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Journal of Asian Economics 16 (2005) 464–488
JOURNAL OF ASIAN ECONOMICS

American economic policy in the Philippines, 1902–1940: Exploring a dark age in colonial statistics☆

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Accepted 19 April 2005

Abstract

This paper presents a detailed estimate of GDP for the Philippines from 1902 to 1940, and analyses factors accounting for changes in growth rates during that era. A crash program in agricultural modernization produced a doubling of rice and corn yields between 1910 and the late 1920s. As a result, the Philippine GDP growth rate in the first two decades outstripped all other nations in East and Southeast Asia. However fiscal constraints appeared by the late 1920s, causing this and other infrastructure projects to be curtailed. An overvalued peso emerged after 1930 and this, alongside a slowdown in productivity caused the rate of Philippine GDP growth to fall behind that of neighboring countries including Japan, Korea and Taiwan. These developments in the later years of the colonial period seriously compromised the transition to economic independence in 1946.

JEL classification: F13; H25; N95; O11

Keywords: Economic growth; Colonialism; Philippines; Productivity; Exchange rates; Fiscal and trade policies

☆ Research for the paper was initiated while the author was a Resident Scholar at the Rockefeller Study and Conference Center, Bellagio, Italy.
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1049-0078/$ – see front matter
doi:10.1016/j.asieco.2005.04.007

1. Introduction

There are only a few economic studies of the American colonial period in the Philippines, often non-quantitative in their treatment and arriving at assessments that are mutually inconsistent (Hartendorp, 1953; Jenkins, 1954). A major reason is the absence of a consistent quantitative data set covering the main macroeconomic variables prior to independence in 1946.

This paper has three objectives. First, to present estimates of real GDP for the period 1902–1940 and link these with published estimates for the post WWarII period (1950–1990), providing a continuous series for most of this century. Second, to analyze growth during the American colonial period, and assess that performance in terms of the macroeconomic policies of the era. Finally, the paper compares GDP growth in the colonial and independence periods with emphasis on the factors accounting for differences in performance.

2. GDP estimates for the American period: sources and methods

Existing estimates of Philippine output for the American colonial period are based on Hooley (1968), and they have been used extensively (Kuznets, 1966; Maddison, 1995). But they have limitations. The estimates are for only a few benchmark years (1903, 1918, 1938), so intercensal year estimates are simply mathematical interpolations. Second, much of the service sector is not covered. The estimates do not utilize the rich body of primary data sources available from records of the various colonial government bureaus. Finally, since they do not cover production of all major sectors, and are not estimates of domestic product.

Although gross product can be estimated in several ways – e.g., by the income, expenditure or output methods, for historical series which push estimates back into the past, the output method is widely preferred. This paper utilizes the production approach to estimate domestic product, along with checks between production data and expenditure aggregates whenever possible.[1] Four basic sources are used in the construction of the estimates. First, there are the three pre-War censuses of 1903, 1918 and 1939. In addition, there are the annual reports published by various agencies of the government, e.g. the Bureau of Agriculture, Bureau of Mines, Bureau of Customs, the Civil Service Commission, etc. Information on value added ratios is available from published reports of the National Economic and Development Authority (NEDA). Finally, deflation was done by use of an index of wholesale prices constructed for each of the eighteen subsectors. Additional details on estimating method are shown in the Appendix.

3. Growth of GDP 1902–1940

Real GDP grew at an average annual rate of 4.20% from 1902 to 1940, while on a percapita basis the rate was 2.15% (Table 1). These growth rates are more rapid than those

[1] E.g., in estimating crop output, I compared production estimates with exports, making adjustments where appropriate.