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FOREIGN TRADE AND ECONOMIC WELFARE IN THE LAST HALF-CENTURY OF SPANISH RULE

*Amado A. Castro**

When the galleon *Magallanes* arrived in Manila from Acapulco in 1815, having departed from Manila on its outward voyage in 1811, it not only marked the end of over two centuries of Spanish mercantilist restrictionism through the galleon trade monopoly but also set the stage for an era of more liberal Spanish economic policy in the Philippines.

In Spain itself, there had been stirrings of economic liberalism in the last half of the seventeenth century. The Bourbon kings had taken over the Spanish throne from the Hapsburgs and the French antecedents of these new monarchs had exposed them to French ideas of liberalism not only in politics but also in economics. The British occupied Manila in 1762-63 and they discovered commercial possibilities in the archipelago. Thus, in the last quarter of the eighteenth century, there had been a flurry of activities in an attempt to trigger the economic development of the colony. For example, in 1779, less than a year after he took office, Governor Jose Basco y Vargas presented an economic development plan for the Philippines. This was not the first plan however because there had been previous plans by other Spanish officials such as Viana and Simon de Anda. In 1781, Basco founded the Economic Society of Friends of the Country (*Sociedad Economica de Amigos del Pais*) and in 1781, he organized the tobacco monopoly which made the colony financially

*University of the Philippines School of Economics. I am indebted to Mrs. Julia Reynes Salazar, Mrs. Loreli Cataylo-de Dios and Miss Gilda M. Rojas for assistance in the preparation of this paper.

stable. In 1785, the Royal Company of the Philippines (Real Compañia de Filipinas), a trading and development company, was chartered under part ownership of the Spanish crown.

Early in the nineteenth century, Spain started to lose her colonies in the new world as national wars of liberation were waged. She was left with only her colonies in the Antilles and in the far Western Pacific (Cuba, Puerto Rico, and the Philippine Islands, plus other scattered islands in those areas) and her attention was turned perforce to these hitherto neglected colonies.

In the Philippines, writers such as Manuel Azcarraga y Palmero (*La Libertad de Comercio en Filipinas*) and Tomas de Comyn (*Estado de las Islas Filipinas*) began espousing freer trade and more vigorous economic development policies. Quotations from the writings of the Frenchman Jean Francois Galoup de la Perouse and the last Spanish Governor in the eighteenth century, Don Rafael Aguilar, doubtless offered consolation. In 1787, after a three-month visit in the archipelago, de la Perouse had said, "I will not be afraid to assert that a very great nation, which should have no other colony than the Philippines and which should establish the best kind of government that could be constituted, might, without the least envy, behold all the European settlements in Africa and America". Writing in 1973, Aguilar predicted that in three or four years, the Philippines would become "the most valuable colony in the world" for "the King's dominions here are so extensive, so valuable and so productive that there are no limits to their possibilities". Generous words indeed, but how realizable were they?

Unfortunately, the ascendancy of liberal ideas in Spain was not assured and Spain in the nineteenth century saw a distressing alternation of liberal and conservative regimes. The unsettled political situation prevented the sustained pursuit of enlightened economic and political policy not only in Spain but also in the colonies. Nevertheless, the new, more liberal orientation also reached the Philippines.

There was, for example, the Royal Company of the Philippines, which, although a failure, had some worthwhile activities during its existence. In trying to enlarge the Company's sources of supply and markets, foreign ships were allowed to call in Manila starting in 1789, provided they carried only Asian cargoes. Thereafter, a small but steady stream of foreign ships came to transact business in the port. In 1976, the American ship *Astrea* did stop at Manila harbor, the first known

direct sailing between the United States and the Philippines. On October 25, 1813, the suppression of the galleon trade was decreed by the new King Ferdinand VII and with that, a rival enterprise which had competed with the Royal Company for the attention of the officials in Manila ended. Despite the disappearance of rivalry as well as the reorganization in 1803, the Royal Company continued to flounder. Its doom was probably sealed by excessive lending to the crown for royal military activities. Without doubt, however, inept management of the Royal Company also contributed greatly to its failure.¹ Thus, on September 6, 1834, the Royal Company was finally dissolved. On that same day, the port of Manila was officially opened to all foreign traders,

Previous to this, in the 1810's, English traders and in 1820's, Americans such as Peele, Hubbell and Company and Russell and Burgess were already actively conducting business in Manila, fomenting native agricultural and industrial ventures in the process. The first foreign consul, an American, was assigned to Manila in 1816, and he was followed by the Consuls of France (1836), Belgium (1842), and Great Britain (1844).

