



**3<sup>rd</sup>International Conference  
on Public Policy (ICPP3)  
June 28-30, 2017 – Singapore**

**Panel T04P03 Session 2**

*Policy Change : Revisiting the Past, Analyzing Contemporary  
Processes and Stimulating Inter-temporal Comparisons*

**Title of the paper**

*Revisiting the Trajectory of Spanish Colonialism in the Philippines:  
Consequences for Modern-day Development and Integration*

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**Date of presentation**

*June 30th 2017*

# ***Revisiting the Trajectory of Spanish Colonialism in the Philippines: Consequences for Modern-day Development and Integration***

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## **Abstract**

Colonialism was not purely an instrument of repression and resource extraction: it shaped the *ability to perform* of former colonies through a considerable history of Eurocentric state structure and bureaucratic culture. Years under British, French and Dutch rule have more advantageous effects than Spanish rule on the colonial institutional building the former colonies pursued, and, in due course, the developmental legacies they inherited. Econometric exercises form the basis for scrutinizing the institutional trajectory of Spanish colonialism in the Philippines, and explaining why progress in its governance and social development is behind its key Asian neighbors.

**Key words:** *identity* of the colonizer, *periodization* of colonialism, Spanish colonialism, contemporary growth, institutional quality

## **Introduction**

As often as not, colonial rule led to long term harmful consequences, including the varying incapacity of former colonies to adjust to self government or the incontestably negative effects of resource extraction. Yet, at the same time, colonialism shaped their *ability to perform* through a considerable history of Eurocentric state structure and bureaucratic culture. Colonialism was not simply an instrument of repression and constraint—according to Foucault—but creatively gave particular form to institutional subjectivities in ways which had enduring postcolonial implications (James & Schrauwers, 2003).

The paper explores the role of the colonial experience as an exogenous determinant of modern outcomes across countries in general and in the Philippines<sup>1</sup>, in particular. It also examines the consequences of colonizer influence for regional integration.

The study brings the distinctive features of colonizing powers back into the picture by hypothesizing that current progress in former colonies varies exogenously by the *identity* of the colonizer: an apparent pecking order amongst the colonial powers had large consequences for the degree of colonial institutional building they pursued, and, in due course, the developmental legacies they left—with British, French and Dutch rule having more advantageous effects than Spanish rule. The paper also theorizes that the *periodization* of colonialism matters, that is, institutional quality improved as colonialism progressed, consistent with the rise of the European Enlightenment and 19<sup>th</sup> century modernism.

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<sup>1</sup> From the arrival of Miguel Lopez de Legazpi in 1565 until 1898, the Philippines was the only Spanish Catholic colony in Asia.

OLS regressions are run to split out the effects of centuries of colonialism on conventional GDP indicators and contemporary human development and environmental governance by (1) the identity of the colonizer, as well as (2) the timing of the conquest (pre-1700, post-1700, 1900 & beyond).

Such econometric exercises form the basis for scrutinizing the institutional trajectory of Spanish colonialism in the Philippines, and how it significantly contributes to the explanation of marked differences in improvements in governance and social development between the Philippines and its key Asian neighbors, particularly, Indonesia, Malaysia, and an emergent Vietnam, whose Dutch, British and French colonial legacies, respectively, are supposedly more favorable for latter-day progress.

To offset the disadvantages of not having a “superior” history of political organization, and to wend its way through a “noodle bowl” tangle of British, Dutch, French and Spanish state and legal traditions (which lead to different pathways to progress), the Philippines must make use of its past history to step up its adaptive ability as a nation-state and enhance its cross-border linkages within the Southeast Asian region.

### **Beyond subjugation: state-building**

There is no disputing the long-term injurious outcomes of colonization, counting the great effort of former colonies at post-independence nation-building and at alleviating the unquestionably harmful effects of resource extraction on economic progress. European nations installed extractive institutions in order to transport resources from the colonies speedily to the metropolitan heartlands (Acemoglu, Johnson & Robinson, 2001). Within the spaces of colonized peripheries, the colonizers in many cases exploited the native inhabitants to set up a repressive agricultural production system for sugar, cotton, rice and tobacco as well as mining that involved slavery and coercive labor (Bruhn & Gallego, 2008).

Yet, at the same time, notwithstanding its objectionable goals, colonialism shaped the colonies’ post-colonial *ability to perform* through a considerable history of Eurocentric state organization and bureaucratic culture. The French social theorist Michel Foucault, for instance, credited colonialism with supplying zones of experimentation through which colonial powers were able to run through and sharpen a whole series of administrative models, with their political and juridical machineries and techniques of power (Graham, 2013). In one extreme, as in the case of settler colonies in the United States, Australia, and New Zealand, they set up the kind of inclusive institutions that, according to Robinson (undated) today generate the incentives and “breaks” essential for harnessing inventiveness and entrepreneurship in society.

This paper opens with the finding that there is a significant positive relationship between colonial occupancy and modern outcomes. The *institutional overhang* adds force to current levels of economic achievement, political stability and human development in the former colonies. In short, as suggested by Bertram (2007), colonialism bequeathed a positive material-welfare legacy, in a statistical sense of a “significant” piece of evidence.

