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National Income Accounts in Philippine Economic History: A Preliminary Report on Data Gathering and Research Trends

Yoshiko Nagano

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National Income Accounts in Philippine Economic History:  
A Preliminary Report on Data Gathering and Research Trends

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Abstract: This paper aims to lay down the foundation for a research project compiling the historical statistics of the Philippine economy, as part of the Research Unit for Statistical Analysis in Social Science (2003-2008), the Institute of Economic Research, Hitotsubashi University, Tokyo. First, I detail what we have accomplished in the gathering of historical data on the Philippines, mainly from US university libraries and archives. Second, I share what I worked on for part of the research on Philippine foreign trade. Third, a brief review is made of research studies on Philippine national income accounts in Philippine economic history. Fourth, I discuss, tentatively, some historical factors that need to be considered for an accurate estimate of Philippine national income accounts.
Introduction

This paper aims to lay down the foundation for a research project compiling the historical statistics of the Philippine economy, as part of the Research Unit for Statistical Analysis in Social Science (2003-2008), the Institute of Economic Research, Hitotsubashi University, Tokyo. The task assigned to us involved the compilation of Philippine historical statistics covering one hundred years, throughout the twentieth century, for the purpose of estimating national income accounts.

This paper has four sections. In section 1, I detail what we have accomplished in the gathering of historical data on the Philippines, mainly from US university libraries and archives. In section 2, I share what I worked on for part of the research on Philippine foreign trade, particularly a critical discussion of “intra-Asian trade.” The topic of “intra-Asian trade,” although not part of the main thrust of this project, is included in this paper for its significance to the conduct of this research project, in light of discussions of Asian economic history in Japan during the late 1990s. In section 3, I briefly review available research studies on Philippine national income accounts in Philippine economic history. In section 4, I discuss, tentatively, some historical factors that need to be considered for accurately estimating Philippine national income accounts.

I In Search of Philippine Historical Statistics

As a team member of the Asian Historical Statistics Project (1995-2000) headed by Professor Konosuke Odaka, the Institute of Economic Research, Hitotsubashi University, I was designated to gather basic historical economic statistics on the Philippines covering the American colonial period. In Japan, some universities house a
certain number of valuable collections on the Philippines; however, up to the time the Asian Historical Statistics Project of Hitotsubashi University commenced, absolutely no systematic gathering of Philippine historical economic statistics for the American colonial period has been seriously attempted. For two years in 1996-97, I conducted research on such Philippine statistical data, mainly in the United States, with some additional research undertaken in Spain and the Philippines. At the time, electronic communications technology was just beginning to prevail, although still very much limited in capacity, so the collection of microfilmed data from US libraries and archives continued to carry lots of difficulties. I myself visited Washington DC in April 1996 to facilitate microfilm processing procedures and acquisitions.


Table 1 of this paper lists historical statistical sources that are now located, in microform, in the library of the Institute of Economic Research, Hitotsubashi University (this listing covers the trade statistics of the late nineteenth century, to be discussed in the next section). In the course of my research, what I would call “the structure of Philippine historical economic statistics during the American colonial period” emerged out of and shaped my encounters with the archival data. This structure consists in the following three discernible strata, constellating both published and unpublished material.

The first stratum consists in basic economic statistical material compiled from the *Census of 1903*, the *Census of 1918*, and the *Census of 1939*, as well as collected volumes of annual statistical reports (No. 6 in Table 1), almost all of which were systematically published form the end of the 1910s. If the censuses can contribute cross-sectional data for various industrial sectors, then the annual statistical reports,
rough as they are, should yield the additional data necessary to link them by means of a
time series.

The second stratum consists in sector-specific annual statistical reports (Nos. 2 to 5
in Table 1) published by official agencies. They are government publications providing
detailed data on finance, public expenditures, trade, agriculture, labor and wages
summarized in such statistical reports (No. 6 in Table 1).

