The Politics and Economics of Recovery in Colonial Philippines in the Aftermath of World War I, 1918-1923

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Abstract: Record Philippine trade with the United States during the World War I period led to increased public revenue collection, which in turn influenced the revision of the country's economic development program from a neoliberal to a state-led framework. After the end of war and the institution of "economic normalcy" in the United States, the state-led development framework in the Philippines came under serious scrutiny. Governor Leonard Wood's administrative priority as part of his "reform" agenda was to reverse the state-led development framework back to the previous neoliberal policy. The reversal was vehemently opposed by influential Filipino leaders in government for political and economic reasons. The conflict over development policy reached its climax in 1923 when all the Filipino members of Wood's cabinet resigned their positions in protest of the chief executive's perceived obstinacy.

Keywords: state-led development, reform, recovery, U.S.-Philippines relations, World War I

The annexation of the Philippines by the United States in the wake of the Spanish-American War and subsequently by the Filipino-American War brought with it a serious dilemma for the emerging global power. American President William McKinley justified the annexation amidst vigorous opposition by anti-imperialist groups in the United States as one of benevolence: he claimed his country's purpose in the Philippines was to civilize, educate, and uplift the Filipinos. At the same time, according to Frank Golay (1997), the United States wanted to rule the Philippines "on the cheap" (p. 112). Apart from an initial endowment of US$3 million for rehabilitation purposes after the bloody Filipino-American War that commenced in 1899, the United States Congress did not allocate any more funds for the *direct support* of the Philippines. Funds necessary for the maintenance of the American colonial administration of the Philippines had to be drawn from domestic sources (Luton, 1971). To make this possible, the U.S. Congress passed the Payne-Aldrich Act in 1909 and the Underwood-Simmons Act in 1913, which, in consonance with the Philippine Tariff Act passed by the insular government, effectively constituted a Free Trade Agreement (FTA) between the United States and her colony. The FTA—particularly, access to American markets for Philippine agricultural products—was envisioned to create a level of economic growth in the Philippines sufficient to support the domestic government's administrative program (Ybiernas, 2007).

What this essay aims to prove is that American involvement in World War I, short-lived as it was from 1917 to 1918, produced lasting political and economic ramifications for the Philippines. American entry into World War I in 1917 served as an impetus for the accelerated growth of Filipino exports to the United States, with the U.S.-Philippines FTA as the main vehicle. Consequently, the war-induced prosperity emboldened Governor General Francis Burton Harrison and his Filipino cohorts to radically alter the archipelago's erstwhile conservative development policies. Parenthetically, the development plan crafted at the start of American civil rule in the Philippines during the incumbency of Governor William H. Taft—and *still* in place when Harrison became the governor general in 1913—had very modest objectives:

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

The war-induced economic growth of 1917-1918 was fashioned by the Harrison administration as an important structural foundation of a state-led national development program (see below), itself the main building block of Philippine independence from the United States; Harrison, in fact, labeled himself "the cornerstone of Philippine independence" (Harrison, 1922). The normalization of U.S.-Philippines trade after the war, however, exposed the foundational weakness of the program, its heavy reliance on wartime (artificial) prosperity. Consequently, the new (conservative) American pro-consul, Governor General Leonard Wood (1921-1927) sought to institute an agenda for economic recovery that aimed to reverse the state-led national development program set in place by Harrison earlier.

Governor Wood's attempts were met with stiff resistance from the Filipino leaders who were politically-invested in the state-led national development program. Their resistance exploded into the Cabinet Crisis of 1923, where all the Filipino members of the cabinet tendered their resignation in protest against Governor Wood's political and economic agenda.

Thus, this essay seeks to uncover the political and economic issues embedded in the Philippines' struggle for recovery in the aftermath of World War I. It will be argued in this essay that the Cabinet Crisis of 1923 broke out as a result of extremely divergent views of politics and economics between Wood and the Filipino leaders, underpinned in the governor general's post-World War I reform agenda that sought to reverse the state-led national development program robustly supported by the latter during the Harrison administration. Furthermore, it seeks to draw attention to the peculiarity of U.S.-Philippines relations during the colonial era, particularly the dynamic between "American" and "Filipino" political and economic interests, as represented by the governor general and the Filipino political leaders, respectively.