## Nationality of colonizer and timing of colonial incursion

If colonial experience is an exogenous determinant of modern outcomes across countries in general (and in the Philippines, in particular), the more important question posed by this study is whether the *identity* of the colonizer and the *timing* of the colonial incursion make a difference between contemporary institutional success and failure. It hypothesizes that current development in former colonies varies exogenously by the *nationality* of the colonizer: an apparent hierarchy amongst the colonial powers existed, with years under British and Dutch rule having more advantageous effects than Spanish rule. Such nationality pecking order had huge upshots for the degree of colonial institutional building that was pursued, and, in due course, the developmental legacies the colonizers handed down.

This paper follows closely the findings of Lange, Mahoney & Vom Hau (2006), and James & Schrauwers (2003), who both assert that the identity of the colonizer influences contemporary outcomes. The nationality question is also dealt with in other studies. La Porta, de Silanes, Shleifer and Vishny (1998) show that states colonized by English common law powers offer more legal protection for investors and have more improved capital markets than ex-colonies with German or French civil law<sup>2</sup>. Woodberry (2004) points out that the British, influenced by the Protestant ethic of self-discipline and enterprise, and in direct contrast to highly centralized, clergy-dominated colonial rule practiced by Catholic countries, devolved power to indigenous institutions in their dependencies that prepared them to modern-day governance challenges. Blanco (2007) suggests, metaphorically, that Spanish colonialism was an “embarrassment” in the field of imperial international relations. A discontinuity analysis of the West African nation of Cameroon, which consists of regions colonized by both Britain and France, offers proof that rural areas on the British side have higher levels of wealth and local public provision of improved water sources (Lee & Schultz, 2012). Myanmar emerged from British colonialism with the most dynamic agrarian economy in the Southeast Asian region (Woo-Cumings, 2001).

The paper also theorizes that the periodization of colonialism, or dividing colonial rule into points or periods of time, matters. Arguably, institutional quality improved as colonialism progressed, consistent with the rise of the European Enlightenment, the Industrial Revolution and 20<sup>th</sup> century modernism. The latter episode may stand for both enhanced governmental institutions and less impulsive objectives on the part of colonizers. Feyrer & Sacerdote (2006), using island colonies as “natural experiments”, find that the colonial institutions were much improved during the 1700-1900 years, which correspond to the Enlightenment Age and the Industrial Revolution. Indeed, European Enlightenment institutions (e.g., theory of the separation of powers that led to a political system of checks and balances) provided the contours for many governmental structures in past colonies that are still in place at present (Toothman, 2010).

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<sup>2</sup> According to Arruñada & Andonova (2004), when the idealized form of common law emerged in England in the 19<sup>th</sup> century, there was greater discretion for courts which were relatively free to make rulings. In the former British colonies, common law generated legal rules in a relatively decentralized and bottom-up manner, which imitated how the market worked, leading colonies which adapted it to intuitively follow an efficiency standard. By contrast, in the more centralized civil law, judges are required to apply rules, found in both legislated statutes and established jurisprudence.

## Data description and methodology

At this point, this study adapts a framework that reasonably explains the variations in the intensity and level of colonialism across the former Spanish, Dutch, French and British colonies and how they impact on modern outcomes. It is based on a “natural historical experiment” (Diamond & Robinson, 2010), which gives colonial settlement an “as if random” treatment, which generates the natural experiment. Following DiNardo (2008) and Dunning (2012), every so often history offers opportunities for natural experiments, when there has been a clearly defined exposure to specific events and processes involving a well defined geographic space such that changes in outcomes may be conceivably attributed to such exposure. Natural experiments, they suggest, include a comparison of conditions that pave the way for causal inference. The former colonies were comparable states that underwent transformations in broadly similar times and circumstances. Their cases reveal similar causal patterns from which to construct comparisons and contrasts. In the case at hand, colonies that greatly bore similar characteristics in one case might have been perturbed by some variable and in the other case not, and their ensuing historical trajectories differed considerably (McNeill, 2010). For example, as de Dios (2011) argues, differences in outcomes between the Philippines and other ex-colonies were due less to their initial conditions and more to “perturbations,” in this case the introduction of Spanish extractive institutions. Such colonial patterns shaped how both colonial authorities and settlers approached institution-building (Lange, Mahoney & Vom Hau, 2006).

In making use of the colonial experience in conducting a natural experiment<sup>3</sup>, the paper utilizes (and updates and expands) the dataset of former Pacific, Atlantic, and Indian Ocean island colonies in Feyrer & Sacerdote (2006), which records the years of colonization and the nationality of the colonizers. The choice of island colonies as the sample in this study is not accidental. As with Feyrer & Sacerdote (2006), as well as with Bertram (2007), island colonies had greater geographic accessibility to colonial rule, had much more homogeneity than mainland continental countries, and had a wider range of jurisdiction-related opportunities to take advantage of non-sovereign status. In short, as western institutions broke through island settings, there were few contaminating and confounding factors. Hence, as Feyrer and Sacerdote (2007) suggest, the use of islands would permit a more straightforward way of obtaining causal relationships.

Even so, the study sidesteps the heterogeneity arising from the pre-existing endogenous conditions in the island settlements. That is a major limitation, but as Lee & Schultz (2012) indicate, this is true of all natural experiments. Likewise, it should be obvious that this parsimonious model would not be able to account for all the modern outcomes examined in this study.

