

BOOK

**Central Banking as State Building:
Policymakers and Their Nationalism in the Philippines, 1933–1964**

Edited by Yusuke Takagi

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With the publication of his exhaustively researched dissertation, Yusuke Takagi broadens our understanding of the period of the Philippine Commonwealth (1935–1941) and the years of the Third Philippine Republic (1946–1964). Takagi brings to the fore the establishment of the Philippine Central Bank and its role, as well as that of its officials, in economic policy making and implementation and thus, fills a large void in Philippine political-economic history.

While most histories examine the period 1933–1964 as three separate periods (Commonwealth, Japanese Occupation, and 3rd Republic), Takagi considers these years as one continuum through the continuity of ideas relating to the Central Bank, fiscal, and economic policy, and the same individuals dominating the field.

Some of Takagi's chosen subjects are familiar to scholars working on the period under consideration, as well as some of the characters who are icons of the era. What is new and valuable is the role of the Central Bank in state building and the personalities involved in its establishment.

Takagi highlights giants in their own fields: Miguel Cuaderno, Vicente Singson Encarnacion, and Salvador Araneta, among others, who served as financial secretaries or advisers to Philippine presidents. Prior to the war, these personalities altogether believed that there was a need to industrialize and diversify the Philippine economy in order to build a strong industrial base. These same personalities also realized the urgency to have a Central Bank that would set Philippine financial and economic policy.

Attempts to establish the Central Bank were made during the Philippine Commonwealth. There were still few trained economists at this time and the University of the Philippines did not yet have its School of Economics. What is surprising, and Takagi brings this out, were Filipinos who realized the importance of studying economics and planning the future of the Philippine economy. Manuel Roxas, Elpidio Quirino, Vicente Singson Encarnacion, and Miguel Cuaderno are some of these individuals who clamored for a better understanding of economics as a subject matter and who would eventually also constitute the Philippines' first economic planners. This group also articulated the need to have a Central Bank in order to guide Philippine finances and steer economic development along nationalistic lines. These plans began in earnest, as pointed out in this book, with the passage of the Hare-Hawes-Cutting Act in 1933. The establishment of various economic organizations such as the Bagong Katipunan, Philippine

Economic Association, and National Economic Council, among others, also occurred during this time.

While plans were being made for the establishment of a Central Bank, which were gradually translated into action in the 1935 Philippine Constitution and Philippine Commonwealth policies, debates on its implementation as well as practical problems delayed its creation. While the Jose P. Laurel government during the Japanese occupation passed an act creating this institution, the law was never actually implemented because of the war conditions. It was only in 1949 that the Central Bank would be established.

From its creation, the Central Bank under Cuaderno served as an “island of state strength”, even as the Philippine state struggled with multiple problems. Despite the change in administrations, the Central Bank remained strong and steadfast in the economic challenges brought about by the post-World War II era. It remained firm in its plans of industrialization, import substitution, strict fiscal policy, and economic nationalism. The Filipino First policy under President Carlos P. Garcia was the height of these policies.

These policies, however, were controversial as they led to austerity measures, among others. Cuaderno and the Central Bank also faced resistance from American businessmen and United States State Department officials, as well as Filipino sugar exporters. Other Filipino economic thinkers, notably Araneta who argued for more liberal policies, also disagreed with Cuaderno’s plans, resulting in the Great Debate of the 1950s.

Under the Macapagal administration, the older generation was superseded. Macapagal not only ended the Filipino First policy but also shifted to a more liberal economic policy. The Central Bank was no longer as powerful as it had been in the 1950s.

Takagi does not simply present his narrative chronologically but explores the key characters in his subject matter. Beyond events, however, Takagi focuses on the dynamics of the times and how policy was made and implemented. More important, he portrays the Central Bank as a “strong island of state strength”, a pillar in an ever-changing political environment. Takagi steers us in this direction as he begins his book with this incident: Cuaderno, in 1950, stood up to an American official by stressing that the Philippines was now independent and no longer a colony. In doing so, Takagi provides a reinterpretation of Philippine contemporary history. Carefully documented and exhaustively researched, Takagi’s book is a welcome addition to scholarship on the Commonwealth years and the era of the Third Philippine Republic and sets a high standard for future economic and political scholars to match.

While the book is thoroughly researched and well argued, I note some shortcomings. The discussion of the events and personalities are convincing and thorough, but the chapter on Philippine history up to 1933 is not. Some of the observations in the same chapter are also not quite accurate. The execution

of Gomburza was interpreted as suppression, with the three priests becoming martyrs “over time.” On p. 31, Takagi states that the American colonial authorities established the Senate in 1916 (correct), but abolished it in 1935 only to reestablish it in 1941. While the American government did approve these changes, the shift was made on Filipino initiative. An event that might be relevant but has not been fully studied is the 1930 Philippine Independence Congress. Various issues pertaining to Philippine independence were discussed here, such as the Philippine economy, which may have served as a platform for new economic directions.

The Japanese occupation and its impact, particularly the destruction of the economy, are hardly mentioned. A fuller account of the extent of damage caused by the war would have shown why rehabilitation and reparations were so important after 1945, when it had not figured at all in the pre-war period.

With the plethora of economic organizations, Filipino consciousness to plan was obvious. While some of these organizations are highlighted, one would expect more discussion on the National Economic Protectionism Association, whether the economic leaders subscribed to the goals of the other organizations or not. Moreover, while the National Economic Development Authority (NEDA) is mentioned in the index, it is not specifically mentioned in the text.

The conclusions are short and succinct. Shedding new light on the Philippine state not simply as a weak state but as an intermediate state or even a developmental state; deepening knowledge on the shifting nature of the Philippine state and the role of ideas among policymakers; and the shared ideas among a particular generation—these are Takagi’s main points. But he could have brought out lessons learned which are relevant to the present. Did the creation of the Central Bank fulfill the ideals of its original proponents? The book ends with the beginning of the decline from power of the Central Bank. A few words about how the Central Bank changed under Marcos and what it is in its current incarnation as *Bangko Sentral ng Pilipinas* might have been added.

A schematic chart of the Central Bank and its relations with other government organizations might also have clarified the position of the bank and how, depending on its leadership and the president at the time, it was able to maintain its position of power until the 1950s.

While the dynamics of Philippine politics, specifically the relationship of the bank with other government agencies and the private sector are adequately discussed, the narrative could have been contextualized by discussing other significant events of the era: the Huk rebellion under Roxas and Quirino (and the ensuing threat to the weak state) and the overarching fears of the Cold War in the late 1940s and 1950s (including fears from the Communist takeover in China and the impact on Chinese in the Philippines). The Central Intelligence Agency is mentioned only once, although its interest in Philippine fiscal and economic policy would certainly have been deep.

It was during the late 1940s, through the 1950s, that rehabilitation money from the US and reparations negotiations were in full swing. Did the Central Bank take into account the possible influx of these moneys and did it have a say in how the moneys were to be used?

The answers to these questions and comments will probably require a separate book. As it is, Takagi has to be congratulated on making sense of and concretizing what had been only vaguely mentioned in previous histories. As mentioned in the beginning, this book fills a void in Philippine historiography, and therefore has to be taken seriously.

REVIEWER

Ricardo T. Jose
University of the Philippines Diliman
rtjose42@gmail.com