Foreign Trade and Tax Collection

In 1916, one year before the United States entered World War I, the Philippines' total exports was Php139,874,365 of which Php71,296,265 or 51% went to the U.S. Boosted by American entry into the War, Philippine exports increased by 37% to Php191,208,613 in 1917. Exports to the United States from the Philippines for 1917 totaled at Php131,594,061 or almost as much as total exports for 1916; American share jumped to two-thirds of Philippine exports, up 16 percentage points from the previous year ("Report of the Governor General of the Philippine Islands to the Secretary of War 1917," 1918).

Ninety percent of total Philippine exports in 1917 came from four products: abaca or Manila hemp (49% of the total); coconut oil (21%); sugar (13%) and tobacco (7%). Manila hemp was, on average, sold about 80 pesos higher per 1,000 kilos in the United States market in 1917 ("Report of the Governor General of the Philippine Islands to the Secretary of War 1917 ," 1918); hemp was primarily used as rope by sea-going vessels, including the U.S. Navy. Coconut oil was imported by the United States for its glycerin content, which was crucial for making explosives (Horn, 1941). Tobacco and sugar had been vital Philippine exports since the 18th and 19th centuries respectively (de Jesus, 1980; Larkin, 1993).

As Philippine exports grew, albeit artificially, after the United States became involved in World War I, so did internal revenues in the archipelago. The Emergency Tax Law of 1915 increased the sales tax from 0.5% to 1.5% of the gross peso value of "commodities, goods, wares, and merchandise sold, bartered, exchanged, or consigned abroad" (Elliott, 1968, p. 155), becoming a key component of the Philippine government's internal revenues. Parenthetically, it must be noted that American goods entered the Philippines duty free; however, once duty-free products entered the domestic distribution chain, these goods became subject to the sales tax, seemingly a circumvention of the U.S.-Philippines FTA.

Internal revenue collection expanded from Php17.85 million in 1914—before the Emergency Tax Law of 1915 was put in place—to Php22.63 million after the law took effect the following year ("Report of the Philippine Commission to the Secretary of War 1915 ," 1916). Internal revenues in 1918, one year after the United States joined World War I, stood at Php40.8 million, almost twice the collections of three years earlier (Golay, 1984).

Policy Shift

Buoyed by a significant increase in trade, tax collections, and the passage in the United States of the Jones Law of 1916 (whose preamble promised the granting of Philippine independence once a "stable government" was in place in the archipelago), Governor Harrison partnered with the Philippine Legislature to alter the development trajectory of the Philippines. Previously, the emphasis during the first decade and a half of American civil rule in the Philippines was on the role of private sector as a driver of economic growth (May, 1984), with the government merely providing certain services and focused on "public improvements" (Golay, 1997, p. 112). The new thrust beginning in 1916, however, became that of state-led development, particularly in the promotion of public enterprise as seen in the establishment and/or purchase of a whole gamut of government-owned and controlled corporations focused on crucial areas of the Philippine economy (Castillo, 1936).

Aside from the creation/purchase of companies such as the National Coal Company, the National Cement Company, the Cebu Portland Cement Company, and others, the Harrison administration also put in place firms that were meant to systematize government support for these fledgling public corporations and the private sector. The most prominent examples of the latter group were the Philippine National Bank (PNB), created in February 1916 via Act no. 2612 (Willis, 1917; Nagano, 1993) to provide financial assistance to the agricultural sector; the Manila Railroad Company (MRC), purchased from a British firm in 1916 to transport agricultural products from the farmlands of North and South Luzon to the international seaport of Manila; the creation of the National Development Company (NDC) in 1917 via Act no. 2849 as the central (public) investor in other newly-established public corporations (Ybiernas, 2007).

