 22 (May 29, 1918), pp. 877-881.

[37] Luthringer, *The Gold-Exchange Standard in the Philippines*, pp. 113-114.

[38] *Ibid.*, p. 75.

[39] For precise discussion on this topic, see *ibid.*, pp. 96-104.