For purposes of this paper, the definition of colonialism hews closely to that of Lange, Mahoney & Vom Hau (2006): the extent to which a colonizing power installs economic,

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<sup>3</sup> More natural experiments have been conducted recently. Fritsch, Wyrwich & Zazdravnykh (2016) find a surprisingly high level of persistence of industry-specific self-employment rates in the Kaliningrad region of Russia despite the World War II devastation and 45 years of an anti-entrepreneurial socialist regime followed by a shock-type transition to a market economy. Phan & Airolidi (2015)—using millions of messages posted on Facebook in the wake of Hurricane Ike in the United States—suggest that the widespread use of social media to access resources and build a social support infrastructure can be triggered by a natural disaster (seen as a randomized intervention by nature).

political, and sociocultural institutions in a colonized territory. As with Feyrer & Sacerdote (2006), an island's status as a colony is signified by the terms territory, possession, protectorate or colony by one of the European countries, the US, or Japan.

In terms of the choice of variables, contemporary human development, health and environmental governance variables (all circa 2009-2011)<sup>4</sup> found in World Bank and United Nations sources are added to the data on the onset and conclusion of colonization, nationality of the colonizer, latitude and land area. OLS regressions are run to split out the effects of centuries of colonialism by (1) the identity of the colonizer, as well as (2) the periodization of the conquest (pre-1700, post-1700, 1900 & beyond). The pattern of regressions used in this study is similar in many respects to what was used in Feyrer & Sacerdote (2006), although it is more limited in that no instrumental variables are introduced (e.g., wind directions that influenced which geographic spaces were colonized first).

Table 1 contains summary statistics for the data.

Variable	Obs	Mean	Std Dev	Min	Max
GDP per capita (current USD -2011)	39	15485.73	17514.56	665	91780
log GDP per capita	39	3.968	0.469	2.823	4.963
Human Development Index 2011	36	0.749	0.126	0.428	0.983
Infant mortality rate (deaths/1000 live births - 2010-2015)	39	16.063	11.514	2.470	58.300
CO2 emissions (metric tons – 2009)	34	4168.88	9952.75	62	47742
Number of centuries a colony	38	2.807	1.334	0.620	5.110
Number of centuries British colony	39	1.515	1.686	0	4.79
Number of centuries US colony	39	0.049	0.200	0	1.13

<sup>4</sup> Interestingly, the years 2009-2011 covered the period immediately following the global financial crisis. The basic question is whether the global crisis affected growth in the island nations sharply and consequently could confound the results of the econometric exercises. Generally, it should be noted that the crisis occurred in advanced economies (spreading from the United States); probit estimations suggest that developing Asia and Latin America were more resilient (Chamon, Ghosh & Kim, 2012). Both the direct impact (through financial-market linkages) and the indirect effects (through trade and investments links) did not appear to have been huge (Kida, 2009). Indeed, Asia grew the most after the crisis (Arias & Wen, 2015). Owing to their less financial integration in the global economy, LDCs showed surprising growth resilience and their average growth rate stayed at high levels by historical standards; their higher growth rates from 2000 to 2007, foreign aid, and continuous flows of FDI served as buffers that allowed them to strongly weather the crisis (Audiguier, 2012).

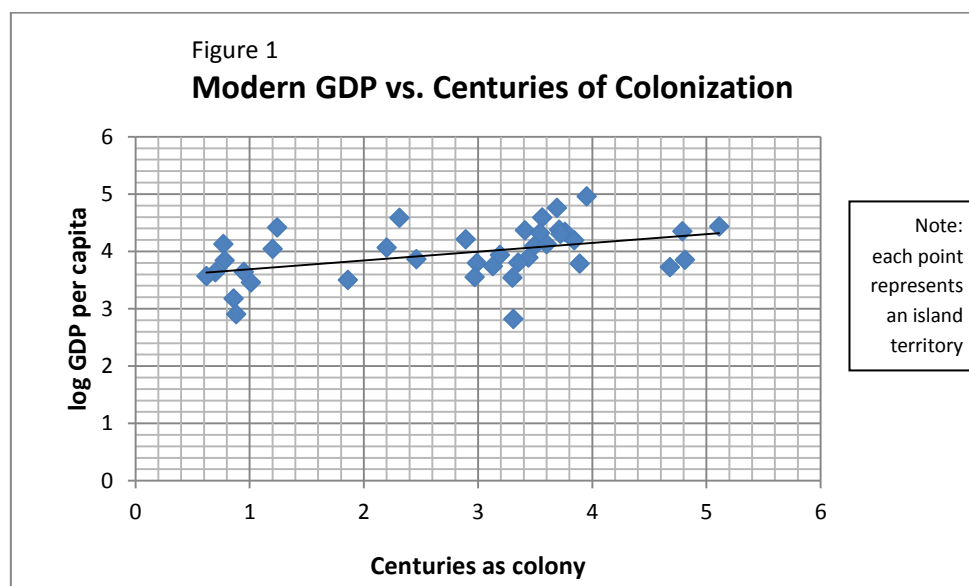
In the Pacific, most of the island states—Fiji, Kiribati, Samoa, Solomon Islands, Tonga, and Vanuatu—despite their pre-existing vulnerabilities to external shocks, were not severely affected, directly or indirectly (Kida, 2009). In particular, in the Philippines, Guinigundo (2010) indicates, financial reforms softened the impact of the crisis. In the Caribbean, Guyana, Haiti and Suriname experienced only a moderate slowdown from their pre-crisis growth levels. While the rest suffered economic retrenchment, overall, the Caribbean nations contracted by only 0.2 percent, being cushioned by the moderate growth performance (3.5 percent) of the Dominican Republic, the largest Caribbean economy (Kouame & Reyes, 2011).