The third stratum consists in unpublished sources (No. 1 in Table 1), including
original statistical material from official agencies not covered by Nos. 2 to 6 in Table 1.
In particular, the microfilm copies of the “Manuscript Reports of the Governor-General
of the Philippines, 1916-1935” proved easy to use because a table of contents is
separately prepared, listing by title the documents contained in all the volumes.

In the Newsletter of the Asian Historical Statistics Project, I had previously
maintained that “we should be able to build a base of Philippine historical economic
statistics of the American colonial period by extracting and synthesizing the economic
statistics obtainable from these three strata. This task is something like the one [where,]
while bearing in mind the nature of colonial administrative system, we...re-construct
the characteristics of the gathering process of economic statistics of the Philippines [for]
that period” (Nagano 1998a, 12).

Due to my involvement in other research projects, I was unable to persist in such a
task for quite a time. But toward the resumption of such a project, the first thing
requiring to be done is a review of specific books and papers in the related literature.
This will be done in detail in sections 3 and 4. In the section that follows, I first discuss
the historical statistics of Philippine foreign trade, particularly for the late nineteenth
century.
Table 1: The Philippine Historical Economic Statistics Collection
(Library of the Institute of Economic Research, Hitotsubashi University)
(Source: Nagano 1998a, 12)

1. Unpublished materials
   * Manuscript Reports of the Governor-General of the Philippines, 1916–1935
     (US National Archives).
   * Manuscript Reports of the U.S. Commissioner to the Philippine Islands, 1936–1940
     (US National Archives).

2. Finance and Public Expenditures
   * Annual Report of the Secretary of Finance, 1936–1938 (Stanford University).
     (Center for Research Libraries, Chicago).

3. Trade
     (US Library of Congress).
   * Balanza general del comercio de las Islas Filipinas, 1851; Cuadro general del comercio exterior de Filipinas, 1856; Balanza general del comercio de las Islas Filipinas, 1861; Estadistica general del comercio exterior de las Islas Filipinas, 1881–1882, 1885–1894
     (US Library of Congress).
   * Balanza general del comercio de las Islas Filipinas, 1854–1855, 1858; Balanza mercantile del comercio de las Islas Filipinas, 1859–1860, 1863–1864; Estadistica mercantile del comercio exterior de las Islas Filipinas, 1866–67, 1873–74, 1876–80 (Philippine National Archives).
   * Balanza general del comercio de las Islas Filipinas, 1857, 1862, 1865; Estadistica mercantile del comercio exterior de las Islas Filipinas, 1866, 1875, 1883, 1884 (Biblioteca Nacional, Madrid).

4. Agriculture
II Compiling Historical Statistics on Philippine Foreign Trade in the Late Nineteenth Century

As shown in Table 1, the Asian Historical Statistics Project also obtained source materials on historical trade statistics of the Philippines during the late nineteenth century in microform (Nagano 1996).

Why compile Philippine trade statistics for the late nineteenth century for the Asian Historical Statistics Project which is otherwise focused on the twentieth-century period? One reason is that this period is the most interesting era in the history of Philippine
trade. From the middle of the sixteenth century to the end of the nineteenth, the Philippines was a Spanish colony, then became an American colony (apart from the period of Japanese occupation in 1942-45) until 1946, when political independence was achieved. From the 1920s until the early 1970s, Philippine foreign trade was conducted primarily with the United States (apart from a surge in cotton goods imports from Japan in the 1930s). Thus, Philippine trade relations with the United States were very close and those with nearby Asian countries were rather distant, so that the Philippines began to be considered an exceptional case even within Southeast Asia. However, the Philippines was closely integrated into the Southeast Asian trade zone (broadly defined here to include China and India) prior to and during the late nineteenth century. This background informs my pursuit of historical trade data for the period concerned, information about which I later wrote and published some articles (Nagano 1998b; Nagano 1998c: Nagano 2001). What eventually follows is a summary of my main arguments in these previous works.