Andres V. Castillo (1936) explained that the shift in policy was meant for the government to protect the "dormant wealth" of the Philippines from foreigners who had the advantage of "greater capital, vision and industry" over the Filipinos of this period and would have been the main beneficiary of the previous laissez-faire developmental policy (p. 159). Capitalization for the government's new ventures was primarily drawn from public funds. The PNB was undoubtedly the flagship company under the new policy. It had an initial authorized capitalization of Php20 million, broken down into 200,000 shares at Php100 per share. The national government was mandated by Act no. 2612 to purchase 101,000 shares while the remaining 99,000 shares were to be sold to the public (Willis, 1917). The bank's initial asset of Php12 million was augmented by a legal requirement set forth in Act no. 2612 that ordered the national, provincial, and municipal governments to deposit their funds with the PNB. Thus, the bank's assets ballooned to Php249 million by the end of 1918 ("Report of the Governor General of the Philippine Islands to the Secretary of War 1918," 1919).

Firms of lesser importance under the new policy received more modest support by contrast. The National Coal Company, created under Act no. 2705 and began operations in March 1918, was given an initial endowment of Php3 million from government appropriation in 1918 and 1919 ("Report of the Governor General of the Philippine Islands to the Secretary of War 1918," 1919; "Report of the Governor General of the Philippine Islands to the Secretary of War 1919," 1920).

Growth Engine Sputters

The inherent flaw of the new policy lay in its heavy reliance on the commercial prosperity generated by American involvement in World War I. Thus, as soon as the war ended in November 1918 with the armistice agreement in Versailles, and the United States reverted to "economic normalcy" or a reduction of trade to pre-war levels (Allen, 1931) the Philippine economy took a nosedive. Governor Harrison noted the initial effects of economic normalcy in 1919:

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

The process, nevertheless, took a while to fully mature in the Philippines. Pent-up demand in the United States for Philippine exports kept trade figures reasonably high, and even grew in 1920 ("Report of the Governor General Philippine Islands," 1923). Yet, the trend towards pre-war normalcy could not be overturned; its full impact eventually hit the Philippines in 1921. Prices for the country's key cash crops plummeted: abaca from Php50 to Php16; sugar from Php50 to Php9; copra from Php30 to Php10 (unit of measurement not specified; "Uncertainty of Future Status of Islands," 1921).

Internal revenues took a beating as collections in 1921 dropped to Php41,833,832.11 from Php52,279,177.22 in 1920 (Trinidad, 1922), leading to sizeable budgetary deficit for the year. The public fiscal setback was exacerbated by the inability of the PNB to make available government deposits for withdrawal. The PNB was simultaneously a commercial bank and custodian of public funds. As there were no statutory prohibition that prevented the bank from making available to borrowers the public funds deposited with it, the PNB lent out government moneys to private borrowers. Thus, the PNB and the national government became illiquid simultaneously after borrowers, mostly from the sugar sector, defaulted on their loans. It was of no consolation to the national government that the PNB took under receivership several sugar centrals after these entities defaulted on their loans; the national government needed liquid funds, not new assets (Ybiernas, 2012). Consequently, the national government became embroiled in a debilitating fiscal and financial crisis beginning in 1921.

Moreover, foreign banks began to engage in financial speculation. Foreign banks reportedly withdrew their investments from the Philippines and moved them elsewhere. If the Philippine peso was not pegged at the exchange of Php2 to US$ 1 by the Conant Law, the value of the national currency would have depreciated. As it stood, the recourse of the foreign banks was to dump their Philippine peso holdings and demand for foreign currency to be invested elsewhere. The demand for foreign currency ran so high that the country's reserves—lowered from 100% to 60% of currency in circulation through the passage of Act no. 2776 on August 16, 1918—were completely exhausted by June 1921 (Ybiernas, 2007).