Number of centuries Dutch colony	39	0.262	0.921	0	3.72
Number of centuries French colony	39	0.652	1.309	0	4.85
Number of centuries Spanish colony	39	0.400	1.119	0	4.05
Number of centuries German colony	39	0.025	0.128	0	0.78
Number of centuries Japanese colony	39	0.007	0.045	0	0.28
Latitude (degrees)	38	15.521	6.490	0.53	32.32
Land area (sq km)	39	14691	32555.32	21	138794

In the sample, the average 2011 GDP per capita on the islands was US\$15,486 with a high of US\$91780 for Bermuda, and a low of US\$665 for Haiti. The Human Development Index reached an average of 0.749. The lowest HDI was registered by Comoros (0.428) and the highest HDI by Cayman Islands (0.983). The sample health indicator, infant mortality rate, averaged 16.06 deaths/1000 live births. The best IMR (2.47) belonged to Bermuda, while the worst (58.3) was in Haiti. The years of colonization averaged 2.8 centuries. But there are many islands with colonial experience less than a century, including Nauru, Fiji, Tonga and Tuvalu. The Philippines, represented in the sample by Luzon Island, has more than 400 years of Spanish colonial history, but Bahamas had more (4.79 centuries) under British rule. On average, the British stayed in its colonies the longest (1.5 centuries), followed by the French, Spanish and Dutch. The Japanese had the shortest stint in its colonies, mostly in Northeast Asia (Korea, Taiwan, parts of China). The smallest island in the sample, Nauru, has an area of only 21 sq km, while the biggest, Java, has an area of 138,794 sq km.

## Regression results

The scatter plot of log GDP per capita ranged against the duration of the colonial period is depicted in Figure 1. There is a positive association between centuries of colonization and recent GDP. The big amount of variation about the regression line brings into play factors other than colonization, which only partly explains modern results.



Six cross sectional regressions are generated in Table 2 on centuries of colonization. The dependent variables that were utilized are shown in the rows. Column (1) shows the basic relationship between present day income (GDP per capita) and the length of colonial period

illustrated in Figure 1. Columns 2-5 add additional controls. Column 2 reiterates the Column 1 correlation, and Column 4 shows length of colonial rule positively associated with welfare (HDI). Both are statistically significant. Colonial rule has positive effect on infant mortality rate, but barely, although it is possible the feedback effect from economic prosperity to health care implies that mortality could be the cause of a poverty trap in many ex-colonies (Lorentzen, McMillan & Wacziarg, 2008). High carbon emissions are expected to be a substitute for high economic growth which requires huge carbon energy requirements, with global warming the inevitable environmental reaction. But the result shows no significant effect, although it is positive.

The absolute value of latitude (distance from the equator) is only faintly related to current levels of income, human welfare, health and climate change. The results for island area are significant, with larger islands doing more badly in income and welfare than smaller islands. This is not unexpected since homogeneity in colonial conditions works well with small size. Column 6 regression makes use of the non-island sample of developing countries in Acemoglu, Johnson & Robinson (2002). The positive impact of colonial rule on present-day income is consistent with the result on the island sample. By contrast, latitude is significant: the longer the distance from the equator, the more temperate climate exists, and the higher the chances that settler colonies were established, with the European settlers introducing their own variety of institutions.

Table 2 Outcomes Regressed on Centuries of Colonization						Non-Island
	log GDP per capita	log GDP per capita	Infant Mortality Rate	Human Dev't Index	CO <sub>2</sub> Emissions	log GDP per capita
	(1)	(2)	(3)	(4)	(5)	(6)
Number of centuries a colony	0.152 (2.872)***	0.144 (2.608)**	-2.390 (-1.586)	0.0407 (2.567)**	1549.325 (1.160)	0.203 (3.686)***
Latitude		0.017 (1.614)	-0.456 (-1.552)	0.00377 (1.236)	-266.699 (-1.036)	0.0234 (4.736)***
Land Area		- 0.0000052 (-2.315)*	0.000071 (1.150)	- 0.0000012 (-1.928)*	0.273 (3.627)** *	
Constant	3.540	3.352	29.058	0.589	1381.579	2.802
Observations	39	38	38	35	33	71
R <sup>2</sup>	0.182	0.362	0.212	0.339	0.330	0.344

\*\*\*Significant at  $\leq 0.005$  level \*\*Significant at  $\leq 0.01$  level \*Significant at  $\leq 0.025$  level +Significant at  $\leq 0.05$  level