It was not till the second half of the nineteenth century, however, that commercial development and, as a consequence, agricultural expansion took place in earnest. A signal event was a royal decree on September 29, 1855 which opened three additional Philippine ports aside from Manila to foreign traders. Of the three — Iloilo, Zamboanga, and Sual in Pangasinan — only the first is significant today for Philippine foreign trade; Sual was a rice transshipment port for interisland traffic which a few years after its opening silted up and was not used again. Subsequently numerous other ports were opened and at the end of the Spanish regime, some 81 ports were open for foreign trade. The inauguration of the Suez Canal on November 17, 1869 also stimulated Philippine foreign trade as it made Spain and the rest of Europe closer to the Philippines. The advent of the steamship further shortened the Manila-Europe voyage, and the industrial revolution in England and the British rise to commercial and political power spurred not only world trade but also Philippine commerce. Other signs of increasing commercialization were the establishment of the Banco Español Filipino in

1. Benito Legarda y Fernandez (November-December, 1967), "The Philippine Economy under Spanish Rule," *Solidarity*, pp. 8-11.

1851, the growing activities of foreign merchant bankers (American and British), and the opening of branches by the Chartered Bank of India, Australia, and China (1873) and the Hong Kong and Shanghai Banking Corporation (1876).

The growth of Philippine foreign trade in the nineteenth century is shown in estimates as well as official records (Table 1). In 1810, Philippine exports were ₱4.8 million and imports were ₱5.3 million. The drop in estimated exports to ₱1.2 million in 1818 is easy to explain. The galleon trade had ended and the re-exports of Chinese and Indian goods carried on the galleon to Acapulco no longer dominated the statistics, although in that year, re-exports by private traders still came to 40 percent of recorded exports. In 1831, the exports had risen to ₱1.96 million or \$2 million and in the decade of the 1840's, exports were close to \$3 million. To avoid overstatement in values on account of the long term fall in the value of the Mexican peso (then the unit of value in the Philippines), the peso values can be converted to U.S. dollar equivalents, using the conversion rates between the Mexican peso and the U.S. dollar prepared by the U.S. Mint and published in the Census of 1903. In 1850, exports were valued at \$3.694 million and began to rise slowly, reaching \$6.4 million in 1855. In the next year, 1856, which was the year after the opening of the ports of Iloilo, Zamboanga and Sual, exports rose by 50 percent to \$9.6 million. From then on, the trend was definitely upward, though somewhat unsteady. In 1870, an apparent peak value of exports of \$29 million was hit, although Legarda has pointed out that this is not a reliable figure.² Again in 1889, exports reached \$25.6 million.³

The values of exports were no doubt affected by prices. Thus, an attempt to measure the change in volume of exports is presented in the quantity index in Table 2. The index is based on export volumes for the seven leading Philippine exports in the second half of the nineteenth century and uses 1876 as the base period. A complication in the preparation of the index was that one export, coffee, tapered off in the late 1880s because of a blight which hit the coffee plantations of Batangas. Coffee finally disappeared as an export at the end of the century. At about the same time, however, a new export,

2. Benito Legarda y Fernandez, *Foreign Trade, Economic Change and Entrepreneurship* (unpublished Ph.D. dissertation), p. 185.