Change in Administration, Change in Policy

In the 1920 United States presidential elections, the Republican candidate, Senator Warren Harding, won over the Democratic candidate, ushering in a new administration in the Philippines. Prior to the appointment of a new governor to replace the Democrat Harrison, the president created a fact-finding mission to investigate conditions in the Philippines and recommend appropriate policies moving forward. Tapped to co-head the mission were Ex-Governor W. Cameron Forbes (Harrison's predecessor) and U.S. Army chief Major General Leonard Wood (Harrison's successor).

General Wood, as co-chairman of the so-called Wood-Forbes Mission and future Governor General of the Philippine Islands, played a large role in the reforms instituted as a result of the post-World War I economic fallout in the archipelago. Three main questions emerged as the issue of economic reform was tackled by Governor Wood from 1921 and onwards: (1) financial, (2) fiscal, and (3) developmental issues.

Of the three, the financial issues became the least contentious and were acted on with haste in 1921. Financial reforms consisted of stabilizing the currency and foreign exchange through a fresh infusion of funds (Act no. 2999); requiring the capital city of Manila to deposit public revenues with the Insular Treasury (Act no. 3000); establishing stricter standards for the PNB to handle and issue new notes (i.e., the national currency) and releasing the insular, provincial, and municipal governments from having to deposit their funds with the said bank (Act no. 3005); and restoring the foreign currency reserves to a full 100% of currency in circulation (Act no. 3033) (Ybiernas, 2007). Parenthetically, it must be pointed out that these financial reforms, particularly those that required the outlay of funds, were financed from the proceeds resulting from the repeal by the United States Congress of Section 11 of the Jones Law of 1916, previously pegging public debt in the Philippines to Php30 million pesos (Golay, 1997, p. 233).

The question of fiscal and developmental reforms, by contrast, was most controversial. Unlike his predecessor, Governor Wood did not subscribe to the idea of the national government venturing into the sphere of private enterprise. Wood demanded the sale or dismantling of the numerous government corporations from the Harrison administration. Wood was particularly against the huge strain on public funds that the (continued) support of the government corporations imposed. As of 1922, the government had spent roughly Php70 million—nearly twice the average annual national budget prior to the crisis in 1921—for these corporations: Php30,753,400 for the purchase of PNB stock (an infusion of funds into the bank to make it liquid again); Php14,127,000 for Manila Railroad Company (MRC) stock; Php8,000,000 for capital stock of the MRC; Php6,850,545.83 for interest advances on Philippine Railway Company bonds; Php4,950,000 for National Development Company stock; Php2,997,600 for National Coal Company stock; Php1,598,508.88 for interest advances on MRC bonds ("Total Investments in 1922," 1923).

For Governor Wood, developmental and fiscal reforms were intertwined; his proposed fiscal reforms of limiting financial support for government corporations impinged on the developmental framework established during the previous administration that was *still* supported by influential Filipino leaders in the legislative department. The governor leaned towards the liquidation of the government's stake in these companies, not just to raise revenues at a time of fiscal and financial difficulty, but also to discontinue having these enterprises eat up a large chunk of the national budget, crisis or not. Moreover, Governor Wood expressed in his inaugural speech on October 15, 1921 his personal beliefs on the matter: "The government must encourage, not discourage, private enterprise. As a general policy, I believe that the government should keep out of business" (Zaide, 1990, p. 198). In sum, Governor Wood wanted to scrap the developmental policies forged during the Harrison administration and replace it with a neo-liberal framework centered around the disposal of public enterprises and the reduction of public spending to essential government functions such as public education, health, infrastructure, and the promotion of agricultural development. In his inaugural speech, he said:

> It is my purpose, so far as lies in my power, so to conduct the government that it will be characterized by economy, efficiency, and true progress…
>
> Your enthusiasm and thirst for education and your accomplishments in building up a sound system of education is beyond praise. We must keep it up. Indeed, we must extend and improve it…
>
> We must push forward our public works, especially roads and irrigation. We must give far more attention to public health and sanitation…
>
> We must do all we can to build up a fuller appreciation of the dignity of labor; to increase our agriculture and push forward the development of our natural resources, and so organize and conduct the government that funds adequate to the needs of progress and development will be available. We must live within our income… ((Zaide, 1990, pp. 195-198)

The Politics of Reform

In the Republican primaries leading up to the 1920 United States presidential elections, U.S. Army chief Major General Leonard Wood emerged as an early frontrunner but was overtaken by the eventual winner, Senator Harding of Ohio. Harding's appointment of him as member of the Wood-Forbes Mission and later, as Governor

General of the Philippine Islands, was seen by General Wood as the former's thinly veiled attempt of banishing him out of the United States (Hoyt, 1963).