Table 3 isolates the effects of length of colonial rule by the nationality of the colonizer. Non-colonies constitute the "omitted" grouping. Centuries of British, US, French, and Dutch rule are statistically significant. However, centuries of Spanish and German rule have a lower t-statistic and the Japanese case is negative. Nationality distinctions correspond with variations in institutional quality, through which colonialism impacts on modern outcomes. Apparently, the British "superiority," according to (Lee & Schultz, 2012), combines "hard legacies" (lack of forced labor, more autonomous local institutions, superior civil service) and "soft legacies" (common law, English culture, Protestantism). For Lange, Mahoney and Vau (2006), British colonialism promoted the production of relatively effective legal-administrative institutions



that made possible the provision of numerous public goods.<sup>5</sup> Likewise, British institutions adapted to the market economy, creating a favorable milieu for the expansion of impersonal exchange which was the basis of long-term economic growth (North, 2005). Continental Europe (including France and the Netherlands) contributed civil law which, as Arruñada & Andonova (2004) argue, is not necessarily second-rate to common law, as it made possible greater central control that supplied legal coordination in a setting of adoption externalities, with a view to achieving and enforcing an intended change.

Spanish colonialism had some *late* positive initiatives (e.g., Bourbon political liberality and introduction of free trade and market-oriented reforms in the 18<sup>th</sup> century—which stimulated a dramatic upsurge in export production within the colonies), but they could not offset the then prevailing trade monopoly, centralized bureaucracy, extractive institutions based on forced labor, and dominance by the conservative Catholic clergy; Spanish colonialism instead produced dysfunctional markets and perpetuated patrimonial states with poorer bureaucracies and infrastructural power (Lange, Mahoney & Vom Hau, 2006). All these still impinge on GDP per capita in the present day. The positive effect of centuries of US rule is not startling because of the current US ownership of many of its possessions like Guam, Puerto Rico, the Northern Mariana and the US Virgin Islands and the state of Hawaii yields windfalls of economic and social benefits (Feyrer & Sacerdote, 2006).

	Log GDP per capita	Human Dev't Index
Number of Centuries British Colony	0.0693 (2.263)*	0.018 (1.948) <sup>+</sup>
Number of Centuries US colony	0.199 (2.364)*	0.050 (1.820)
Number of Centuries Dutch Colony	0.104 (1.968) <sup>+</sup>	0.011 (1.275)
Number of Centuries French Colony	0.025 (1.965) <sup>+</sup>	0.016 (1.352)
Number of Centuries Spanish Colony	0.0214 (0.784)	0.012 (0.729)
Number of Centuries German Colony	0.500 (0.071)	0.102 (0.581)
Number of Centuries Japanese Colony	-1.239 (-0.686)	-0.254 (-0.508)
Latitude	0.030 (2.363)*	0.007 (1.970)
Land Area	-0.0000049 (-1.477)	-0.000001 (-0.992)
Constant		3.437 0.6278
Observations		39 36
R <sup>2</sup>		0.346 0.337

\*Significant at  $\leq 0.025$  level    <sup>+</sup>Significant at  $\leq 0.05$  level

<sup>5</sup> This should not suggest, following Woodberry (2004), that British colonial rule was mostly beneficial, but that its institutions were less constraining than other forms of western colonialism.

The periodization of the colonial experience, shown in Table 4, points towards the years after 1700 as the era that is positively associated with modern outcomes. Pre-Enlightenment colonial incursion (prior to 1700) is deemed to be less favorable. The 1700-1900 years, which coincide with the Enlightenment and the Industrial Revolution, are significantly associated with modern per capita income than the earlier years. The qualitative difference, according to Feyrer & Sacerdote (2006), is reflected in the nature of pre- and post-1700 colonization: Magellan's objective in the 1500s was to stake Europe's claim on the Spice Islands, while Cook in the 1700s had unmistakable scientific purpose.

Whether an island was a colony in 2011 (a dummy control variable) was introduced in the last two columns in order to segregate the effect of transfers from other mechanisms. It shows that these islands which remained colonies to date—most are US possessions—are by and large driving the positive, but no longer statistically significant, post-1900 outcome of the last 2 columns.

	log GDP per capita	Human Dev't Index	log GDP per capita	Human Dev't Index	log GDP per capita	Human Dev't Index
Centuries a Colony Before 1700	0.163 (0.818)	0.039 (0.433)	-0.165 (-1.457)	-0.042 (-1.288)	-0.090 (-0.897)	-0.027 (-0.978)
Centuries a Colony After 1700	1.456 (4.660)***	0.345 (3.536)***				
Centuries a Colony 1700- 1900			0.290 (3.225)***	0.076 (2.796)***	0.018 (2.139)*	0.005 (2.228)*
Centuries a Colony After 1900			0.402 (1.715)	0.084 (1.189)	0.008 (0.808)	0.003 (1.031)
Remained a Colony in 2011					0.533 (4.293)***	0.146 (3.897)***
Latitude	0.020 (2.269)*	0.005 (2.004) <sup>+</sup>	0.027 (2.844)***	0.007 (2.413)**	0.013 (1.465)	0.003 (1.206)
Land Area	0.00000162 (0.671)	0.000000363 (0.502)	-0.0000028 (-1.199)	-0.0000007 (-1.052)	-0.0000028 (-1.367)	-0.00000066 (-1.175)
Constant	-0.515	-0.315	3.000	0.519	3.953	0.778
Observations	39	36	38	36	39	36
R <sup>2</sup>	0.535	0.436	0.482	0.413	0.592	0.578