3. *Ibid.*, pp. 196-198 and Table 1

YEAR	IMPORTS		EXPORTS		TOTAL IM- PORTS AND EXPORTS		EXCESS OF EXPORTS OVER IM- PORTS	
	Pesos	Dollars	Pesos	Dollars	Dollars	Dollars	Dollars	Dollars
1831	1,249,148	1,208,676	1,185,009	1,146,615	2,355,291	62,061 ^a		
1837	2,060,143	2,112,471	1,956,754	2,006,456	4,118,927	106,015 ^a		
1838	2,710,456	2,777,133	2,894,068	2,965,262	5,742,395	188,129		
1839	2,153,247	2,238,516	2,674,220	2,780,119	5,018,635	541,603		
1840	1,844,424	1,917,463	2,475,942	2,573,989	4,491,452	565,526		
1841	2,252,997	2,329,824	3,366,734	3,481,540	5,811,364	1,151,716		
1842	2,856,096	2,924,357	3,073,580	3,147,039	6,071,396	222,682		
1843	2,191,685	2,233,546	2,923,795	2,979,639	5,213,185	746,093		
1844	3,309,312	3,390,721	3,242,392	3,322,155	6,712,876	68,566 ^a		
1845	3,934,824	4,013,127	3,020,717	3,030,829	7,093,956	932,298 ^a		
1846	2,639,494	2,696,248	2,972,967	3,036,886	5,733,129	340,643		
1847	3,429,931	3,525,283	3,126,141	3,213,048	6,738,331	312,235 ^a		
1848	3,149,164	3,226,633	2,975,807	3,049,012	6,275,645	177,621 ^a		
1849	2,443,215	2,513,091	3,723,921	3,830,425	6,343,516	1,317,334		
1850	3,178,249	3,286,309	3,573,067	3,694,551	6,980,860	403,242		
1851	3,301,334	3,468,382	4,172,274	4,383,391	7,851,773	915,009		
1852	3,951,333	4,116,894	5,016,313	5,226,497	9,343,391	1,109,603		
1853	4,004,530	4,241,598	5,778,676	6,120,774	10,362,372	1,879,176		
1854	3,756,345	3,978,721	6,352,348	6,723,407	10,707,128	2,749,686		
1855	4,243,602	4,459,177	6,121,622	6,432,600	10,891,777	1,973,423		
1856	6,959,254	7,312,784	9,133,317	9,597,290	16,910,074	2,284,506		

Table 2 (Continued)

YEAR	IMPORTS		EXPORTS		TOTAL IM- PORTS AND EXPORTS	EXCESS OF EXPORTS OVER IM- PORTS
	Pesos	Dollars	Pesos	Dollars	Dollars	Dollars
1857	9,907,299	10,532,450	11,895,821	12,643,447	23,178,897	2,113,997
1858	5,798,720	6,093,295	9,416,975	9,895,357	15,988,652	3,802,062
1859	6,271,560	6,701,789	9,082,868	9,705,953	16,407,742	3,004,164
1860	8,739,474	8,286,565	9,509,481	10,104,775	19,391,340	818,210
1861	10,148,160	10,650,494	8,065,530	8,464,774	19,115,268	2,185,720 ^a
1862	6,841,735	7,341,579	9,100,797	9,625,003	16,988,582	2,283,424
1863	7,465,063	7,889,079	10,056,818	10,628,045	18,517,124	2,738,966
1864	10,901,584	11,520,794	10,657,026	11,262,345	22,783,139	258,449 ^a
1865	17,870,523	18,789,068	20,932,617	22,008,554	40,797,622	3,219,486
1866	17,711,791	18,634,575	22,182,523	23,338,232	41,972,807	4,703,657
1867	15,180,853	15,841,220	22,006,804	22,964,100	38,805,320	7,122,880
1870	23,500,000	24,522,250	28,000,000	29,218,000	53,740,250	4,695,750
1872	22,163,142	23,023,072	16,430,655	17,068,164	40,091,236	5,954,908 ^a
1873	13,217,836	19,478,227	23,522,529	23,985,923	37,464,150	4,507,696
1874	13,704,254	13,770,034	17,302,977	17,386,031	31,156,065	3,615,997
1875	12,215,153	11,924,432	18,920,475	18,470,168	30,394,600	6,545,736
1876	11,987,162	10,964,657	14,837,796	13,572,132	24,536,789	2,607,475
1877	19,535,864	18,449,670	16,362,444	15,452,692	33,902,362	2,996,978 ^a
1878	17,292,847	15,674,237	17,470,305	15,835,084	31,509,321	160,847
1879	18,031,547	15,923,659	18,813,452	16,614,159	32,537,818	690,500
1880	25,493,319	22,938,838	23,450,385	23,100,566	44,839,454	1,838,318