As Filipino politicians had been following American politics closely (for its possible ramifications to Philippine independence), they expected that Wood could not stay in the Philippines for long; he was projected to return to the United States soon after he became the governor general in order to resume his presidential quest. Thus, they were convinced that short-term cooperation with Wood, the potential candidate for the U.S. presidency, made good political sense. This collaborative tendency manifested itself in the ease with which Wood's *financial* reform agenda passed through the Philippine Legislature. They, however, were not on board with Wood's *fiscal* reform agenda and his neoliberal developmental framework, but were willing to bide their time until the governor left the Philippines.

Unfortunately, as Wood spent more and more time digging into his neoliberal reform agenda for the Philippines, he did not seem to be headed back to the United States to contest the presidency anew in the 1924 elections. In fact, he seemed committed to see his neoliberal reform agenda through as the governor general. As such, delaying tactics for the Filipino leaders was no longer on the table. They were forced to confront Wood's reform agenda and defend their developmental framework before it was too late.

Wood, on the other hand, was probably prompted by professional courtesy and heartened by the support he got for his financial reform program. He actively sought to engage his Filipino counterparts in the legislative department to get them to support his broader reform framework. During the honeymoon period with the legislature, Wood was the beneficiary of an executive-legislative cooperative system put in place during the previous Harrison administration. Two of the more prominent institutions established under this cooperative system were the Council of State and the Board of Control.

The Council of State was created when Harrison signed an executive order for this purpose in October 1918 ("Report of the Governor General of the Philippine Islands to the Secretary of War 1918 ," 1919). The brainchild of then-Speaker Sergio Osmeña, the Council of State was composed of senior legislators and cabinet members, whose task was to counsel the governor general on matters of national import. The Board of Control, on the other hand, was formed through a joint resolution by the National Assembly and the Senate, and endorsed by Governor Harrison, as a legislative oversight committee over the operations of corporations owned by the government; members of this board were appointed by the Speaker and the Senate President from the ranks of the National Assembly and the Senate, respectively (Quirino, 1971).

Wood initially coursed his reform fiscal and developmental agenda—particularly the liquidation of government corporations—through the Council of State and with the consent of the Board of Control. It later became obvious to Wood that both institutions—with majority of its members being Filipinos who were instrumental in forging the developmental policy during the Harrison regime—were not supportive of this set of reform agenda. Consequently, Wood began to act on his agenda unilaterally beginning with the attempted liquidation of the sugar centrals or *haciendas* under the receivership of the Philippine National Bank.

Wood announced that he was willing to sell the sugar centrals to private bidders even at a price lower than their market value. The governor likewise entertained the proposal of the J.G. White Company to assume control of the Manila Railroad Company under an "operating contract" ("Annual Report of the Governor General Philippine Islands for the Year Ending December 31, 1922," 1923).

Filipino leaders viewed Governor Wood's actions with great suspicion. They were alarmed with the chief executive's perceived bias in favor of American businessmen in the liquidation of government corporations. Moreover, the prospects for recovery and profitability of these troubled government corporations were strong ("Return of Normal Conditions," 1922), thus, Wood's aggressive push to sell them to American business interests was deemed by the Filipinos as hasty, questionable, and objectionable.