\*\*\*Significant at  $\leq 0.005$  level \*\*Significant at  $\leq 0.01$  level \*Significant at  $\leq 0.025$  level <sup>+</sup>Significant at  $\leq 0.05$  level

What accounted for the efficacy of the 1700-1900 period? In economic terms, Mokyr (2007) indicates that capital accumulation, increasing trade, better internal allocations, freer markets, and changes in production organization occasioned by the industrial Revolution advanced significantly during this era. A better political atmosphere saw the rise of the rule of law, and the protection of property rights (Feyrer and Sacerdote, 2007). As commercial classes in Europe struggled to win autonomy from domineering monarchical states, market-oriented institutions began to appear in colonial territories (Lange, Mahoney & Vom Hau, 2006).

Patterns of progress in the colonies were “path-influenced” (to use the term of Engerman & Sokoloff (1997) by what was occurring in Europe, giving rise to less constraining institutions involving less coercive labor, more state support for public services, secure property rights, and more access to education.

Both timing and identity of the colonizer come together in Table 5. Zeroing in on the period 1700-1900 eliminates both US and Japanese colonization. Given what was inherited from the Enlightenment and the Industrial Revolution, the effects of centuries of British, Dutch and French rule on modern income and human welfare have statistically improved somewhat—one more gauge of institutional quality partially explaining the colonialism-income relationship. However, Spanish (and German) colonization has shown only slightly improved impact on income. Why Spanish territories were unable to respond effectively may be in part the result of having been locked into vicious cycles of low productivity and the doggedness of substandard institutions (Bertram, 2007), such as powerful merchant guilds, or *consulados*, which operated cartel-like over trade, in the process stifling market competition, enriching only a select group of economic elites, and providing little basis for the kind of ventures needed to fuel growth in the competitive markets of the 18<sup>th</sup> and early 19<sup>th</sup> centuries (Lange, Mahoney & Vom Hau, 2006).

	Log GDP per capita	Human Dev't Index
Number of Centuries British Colony	0.173 (3.098)***	0.051 (2.070)*
Number of Centuries Dutch Colony	0.100 (2.225)*	0.020 (2.038)*
Number of Centuries French Colony	0.054 (2.545)**	0.001 (2.016)*
Number of Centuries Spanish Colony	0.019 (1.121)	0.017 (1.383)
Number of Centuries German Colony	0.264 (0.508)	0.143 (0.805)
Latitude	0.023 (1.930) <sup>+</sup>	0.005148 (1.521)
Land Area	-1.51E-06 (-1.521)	-3.38E-07 (-0.921)
Constant	3.501	0.631
Observations	39	36
R <sup>2</sup>	0.374	0.323

\*\*\*Significant at  $\leq 0.005$  level \*\*Significant at  $\leq 0.01$  level \*Significant at  $\leq 0.025$  level <sup>+</sup>Significant at  $\leq 0.05$  level

There were also carryovers from the earlier years. Feudal institutions, such as the *encomienda* system in which the *conquistadors* were given trusteeship over the native peoples, were difficult to change and had lingering effects that discouraged individual economic effort. Later government policies tended to reproduce them (Sokoloff & Engerman, 2000).

The paradox of Spanish colonialism was that those earlier institutional residues that endured in Spain’s possessions were no longer extant elsewhere in 1900, the end of the “golden age” of colonialism. At the start of the conquest period, extractive institutions were widespread in geographies that had high pre-colonial population density. In these areas, native labor could be forced to work in droves for the colonizers (Bruhn & Gallego, 2008), a condition that

negatively affected colonial and post-colonial trajectories. Yet Table 6 shows that at the close of the 1700-1900 era (or at the turn of the 20<sup>th</sup> century), high population density and the associated supply of labor no longer matter for modern growth. At that time, path-dependent extractive institutions designed to exploit indigenous labor were waning across colonial spaces, but which were still extensive in Spanish territories. A more enlightened use of labor, within the new context of urbanization (the new meaning of population density), was emerging, somewhat neutralizing the negative extraction-income connection found in most studies of early colonialism.

	GDP per capita
Population density (total pop'n/sq km), 1900	6.09E+08 (1.513)
Constant	15294.67
Observations	57
R <sup>2</sup>	0.040

### Institutional dissimilarities

Table 7 provides plausible reasons why British, Dutch and French systems were *specifically* far ahead of Spanish rule during the 1700-1900 period. Or conversely, why Spain was so much behind, and why its attempts to catch up with the other colonial rulers during the 1700-1900 period did not amount to anything significant. The institutional distinctions are made in governance, economic, social, religious and educational terms. Note that only in social development was Spain more or less on equal footing with France and Netherlands—all were guilty of perpetuating dehumanizing social conditions in their colonies.