1882	21,268,762	18,574,778	26,573,323	18,446,372	27,471,762	41,524,172	29,342,328
1883	21,308,074	18,534,902	26,380,727	13,069,270	27,471,762	41,524,172	29,342,328
1884	21,246,241	18,579,838	22,672,833	19,827,392	33,407,230	36,525,132	1,247,554
1885	19,199,468	16,027,716	24,553,885	20,497,416	36,525,132	36,525,132	4,469,700
1886	20,073,598	15,689,524	25,721,032	20,103,559	35,793,083	35,793,083	4,414,035
1887	17,530,198	13,491,240	25,257,139	19,437,894	32,929,134	32,929,134	5,946,654
1888	21,208,482	15,660,343	26,293,271	19,414,951	35,075,294	35,075,294	3,754,608
1889	24,790,906	18,216,358	34,926,969	25,684,337	43,880,695	43,880,695	7,447,979
1890	19,797,257	16,277,305	26,213,554	21,652,784	37,830,089	37,830,089	5,275,479
1891	21,647,280	16,804,783	26,905,102	20,886,431	37,691,214	37,691,214	4,081,648
1892	23,817,373	16,310,137	27,976,569	19,158,354	35,468,491	35,468,491	2,848,217
1893	25,922,515	15,893,094	35,275,566	22,240,550	38,133,644	38,133,644	6,347,456
1894	28,558,552	14,245,006	33,149,984	16,535,212	30,780,218	30,780,218	2,290,206
1895	25,398,798	13,052,442	36,655,727	18,837,378	31,889,820	31,889,820	5,784,936
1898 ^b	—	5,380,963	—	5,165,356	10,546,319	10,546,319	215,607 ^a
1899	—	19,192,985	—	14,846,582	34,039,568	34,039,568	4,346,404 ^a
1900	—	24,863,779	—	22,990,373	47,854,152	47,854,152	1,873,406 ^a
1901	—	30,162,471	—	24,503,353	54,665,824	54,665,824	5,659,118 ^a
1902	—	33,342,166	—	28,671,904	62,014,070	62,014,070	4,670,262 ^a

^aExcess of imports over exports^bFive months, August to December, inclusive.Source *Census of the Philippine Islands*, Vol., IV, United States Bureau of the Census, Washington, 1905, pp. 564-565.

Table 2 — Quantity Index of Major Exports^a
(1876 = 100)

Year	Exports
1854	35.9
1855	30.2
1856	40.2
1857	34.4
1858	27.0
1860	42.2
1861	38.8
1862	51.5
1863	44.1
1864	39.9
1865	39.1
1866	36.4
1867	47.4
1873	71.0 ^b
1874	81.9
1875	96.9
1876	100.0
1877	94.6
1878	96.6
1879	101.6
1880	137.8
1881	159.0
1882	115.9
1883	147.7
1884	99.0
1885	153.8
1886	139.6
1887	140.1
1888	136.2
1889	176.7
1890	113.3
1891	121.5
1892	191.8
1893	205.5
1894	172.9

^aIncludes sugar, raw abaca, leaf tobacco, manufactured tobacco, coffee, and rice, and copra.

^bRaw hemp is included with manufactured hemp, not having been separately recorded.

copra, began to take the place of coffee. Another export product which dropped out was rice. It is clear however that exports as well as imports rose in the period under study.