Wood, however, had other reasons for rushing the sale of these corporations. He suspected that these enterprises were being used by top Filipino politicians as a vehicle for patronage politics. The PNB, for instance, was riddled with corruption in the form of one questionable loan after the other. National Assembly Minority Leader Claro M. Recto accused the dominant Nacionalista Party of using the bank to further its political interests. An American journalist also suggested that behest loans were granted by the bank to Nacionalista politicians (Mayo, 1924). The bank's president when it plunged to illiquidity was deemed unqualified for the post by critics; it has been suggested that his close association with Speaker Osmeña was the only reason why he got appointed to the post (Mayo, 1924). He was eventually arrested in Manila on June 23, 1921 for his involvement in irregular transactions within the bank. It must be clarified that while Speaker Osmeña was never directly linked to any anomalous transactions with the bank, he was often tagged as its highest patron.

If Osmeña was in control of the PNB, then-Senate President Manuel Quezon was thought of as the chief patron of the Manila Railroad Company (MRC). Speaker Osmeña, a staunch political opponent of Quezon at the time (they had previously been close friends prior to their well-publicized acrimonious split in the 1920s), insinuated that the senate president had been using the MRC for patronage politics. Journalist Daniel R. Williams wrote in the Manila Times that the MRC had become "a clearing house for (Quezon's) political favorites" in particular, and "an adjunct of the Nacionalista Party" in general (Williams, , 1924). Katherine Mayo (1924) went as far as saying that Quezon had issued 150,000 "travel passes" to supporters; each of these passes allows the recipient, his family, and dependents the privilege to use the railroad for free for an entire year. It should also be noted that no formal accusations outside of the media were brought forward against Senate President Quezon.

The Economics of Reform

As mentioned, Governor Wood wanted to sell off the government's business enterprises in order to use the proceeds to raise revenues and to free the public coffers from having to continually support these enterprises at a time of crisis. However, in the context of a depressed economy, the market value of these corporations was severely undervalued. Thus, General Frank McIntyre, chief of the United States Bureau of Insular Affairs—the office tasked to supervise Philippine affairs—dissuaded Governor Wood against liquidating the sugar centrals held in receivership by the PNB (Aguilar, 1998).

The Manila Railroad Company (MRC) also experienced financial difficulties in 1921 as a result of a deflated international—chiefly, the United States—trade market. The MRC relied heavily on the movement of cash crops (i.e., hemp, sugar, tobacco, etc.) from the farms to the seaports. Hence, a lowering of the country's exports adversely affected MRC revenues.

Unlike the PNB however, the MRC was not on the brink of bankruptcy. Still, the company was dependent on government financial infusion for the repayment of its loans and to maintain its business viability ("Total Investments in 1922," 1923). Moreover, the company was not able to pay dividends on the government's stocks and interest on the bonds sold to the central government. Thus, Governor Wood moved to have the J.G. White Company take over the MRC under an operating contract in 1922. As expected, Wood's proposal was opposed by the Filipino legislative leaders who saw the arrangement as a "denationalization" of the company ("Annual Report of the Governor General Philippine Islands for the Year December 31, 1922," 1923). It must be noted that Governor Wood did not pursue suitors for the MRC as aggressively as he did for the PNB and the sugar centrals it held under receivership. After the deal with J.G. White Company fell through, there were no more alternative proposals put forward for the liquidation of government shares in the MRC.

All in all, it can be concluded that the sale of government corporations as planned by Governor Wood did not succeed partly because adverse market conditions made it impractical and untimely. Moreover, analysts in 1923 predicted a recovery of the export market as early as the following year. Thus, Governor Wood was forced to delay the liquidation of assets until the market recovered and a more favorable selling price was fetched.

The Cabinet Crisis of 1923 and onwards

The Cabinet Crisis of July 17, 1923 was precipitated by Governor-General Wood's reinstatement of Detective Ray Conley, an American police officer assigned to the anti-gambling squad of the Manila Police Department against the recommendations of Manila Mayor Ramon Fernandez and Interior Secretary Jose Laurel (Onorato, 1967, Chapter V). In protest to Wood's actions, the Filipino members of the cabinet resigned *en masse*.