Much has been already written on the patterns of Philippine foreign trade from the late nineteenth to the mid-twentieth century. Benito Legarda’s Ph.D. dissertation (1955), finally published with great revision in 1999 (Legarda 1999), has served as an essential study of nineteenth-century Philippine foreign trade. It has been widely accepted that the United States gradually replaced the United Kingdom as the major trade partner of the Philippines from the turn of the twentieth century, and that it had established its position as the Philippines’s dominant trade partner by the early 1920s. Still, it is very important to take into account the role that Asian countries played in Philippine foreign trade from the late nineteenth century to the American period.

In the mid-1980s, the discussion of “intra-Asian trade” among China, Japan, Southeast Asia and India was initiated by Kaoru Sugihara (1985) and has drawn close attention in studies of Asian economic history in Japan and elsewhere (Latham 1994). In this context, Philippine trade with Singapore and Hongkong in the early 1910s would seem to be of only minor importance. In his book (1996), Kaoru Sugihara also states that the Philippines occupied a minor position in “intra-Asian trade” during the first half of the twentieth century, and could thereby be considered as an exception among
Southeast Asian countries. This view of Kaoru Sugihara was somehow changed later, after my study was published (Sugihara 2001).

Was the Philippines only a marginal player in the “intra-Asian trade” from the mid-nineteenth century to the American colonial period? To answer this question, I reexamined the trade structure of the Philippines for the same half-century period, focusing on its changing structure at the turn of the twentieth century.

By this study two things are pointed out. First, it is clear that after the opening of Manila as an international port, the Philippines was incorporated within the sphere of influence of the British Empire and through this process, the Philippines continued to maintain its important relationship with Asian entrepôts such as Hongkong and Singapore. In the original trade statistics for the late nineteenth century, Hongkong was included in “China” or “British Asian colonies” and Singapore was included among “British Asian colonies.” Such confusing classifications have made it extremely difficult to depict the actual role of these entrepôts in Philippine trade in previous studies.

Second, trade with Hongkong and Singapore played a very important role in maintaining the economic connection between the Philippines and other Asian countries in the nineteenth century. Through these entrepôts, rice was imported from French Indochina (Cochine-China) and Thailand, while British cotton goods were imported through Hongkong. In turn, export crops such as Manila hemp, sugar and tobacco were shipped to the United Kingdom via Singapore. Based on these facts, I argued that the larger part of the trade between the Philippines and Hongkong or Singapore, which should be counted as part of what has been called “intra-Asian trade,” might be characterized as the re-export of Philippine agricultural crops to the United Kingdom and the re-import of British cotton goods to the Philippines in the late 19th century. “Intra-Asian trade” grew with the late-nineteenth century expansion of the British Empire in Asia. The Philippine component of “intra-Asian trade” naturally diminished when Philippine trade was restructured under the U.S. colonial government in the first half of the twentieth century.
III  Research on National Income Accounts in Philippine Economic History

As is widely known (Nagano 1980), Benito Legarda’s Ph.D. dissertation (1955) on Philippine foreign trade in the late nineteenth century opened up a new terrain of research in Philippine economic history. First, it served as the foundation for an excellent study of the nineteenth century economic activities of Chinese and Chinese mestizos by Edgar Wickberg (1965). Then in the 1970s and 1980s, various studies in socio-economic history, mainly as local histories of the Philippines, were conducted by American historians (Larkin 1972; McCoy & de Jesus, eds. 1982; Doeppers 1984; Owen 1984) as well as Japanese scholars (Hayase 1984; Nagano 1986). In the 1990s, an excellent study in historical demography came out (Doeppers & Xenos, eds. 1998), even as some scholars are continuously engaged in this research area (Wong 1999; Nagano 2003; Chiba 2007). There are also notable interventions in the field of Philippine economic history by Filipino, American, Japanese and Australian economists (Castro 1965; Estanislao 1974; Valdepeñas 1977; Ofreneo 1980; Corpuz 1989 & 1997; Krinks 2002; Yoshihara 1985 & 1994 and Sicat 2003). Abelarde (1947) or Hartendorp (1953; 1958; 1961) are important works on trade policies or the process of industrialization.