The pattern of Philippine exports and imports changed over the period, as is seen in Tables 3 and 4. Three years are chosen to illustrate the changes: 1856, which was the beginning of the period; 1876, the middle; and 1894, two years prior to the 1896 revolution. Table 3 shows the changes in the positions of the five leading exports as well as the directions of the trade. In 1856, sugar was already the leading export with England as the largest market, followed by Australia and the United States. For abaca, the second largest export, the United States was the largest outlet, absorbing 88 percent of total abaca sold. American merchant houses, Peele, Hubbell and Company and Russell and Sturgis, dominated this trade. The next largest exports were raw tobacco, rice, and manufactured tobacco.

In 1876, sugar and raw abaca ranked number one and two respectively again, although the ranking of markets had changed. The United States was now the largest buyer of sugar and England of abaca. A new export, coffee, appeared; manufactured tobacco and raw tobacco exchanged ranks as numbers four and five. Rice, the subsistence crop, disappeared from the list of top exports. In other words, the subsistence crop was no longer exported in significant volumes and in its stead, cash crops — sugar, abaca, tobacco — became dominant. A shift had taken place in emphasis on agricultural production. The Philippine economy had been transformed from a subsistence to an export economy.

In 1894, further intensification in export orientation continued. The leading exports were still the same, although in this particular year, abaca earned more than sugar. The United States again was the chief market for abaca while China was for sugar. As has been mentioned, coffee was no longer exported in large quantities but a new product, copra, which was to become important in the next century, emerged.

There were also changes in imports. In 1856, imports were only \$7.3 million. There were large imports of gold and silver from China and copper sheets from England for minting. Apart from these, cloth — muslin and cotton — was the largest item accounting for 11 percent of total imports. Otherwise, imports were of various sorts, largely items for the upper class of Manila, not one of these items, except for muslin cloth, came to more than 10 percent of total imports. There

Table 3 — Philippine Exports

Commodity	Value (pesos)	Rank	Percentage of X° to total exports	Percentage of Country X X°
1856				
<u>Total Exports</u>	<u>9,136,310.18</u>			
Sugar	3,526,297.55	1	39%	
England				44%
Australia				29%
United States				20%
Raw abaca	2,618,863.88	2	29%	
United States				88%
England				10%
Tobacco, raw	1,081,234.00	3	12%	
Spain				100%
Rice	352,427.73	4	4%	
China				92%
California				7%
Manuf. tobacco	336,858.00	5	4%	
Australia				32%
Singapore				17%
China				15%
1876				
<u>Total Exports</u>	<u>14,721,746.00</u>			
Sugar	7,404,807.00	1	50%	
U.S.A.				57%
England				32%
P. Inglesas				5%
Raw abaca	974,308.00	2	26%	
England				51%
U.S.A.				37%
P. Inglesas				7%
Coffee	1,113,269.00	3	7%	
P. Inglesas				45%

Table 3 (Continued)

Commodity	Value (pesos)	Rank	Percentage of X ^o to total exports	Percentage of Country X to X ^o
England				35%
Spain				15%
Manuf. tobacco	786,725.00	4	5%	
P. Inglesas				87%
England				8%
P. Holand				1%
Raw tobacco	104,474.00	5	2%	
P. Inglesas				52%
England				47%
		1894		
<u>Total exports</u>	<u>33,176,984.00</u>			
Raw abaca	14,516,717.00	1	43%	
U.S.A.				45%
England				36%
China				6%
Sugar	10,975,185.00	2	33%	
China				36%
England				24%
Australia				17%
Coconuts	2,349,080.00	3	7%	
France				45%
England				20%
Spain				20%
Manuf. tobacco	1,750,006.00	4	5%	
China				40%
Singapore				24%
Spain				9%
Raw tobacco	1,408,662.00	5	4%	
Spain				80%
Egypt				11%
Singapore				3%