However, according to the main players, the roots of the political crisis were never actually about Conley or his case. According to Senate President Manuel Quezon, self-confessed leader of the Cabinet Crisis (Quirino, 1971, p. 166): "When all these (events) can be written down calmly, it will be shown that in the fight with General Wood I defended not only our political autonomy but also our *economic heritage* [emphasis added]." Quezon further explained that the economic heritage referred to were the government corporations that "General Wood wanted to hand over to American capitalists..." (Quirino, 1971, p. 166).

The Cabinet Crisis broke out, fundamentally, as a result of conflict in the respective governmental/developmental agenda of Governor Wood and senior Filipino government officials. The clash is conditioned by divergent positions taken by both sides and the political and economic underpinnings of Governor Wood's reform agenda. Governor Wood's faith in his idealization of the government and its functions was unfaltering. He was similarly imbued by a reformist zeal conditioned by a gnawing suspicion that Philippine politicians were preying on government to pursue their patronage political objectives. His aim, as seen in his inaugural speech (see above), was to "conduct the government that it will be characterized by economy, efficiency, and true progress" (Zaide, 1990, p. 195) and to immunize it from corrupt elements, crisis situation or not—although there was a greater sense of urgency given the crisis situation.

The Filipino politicians, on the other hand, viewed the *American* governor general as a temporary custodian of the *Filipino* state, which they will soon inherit as promised by the Jones Law of 1916. As such, the governor's governmental agenda, as Governor Harrison did during his term of office, should align itself with Filipino interests, and not American welfare. Thus, they viewed with great trepidation Wood's inclination to liquidate government assets in favor of American capitalists. Moreover, they did not regard the economic crisis that began in 1921 as a permanent situation; rather, they were confident—as with Governor Wood—that the crisis was temporary in nature and would eventually give way to economic recovery as early as 1924. Consequently, they did not believe that an overhaul of the existing governmental/developmental framework as Wood wanted was warranted.

Given the obstinacy of both parties in their respective positions, the Cabinet Crisis of 1923 was a foregone conclusion. It was created by peculiar political and economic circumstances to the post-World War I period in the Philippines and the agency of key historical characters such as Governor General Leonard Wood and Filipino politicians like Senate President Manuel Quezon and Speaker Sergio Osmeña, among others, pursuing their respective political and economic agenda in the service of their respective ideals.

This episode exposes the peculiarity of U.S.-Philippine relations during the colonial period. It highlights the role of personalities in crafting and implementing policies that were meant to govern U.S.-Philippine relations. Thus, when Harrison became governor, he gave his assent to the revamp of American development policy towards the Philippines. Afterwards, when Wood replaced Harrison, he sought a similar change in policy, to reinstate—if possible—the formerly conservative American development agenda in the archipelago.

The flexibility of American policy towards the Philippines in this respect opened the doors for political dynamics to come in. It, thus, became a test of will and skill between conflicting parties as they maneuvered to manipulate prevailing political and economic conditions to their advantage. In this case, both parties manifested comparable strength of will and determination in support of their respective causes or even crusades, perhaps. Inevitably, the conflict was reduced to a matter of political skill, which the Filipino politicians proved to be adept in, especially when the cabinet resigned *en masse* to denounce the "autocracy" of Governor Wood (Zaide, 1990).

Moreover, Wood proved unable to proceed with his reform agenda once steadfastly opposed by Filipino politicians. He mistakenly continued to operate within the framework of the Council of State and the Board of Control in pursuing his reform agenda, even after the Cabinet Crisis of 1923. It was only in 1926 when he penned Executive Order no. 37 abolishing the Board of Control and when he ceased convening the Council of State that Wood showed signs of skill to back his resolve. Even then, Wood was stymied in his efforts by cases filed before the courts questioning the constitutionality of Executive Order no. 37 (Castaneda, 2001). These cases were pending before the judiciary when Wood returned to the United States in 1927 for what turned out to be an unsuccessful brain procedure. Governor Wood died in August 1927, thwarted in his reform agenda for the Philippines.

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