Since the 1960s, numerous books have been published on the development of the Philippine economy which discussed national income mostly on the basis of Philippine government statistics (Baba 1961a; Golay 1961; Hooley 1968; Hicks 1971; Power, Sicat & Mo-Huan Hsing 1971; ILO 1974; Encarnacion 1976; IBRD 1976; Oshima 1983; Boyce 1993; de Dios & Fabella 1996; Canlas & Fujisaki 2001; Balisacan and Hill 2003). In de Dios & Fabella (1996), one can find an excellent paper by Richard Hooley analyzing Philippine trade structure from the 1830s to 1980s (Hooley 1996). Papers that mainly discuss the Philippine national income accounts include Baba (1993; first ed. 1943); Baba (1961b); Nozawa (1999); and Hooley (2005).

Keinosuke Baba’s two papers (1993: first ed. 1943; 1961b) constitute partial but pioneering work in the estimation of Philippine national income accounts. In the first
paper (Baba 1993: first ed. 1943), Baba estimated the national income accounts based on what he termed the “nature of dual economies of Philippine economic society.” He first examines the process of income formation by major agricultural industries like those revolving around rice, sugar, coconut and tobacco. Then he estimates the “intermediary income” emerging between “agricultural society” and “industrial society,” or between “industrial society” and the “export market,” and comparing the percentages of these “intermediary incomes” in the national income accounts. In the second paper (Baba 1961b), he analyzes the distinctive features of the Philippine economy comparing those that developed during the American colonial period and after independence. He examines the estimate of the national income accounts for the period of 1922-38, drawing from Andres V. Castillo’s “Supply and Behavior of Money in the Philippines” (1940; mimeo) (for his estimate of national income accounts as well as foreign trade statistics in the 1922-1938 period, please see Table 2). For the 1940s and 1950s, Baba discussed the national income accounts estimated by the Central Bank in 1954.