Table 4 — Philippine Imports

Commodity	Value (pesos)	Rank	Percentage of M ^o to total imports	Percentage Country M ^o
1856				
<u>Total Imports</u>	<u>6,949,254.10</u>			
Gold & silver bars	2,681,151.20	1	38%	
China				77%
Singapore				5%
California				3%
Muslin cloth	779,609.93	2	11%	
England				73%
China				18%
Singapore				5%
Shawls	265,041.17	3	3%	
England				74%
China				17%
Singapore				5%
Cotton cloth	171,358.50	4	2%	
England				65%
China				34%
Copper sheets	62,367.34	5	—	
England				72%
China				22%
Singapore				5%
1876				
<u>Total Imports</u>	<u>11,319,925.00</u>			
Cotton fabrics	5,196,615.00	1	46%	
P. Inglesas				65%
England				33%
China				2%
Cotton yarns	711,820.00	2	6%	
P. Inglesas				70%
England				28%

Table 4 (Continued)

Commodity	Value (pesos)	Rank	Percentage of M ^o to total imports	Percentage of Country M to M ^o
Alaca fabrics	398,369.00	3	3%	
F. Inglesas				56%
England				24%
China				16%
Chemical & pharmaceutical products	383,694.00	4	3%	
F. Inglesas				44%
China				37%
England				10%
Wheat flour	332,317.00	5	2%	
F. Inglesas				56%
China				27%
U.S.A.				21%
		1894		
<u>Total Imports</u>	<u>28,443,624.00</u>			
Coarse woven fabrics	7,208,140.00	1	25%	
England				42%
Spain				39%
China				11%
Woolen yarn	2,506,249.00	2	8%	
Spain				46%
England				34%
China				8%
Wool	1,918,093.00	3	6%	
Spain				97%
France				1%
Mineral Oils	1,409,710.00	4	4%	
Spain				53%
U.S.A.				30%
China				14%

Table 4 (Continued)

Commodity	Value (pesos)	Rank	Percentage of M ^o to total imports	Percentage of Country M ^o M ^o
Rice	1,130,018.00	5	3%	
Saigon				75%
China				14%
Singapore				9%

were shawls, fans, soap, perfume, pianos and so on. Twenty years later, in 1876, cotton fabrics and yarn, almost all coming from England, either directly or indirectly through English possessions, were the biggest items, and accounted for over half of all imports. New items appeared in the list of the five largest imports: chemical and pharmaceutical products (3 percent) and wheat flour (2 percent). Finally, in 1894, cloth and yarn were again the largest imports (31 percent). Spain, though, was coming up as an important source of textiles because of the tariff of 1891 which was intended to favor Spanish products. In 1894, the next three largest imports differed from those in the same positions in 1876, the new imports being wine from Spain, petroleum products from Siberia (Sakhalin) and the United States, and rice from Indochina.

An idea of the growth of Philippine trade can be gleaned by a calculation of the rates of growth, using figures from 1850, the beginning of the period, to the last normal year, 1895. The regression equation for this calculation is

$${}_nY = {}_nA + bt$$

where Y represents exports (or imports, as the case may be); A and b, constants, and t, year. The results were:

for value of exports (in dollar terms)	${}_nY = -38.13750 + 0.02917t$
for export quantities	$= -84.68861 + 0.04751t$
for value of imports (in dollar terms)	$= -36.46605 + 0.02817t$

In other words, for the years from 1850-1895, the growth rate of the value of exports in dollars was 2.9 percent and of the quantity of exports, 4.7 percent. Over the same period, the value of imports rose somewhat less, by 2.8 percent annually.⁴

Economic Welfare

The main concern of this paper is to determine what trade expansion meant in terms of economic welfare. One eminent historian has said:⁵

The opening of Manila to foreign trade in 1834, followed by the opening of other ports in succeeding years, led to commercial progress. This was reflected in the value of exports which, in 1839, amounted to only ₱1,500,000 but which, in 1870, rose to ₱108,000,000. While this prosperity was obvious in the manner of living of the new rich among the natives and the mestizos, it was nevertheless not palpable in the common people who had been groaning under the heavy burden of taxation. The prosperity that the gross national product indicated touched only those who participated in the business and commercial ventures but was an illusion to the great masses of the people.

To what extent is the above harsh judgement warranted?

There is a minor detail which, however, does not affect the argument. The official figures for export values given in the compilation for the Census of 1903 are ₱2,674,220 for 1839 and ₱18,000,000 for 1870 (not ₱108 million).⁶

The real issue here is the economic welfare effects of the expansion of trade, the five-fold increase in the value of exports and the four-fold rise in imports. Table 5 shows their compound growth rates.