	British	Dutch	French	Spanish
Type of governance	*Indirect rule, communalism and customary law, rather than direct administration and British law (Comaroff and Comaroff 1997)  *Indirect rule implemented in two ways: 1) leaving indigenous	*Formation of a legal-bureaucratic apparatus, laid over previous patterns of indirect rule, managed by traditional elites, and subject to centralizing directives; occasioned by the opening of Dutch colonies to capitalist	*French policy focused on closer integration of the colonies with the metropole; policy of integration allowed colonized people with western education ( <i>évolués</i> ) to be granted the legal rights of Frenchmen, including being	*Bourbon reforms improved the bureaucratic performance of colonial state organizations, but over the long run colonial centers had no unambiguous rules for governing and for punishing abuses among political officials

<sup>6</sup> Summary statistics for Table 6

Variable	Obs	Mean	Std Dev	Min	Max
GDP per capita (current USD -2011)	57	17150.66	2165.73	872	85973
Population density (total pop'n/sq km), 1900	57	72.62	14.64	0.19	617.09

	institutions in place and 2) progressively devolving power to indigenous legislatures and courts (Woodberry, 2004).	enterprises (James & Schrauwers, 2003).	elected to urban councils and the French parliament; the unassimilated colonized majority were to remain under traditional law, which was accorded less respect than those in British colonies (Lee & Schultz, 2012)  *Parliamentary representation, the French argued, provided constancy in administration across the empire and gave colonials and colonized entrée to decision-making in Paris, as well as to the full benefits of French culture (Aldrich, 2008)	and colonial settlers; as a result, state officials often simply pursued individual gains through rent seeking, which further undercut the institution of a functioning rule of law applicable to broad sectors (Lange, Mahoney & Vom Hau, 2006)
Economic system	*Voluntary labor (end of slavery) increased resource transfers to indigenous peoples and made possible indigenous planters becoming competitive with European planters (Manning, 1998)  *Most British colonies were occupied after the mid-18th century, by which time Britain was distinguished by a liberal economic model that overtly promoted free trade (Lange, Mahoney & Vom Hau, 2006)	*In 1830, Netherlands initiated government-controlled forced cultivation, termed <i>cultuurstelsel</i> in Dutch; farmers were compelled to deliver, as a form of tax, fixed amounts of specified crops (e.g., sugar or coffee); under the agrarian reforms of the "Liberal Period" the government got rid of the Cultivation System's excesses; Dutch private capital surged after 1850, particularly in tin mining and plantation estate agriculture (James & Schrauwers,	*Each French colony was designated as a <i>colonie d'exploitation</i> (colony of economic interests) by the French government; funding came by means of taxes on locals; French government established near monopoly on the trade of local commodities; a very important subsidiary trade was slavery (See, 2004)	*Spain increasingly became more liberal during the 18th century, and it implanted some capitalistic institutions in previously marginal colonies (Lange, Mahoney & Vom Hau, 2006)  *Free trade law of 1778 largely reduced barriers to trade and brought about a swift increase in trade (Congleton, 2010); but Spanish colonials preserved extractive institutions and invested less (Acemoglu, Johnson & Robinson, 2001; 2002)

		2003).		*As wealth increasingly came to depend on facilitating export production and stimulating local industries, state actors could not readily shift from extraction to capitalism (Lange, Mahoney & Vom Hau, 2006)
Social development	*Legal protections against elite interests helped create energetic communities of small landholders, which formed movements that effectively forced state officials to broaden social welfare policy during the late colonial periods; social stratification systems installed by British colonizers contributed to enduring ethnoracial polarization (Lange, Mahoney & Vom Hau, 2006)	*Tradition-bound Dutch bureaucratic forms served to isolate the Dutch elite from their “racial inferiors” who remained impoverished; there were two legal classes of citizens: European and indigenous (James & Schrauwers, 2003).	*Abuses and dislocation occurred under the wage labor systems (Woodberry, 2004)	*Mercantilist colonialism set up labor institutions and sociocultural conventions that privileged status groups and openly imposed hierarchical relations of patronage; indigenous population became exploited ethnoracial group that lacked access to health care and education (Lange, Mahoney & Vom Hau, 2006).
Religious arrangements	*Non-state missionaries (mostly Protestants) furthered institutions outside state control; colonized peoples depended on lobbying by religious groups to restrain abuses and augment resource transfers; paved the way for a social movement that ended slavery and coercive labor	*Relatively autonomous non-state Dutch Reformed missions were massively involved in the growth of civil society and lessening of colonial abuses (James & Schrauwers, 2003).	*Catholic Church pressured for a religious monopoly. States gained the rights to appoint/approve bishops and paid the salaries of most Catholic clergy (Callahan 2000)  *State-sponsored Catholics missionaries worked directly with natives and slaves through most of the 19th	*Catholic Church pressured for a religious monopoly. States gained the rights to appoint/approve bishops and paid the salaries of most Catholic clergy (Callahan 2000)  *Clergymen proxied for civilian officials in running the colonial government (Acemoglu and Robinson, 2012)