Katsumi Nozawa’s article (1999) is an attempt to review the process by which the Philippine government established its method of estimating the national income accounts after independence. Nozawa states that, right after independence, the research section of the Central Bank first estimated the national income accounts with the assistance of the United Nations. In 1955, the Office of Statistical Coordination and Standard (OSCAS) was created in the National Economic Council (NEC) and after 1957, OSCAS took charge of the estimate of national income for national economic development planning. From 1973, this task was shouldered by the National Economic Development Authority (NEDA) under the Marcos regime and, in 1987, it was further transferred to the National Statistical Coordination Board (NSCB) under the Aquino administration. Nozawa also examines various estimates of national income accounts like those by the research section of the Central Bank (1946-54), OSCAS (1946-67), NEDA (1946-95) and NSCB (1946-95).
<table>
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<th>Year</th>
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<th>Export (X)</th>
<th>Import (M)</th>
<th>X-M</th>
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<tr>
<td>1922</td>
<td>645,650</td>
<td>191,167</td>
<td>180,395</td>
<td>10,772</td>
</tr>
<tr>
<td>1923</td>
<td>733,149</td>
<td>241,506</td>
<td>174,999</td>
<td>66,507</td>
</tr>
<tr>
<td>1924</td>
<td>801,001</td>
<td>270,689</td>
<td>216,022</td>
<td>54,667</td>
</tr>
<tr>
<td>1925</td>
<td>868,168</td>
<td>297,754</td>
<td>239,466</td>
<td>58,288</td>
</tr>
<tr>
<td>1926</td>
<td>865,942</td>
<td>273,769</td>
<td>238,598</td>
<td>35,171</td>
</tr>
<tr>
<td>1927</td>
<td>902,127</td>
<td>311,146</td>
<td>231,705</td>
<td>79,441</td>
</tr>
<tr>
<td>1928</td>
<td>898,987</td>
<td>310,109</td>
<td>269,314</td>
<td>40,795</td>
</tr>
<tr>
<td>1929</td>
<td>941,191</td>
<td>328,894</td>
<td>294,321</td>
<td>34,573</td>
</tr>
<tr>
<td>1930</td>
<td>872,544</td>
<td>266,354</td>
<td>246,166</td>
<td>20,188</td>
</tr>
<tr>
<td>1931</td>
<td>735,039</td>
<td>207,944</td>
<td>198,357</td>
<td>9,587</td>
</tr>
<tr>
<td>1932</td>
<td>673,228</td>
<td>190,676</td>
<td>158,790</td>
<td>31,886</td>
</tr>
<tr>
<td>1933</td>
<td>665,790</td>
<td>211,542</td>
<td>134,723</td>
<td>76,819</td>
</tr>
<tr>
<td>1934</td>
<td>766,700</td>
<td>220,807</td>
<td>167,214</td>
<td>53,593</td>
</tr>
<tr>
<td>1935</td>
<td>728,620</td>
<td>188,491</td>
<td>171,048</td>
<td>17,443</td>
</tr>
<tr>
<td>1936</td>
<td>871,875</td>
<td>272,896</td>
<td>202,252</td>
<td>70,644</td>
</tr>
<tr>
<td>1937</td>
<td>929,203</td>
<td>302,533</td>
<td>218,051</td>
<td>84,482</td>
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<tr>
<td>1938</td>
<td>1,028,681</td>
<td>231,591</td>
<td>265,216</td>
<td>−33,625</td>
</tr>
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Source: Andres V. Castillo, "Supply and Behavior of Money in the Philippines," (mimeo), Manila, 1940.
Richard Hooley’s paper (2005) is an excellent contribution to the detailed estimate of Philippine GDP during the American colonial period. As stated clearly in his abstract, agricultural modernization increased the productivity of rice and corn in the 1910s and 1920s, making the Philippine GNP growth rate much higher than those of other East and Southeast Asian countries. However, in the 1920s, due to fiscal constraints, infrastructures were not built up in the Philippines sufficiently. Then in the 1930s, the peso was overvalued and, together with the slowdown of productivity, these factors eventually made Philippine economic growth lag behind neighboring countries like Japan, Korea and Taiwan. This Philippine experience of a downturn had important consequences for economic development after independence. Hooley’s detailed study of the Philippine GDP during the American period makes these main arguments with the benefit of comparative perspectives on related developments in other neighboring countries. Notably, his paper links the slow economic growth of the 1930s to the nature of the transition to a new economy after Philippine independence. These features of Hooley’s analysis and his GDP estimate of the Philippines during the American colonial period might prove useful in understanding the nature of the Philippine economy from a longer historical perspective, as well as through comparisons with other Asian countries.

IV Some Historical Factors for the Estimate of National Income Accounts

It is beyond doubt that Hooley’s 2005 paper marks a milestone in the historical study of the Philippine national income accounts during the American colonial period. Its usefulness for the long-term historical statistics project on the Philippines that we have undertaken is certain. But given that the task of this research project is to compile historical statistics on the Philippines for the twentieth century, we have to consider the following factors in the continued pursuit of this project, in my view. First, we need to have some historical accounting of when precisely the so-called “national economy” as the economic unit was established in the Philippines. Second, the
periodization of Philippine economic change throughout the twentieth century should be hypothesized or made more specific. Third, we should consider the obviously enormous impact of some major historical events like wars on the Philippine economy itself. Fourth, to examine the distinctive features of Philippine economy as one economic unit, it is also important for us to know how regional economies are composed within the Philippine economy to clarify the nature of linkages among various industrial sectors. I offer some tentative observations in response to these four concerns in this concluding section.