There are no measures of national income for the Spanish period, but perhaps exports and imports, for which there are data, can be

4. The simple average annual rates of growth were:

for value of exports (in dollars)	: 6.39 percent
for export quantities	: 7.66 percent
for value of imports (in dollars)	: 8.21 percent

5. Teodoro A. Agoncillo (1974), *Prelude to 1896*, Professorial Chair Lecture Series, Monograph No. 2, Quezon City: University of the Philippines Press, p. 1.

6. See Legarda's point on the apparently overstated figure for 1870.

used to indicate at least the trends if not year by year levels of changes in GNP. This is a reasonable assumption. In fact, for the periods for which there are such data (i.e., the last part of the American regime and the entire postwar independence period), there has been a close correspondence over time between growth rates of exports and GNP, although in the Spanish and American periods exports probably grew at somewhat higher rates than GNP. In Table 5, the rates of growth of exports and imports and population have been compared. As was pointed out earlier, for the forty-five years from 1850-1895, exports grew, in dollar terms, by 2.9 percent a year and in quantity by 4.7 percent while imports rose by 2.8

Table 5 — Compound Rates of Growth^a
(Percent)

	1850-1895	1902-1941	1949-1979
Exports (values)	2.9	4.7	8.2
Exports (quantities)	4.7 ^b	4.4 ^c	5.6 ^d
Imports (values)	2.8	3.9	8.1
GNP	—	—	5.9
Population	1.3	2.0	2.9 ^d

^aThe regression equations were of the form:

$$\int nY = \int nA + bt$$

where Y represents export (or imports, as the case may be); A and b, constants; and t, year and the results were:

1850-1895

for value of exports (in dollars) : $-38.13750 + 0.02917t$
 for export quantities : $-84.68861 + 0.04751t$
 for value of imports (in dollars) : $-36.46605 + 0.02817t$

1902-1941

for value of exports (in dollars) : $-71.69708 + 0.04716t$
 for export quantities : $-79.79979 + 0.04380t$
 for value of import (in dollars) : $-57.30193 + 0.03960t$

1949-1979

for value of exports (in dollars) : $-154.78766 + .08223t$
 for export quantities : $-105.66736 + .05592t$
 for value of imports (in dollars) : $-151.96260 + .08088t$

^bFor the years 1854 to 1894.

^cFor the years 1902 to 1938. Quantity indexes computed by Glicerio Abad.

^dFor the years 1950 to 1979.

ment annually. Philippine population for the year 1858 was 1,196,300 as firmly estimated by Englishman John Bowring and in 1903, according to the Census of 1903, it was 7,635,426, giving a growth rate of population of 1.3 percent a year for the forty-five year period from 1858-1903. Comparing export or import growth (as studies for national income) and population growth, a crude growth rate of per capita income in the order of 1.5 percent annually is indicated. This was not far from the growth rates of per capita incomes in England, Europe, the United States and Japan during the period of expansion of the world economy in the nineteenth century.

For reference purposes, the growth rate of exports, imports and population from 1902-1941 and from 1949-1979 are also given in Table 5. For the latter period, the growth rate for GNP is also shown. For 1902-1941, exports (stated in terms of dollars) rose at the rate of 4.7 percent annually, imports by 3.9 percent, and population by 2 percent. For the postwar period (excluding the years of rapid rehabilitation from 1945-1948), the growth rate for GNP at constant prices was 5.9 percent, for export values 8.2 percent, for export quantities 5.6 percent, for imports 8.1 percent, and for population 1.8 percent. In all years, trade, and by inference, national income, rose faster than population. Granted that an average figure does not necessarily show the distribution of the income, still it is hardly plausible that the broad masses of the people had no welfare gains at all.