On the formation of a Philippine “national economy,” consider the concept of “national economy” as drawn from the historical experiences of industrialized Europe, North America, and Japan, all of whose economies developed with the phenomenal rise of cotton industries since the middle of the nineteenth century. If this is our model, we face the situation that such a type of “national economy” could have not been replicated in the Philippines at all. Instead, and generally speaking, it can be observed that the Philippine economy has grown and changed, with external factors as its driving forces since the late nineteenth century, when export agricultural sectors emerged after the opening of Manila as an international port.

Keeping this difference of Philippine economic formation in mind as a difficult conceptual issue, we might have to explore some other or alternative approach to it. From my own studies, it is clear that it was the period after World War I, as the American colonial state (or modern state) was being established and consolidated in the Philippines, which saw the wider spread of the fiscal, financial and economic policy of a central government (Nagano 2006, 2). This periodizing hypothesis is drawn from my examination of political history for my research on Philippine banking history, particularly focusing on the financial crisis relating to the Philippine National Bank in 1919-22 (Nagano 2003). I am therefore proposing here tentatively that it might be after World War I that the “national economy” as a single economic unit really began to form in the Philippines, principally with the establishment and consolidation of the framework of the American colonial state.

On the periodization of Philippine economic change throughout the twentieth
century, and given the tentative hypothesis that the “national economy” might have begun to emerge in the Philippines after World War I, I am further proposing that the period of 1901-1920 be incorporated into our conceptions of the late nineteenth century. Such a periodizing argument results in what might be seen as three discrete historical segments:

1. 1870-1920: the period of the formation of an export economy with a different orientation during the late nineteenth century, following the opening of the Panama Canal in 1914; the Philippine economy, together with other Southeast Asian economies, was more strongly linked with North America in a trans-Pacific circuit.

2. 1921-1965: during the American colonial period, the export economy flourished in the Philippines in its strong relationship with the United States, its colonial master. Even after independence in 1946, the United States held effective away over the Philippine economy, under the “reciprocity” agreements between these two countries.

3. 1966 to the present: under the Marcos government’s initiative, industrialization took place through massive foreign investments. However, the Philippines lagged behind the higher economic growths of ASEAN countries like Thailand or Malaysia in the 1980s. Since then, to compensate for the failure of economic policies, the Philippine government has promoted the policy of sending overseas migrant workers to many countries. By 2005, their regular remittances reached 10 billion US dollars, almost 10% of the total GNP of the Philippines.

On some major historical events with enormous impact on the Philippine economy, the tendency to approach the modern history and economy of the Philippines as mostly separate compartments (true also for studies of other Asian countries) now needs to be seriously reconsidered. While a few available studies have undertaken some analysis of the economic impact of wars, for example, it is my view that the Philippine Revolution (1896-98) and the succeeding Philippine-American War (1899-1902) as well as World
War II or Japanese occupation (1942-45) ought to be more seriously studied for their economic reverberations. To cite just one estimate, 10% of the population of seven million perished in the Philippines during the Philippine Revolution and the Philippine-American War (Gates 1984, 364), a fact that should point to considerable economic costs and displacements. As for the Japanese occupation, Geraldo Sicat’s work is valuable and constitutes a good beginning (Sicat 2003).

On regional economies in the Philippines, the recent work by Peter Krink gives us a balanced view in its general descriptions of the industrial and agricultural sectors in various Philippine regions in the post-World War II period (Krinks 2002). Yoshihiro Chiba’s Ph.D. dissertation has looked at the formational process of the Manila regional economic zone during the American colonial period (Chiba 2007) but studies on this topic have just begun. From my own tentative study of the domestic migration of the 1970s-1980s, it appears that the Philippine economy has been composed by a multi-layered complex of regional economies that might be better seen, in turn, as consisting in various regional economic units, set both by region or province (Nagano 2001). It is therefore possible that such a structure and its changing dynamics are really much more complex than has been generally acknowledged.

All of these four historical factors should be considered thoroughly for our estimate of the long-term national income accounts of the Philippines. When rightfully linked to the various studies in Philippine economic history, they allow us to successfully explain how the livelihood of the Filipino people has been dynamically affected and shaped by some larger forces from within the country and without.

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