The pattern of imports gives another indication of the welfare effects of the trade expansion. Table 4 may again be examined. It can be noted that by 1876, a shift in import composition had taken place. The leading imports were finished cotton textiles and yarn. Cotton cloth is not an item of luxury but of mass consumption. In 1876, 3,320,637 kilograms of cotton and other fabrics and 114,637 kilograms of yarn were imported, quantities which not all the well-dressed aristocratic ladies of Intramuros, the Spanish administrative city, could have consumed in a year. It is clear then that cotton was being sold and worn widely among the populace. For a population of perhaps 5.5 million, this works out to 0.6 kilograms of cloth per person per year or from 3 to 7 meters of cloth, depending on how thick and heavy one wants to assume the cloth to have been. In 1894, consumption was higher still; for a population of 8,768 million, imports of fabrics of all kinds were 6,039,408 kilograms or about 0.9 kilograms per person. As a reference figure,

it will be noted that the cloth ration in China, a country which has gone a long way towards eradicating poverty, was only four meters of cloth a year in the 1970's.

It may be argued that the large imports of cheap English cloth killed the native textile weaving industries, found in such places as Miagao in Iloilo or around Vigan in the Ilocos. It is claimed that 20,000 looms in Ilocano homes were thus made idle. However, there could be no comparison between the coming productions from handlooms operated in houses during the off-season or idle periods and the enormously productive power-driven factory looms of Lancashire.⁷ In welfare terms, the gains from the cheap imports far outweighed the losses from the handlooms left idle. Similarly it should not be forgotten that against the production losses of the handweavers in Miagao were the gains of the sugar and rice farmers in other parts of Iloilo.

On to the export side, what can be inferred from examining the composition of the Philippine products sold abroad? As has been pointed out, by 1876, the Philippines had made the transition from a subsistence economy to an agricultural export economy, as cash crops were now being cultivated for export rather than the subsistence crop, rice. The shift must have been profitable, for cash crops by their nature are more profitable than a subsistence crop. Otherwise, the shift would not have been made. The early days of the sugar industry saw the cultivation of sugar in Luzon and Iloilo, and when cultivation could no longer be expanded in Iloilo, also saw the colonization and rapid expansion of the population of Negros by migrants and farmer entrepreneurs from Panay and managers and laborers recruited from Spain. The sugar industry was also witness to the activities and accomplishments of the Englishman Nicholas Loney who sold English sugar machinery, and the rise and fall of the American merchant houses, followed by the takeover of the business by British banks and merchant houses.

It may be objected that sugar is precisely an industry which

7. Some idea of the productivity differences is given by Henderson: "In the 1840s, a cotton mill employing 750 workers and using a 100 h.p. steam engine could run 50,000 spindles and produce as much yarn as 200,000 operatives using spinning wheels; a calico-printing machine operated by one man could print as much cloth in four colors in an hour as 200 men could print by hand." W.O. Henderson (1969), *The Industrialization of Europe, 1780-1914* London: Thames and Hudson, p. 46.

favors an upper class of large farmers. This can be granted but it should be noted that whatever upper class was created originally was not all upper class but had large middle class or lower origins. These were persons who were able to seize an economic opportunity and prosper through their enterprise. They became upper class as a result of hard work. For the other products however it is clear that then as now, it was not only large landowners but also smallholders who benefited because the production pattern in agriculture in the country, unlike in other colonies such as Indonesia and Malaya, is geared toward smallholder agriculture. This was the case for abaca which was the leading export in 1894, for coffee and coconut, and even for tobacco except for that grown in the Tabacalera haciendas in Cagayan valley. It is hard to believe that the producers of these exports did not benefit and that the gains from the export trade were not diffused widely.

Concluding Remarks

There is no suggestion in this paper that the Philippines became a prosperous country as a result of foreign trade expansion in the last half of the nineteenth century. That is not true even today. When the Americans took over, the Philippines was in many respects still a backward economy. Much development work had to be undertaken from the grassroots. Finally, it may be pointed out that in the last half century of Spanish rule, exports were a leading sector in Philippine economic development. This was true in the American period and may also be true in the coming years. However this stages interpretation of Philippine economic development could perhaps be the subject of another study, rather than this one.

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