	earlier than in other colonies (Woodberry, 2004)		century and their numbers were few Woodberry, 2004.	
Education	<p>*The longer the British stayed in the colonies, the more education the natives received (Hanson 1989, Sokoloff &amp; Engerman (2000)</p> <p>*More native people gained skills running Western-style bureaucratic organizations (Woodberry, 2004)</p>	<p>*More indigenous people obtained training to govern Western-style bureaucracies (Woodberry, 2004); colonial education managed mostly by Dutch religious authorities (James &amp; Schrauwers, 2003).</p>	<p>*France introduced a system of modern education, although severe restrictions were placed upon educational opportunities for colonized children (Prencel, 2003).</p>	<p>*The Catholic Church invested little in education; in the Philippines, at the time of US occupation probably no more than 5% of the population spoke Spanish (Acemoglu &amp; Robinson, 2012)</p> <p>*The limited higher education in the colony was entirely under clerical direction, but by the 1880s many sons of the wealthy were sent to Europe to study (British Encyclopedia).</p>
Carryovers from 1500-1700			<p>*Forced labor, in a disguised form, the <i>prestacion</i> (Lee &amp; Schultz, 2012)</p>	<p>*Reconquista sustained orthodoxy and prevented examination and criticism (Nelson, 2007)</p> <p>*The <i>encomienda</i> system (tax farming), endured despite its abolition; as owners of public lands, government set policies which influenced the pace of settlement and wealth distribution, by controlling its accessibility, fixing prices, establishing caps on acreages, and designing tax systems (Sokoloff &amp; Engerman, 2000)</p>

## Colonial Philippines

Table 8 is specific to the Philippines. It likewise amplifies on the sporadic gains obtained by the country for being a Spanish colony. Certainly there were also advances during the Spanish tenure, but they were episodic and sporadic to put a dent in the Philippines' quest for modern growth cum welfare. All things considered, the irregular positive externalities of Hispanic colonization were barely enough to offset the negative institutional aspects.

Table 8 <b>Institutional advances/setbacks in colonial Philippines, 1700-1900</b>	
<p>+ In the 19<sup>th</sup> century, as the Spanish empire in the Americas crumbled, the measured lifting of commercial restrictions in the Philippines came about. A non-Spanish educated economic elite, often of Chinese descent, came forward to lead the nationalist movement that expelled the Spanish soon before the US offensive (Acemoglu &amp; Robinson, 2012)</p> <p>+ The oppressive tobacco monopoly, which was disliked a great deal, was abolished in 1882, a move that was broadly welcomed as it took out the last major obstacle in the operation of the free market system. Consequently, a new company, the Tabacalera, was formed, financed by French and Spanish investors at 75 million francs—an exceptional case of Peninsular investment in the Philippines (most other investments came from domestic sources) (Legarda, 2011).</p> <p>+ British financiers also built a sugar refinery in Malabon between 1880 and 1885 (Legarda, 2011). The demand for Philippine sugar and abaca (hemp) grew briskly, and exports to Europe expanded even further after the completion of the Suez Canal in 1869 (British Encyclopedia).</p> <p>+ In the infrastructure sector, British investment began building the Manila-Dagupan railroad in the late 1880s (Legarda, 2011).</p> <p>+ The absence of slavery smoothed the progress of the Philippine entry into world trade, with Britain, which abolished slavery, requiring Manila in the 1830s to officially state that Philippine exports were not produced by slave labor (Legarda, 2011).</p> <p>+The gradual removal of the monopoly enjoyed by the galleon to Acapulco—the last galleon arrived in Manila in 1815—unlocked trade restrictions, and by the mid-1830s Manila was fully open to foreign merchants (British Encyclopedia). With the galleon trade exhausted, foreign demand for agrarian resources, the rise of</p>	<p>– Elite ascendancy had the same consequences in the Philippines as in Latin America — most remarkably extractive economic institutions and poor economic growth (Acemoglu and Robinson, 2012).</p> <p>– The absence of economic stimulus and high transaction costs (on account of poor public infrastructure, insecure property rights, peace and order problems, and lack of proper pricing) were the real reasons that neither initiative nor markets existed (Sancianco, 1881, cited in de Dios, 2011)</p> <p>– When the economy depended solely on the galleon trade, employment was reduced and limited. However, it inaugurated the system of obtaining labor resources by requiring more taxes or modifying the basis of taxation (Alvarez, 1998).</p> <p>– Colonial restrictions on trade and the transport of goods were purposely intended to help out mineral-rich and populous colonial centers sidelined the peripheral areas in the empire (such as the Philippines) which could only weakly capitalize on the new trade opportunities (Lange, Mahoney &amp; Vom Hau, 2006)</p> <p>– The production of crops like sugar created an economic structure in which wealth, human capital, and political power were distributed very unequally, and where the elites were drawn from a relatively small group that was of European descent and racially distinct from the bulk of the population (Sokoloff &amp; Engerman, 2000). Next to the landholdings of the church and the rice estates of the pre-Spanish local aristocracy there arose <i>haciendas</i> of coffee, hemp, and sugar, often the property of enterprising Chinese-Filipino mestizos. Some of the families that gained prominence in the 19th century have sustained their dominant role in Philippine economics and politics (Corpuz, 2007).</p>



<p>a legitimate labor market and new patterns of consumption (introduction of new textiles and new food) marked the period of modernization and growth for the Philippine economy (Alvarez, 1998).</p> <p>+ The itinerary of foreign trade was constantly ascendant throughout the 19<sup>th</sup> century. There was explosive growth for Philippine trade: the export index spiked at 57.1 in 1876 and 1877, and the import index was at 71 in 1861, on account of competition with Anglo-Saxon trade (Hooley, 1996, cited in Legarda, 2011). Between 56-95 percent of total exports was accounted for by sugar, tobacco and abaca.</p>	<p>– The Carlist wars and almost incessant civil strife during much of the 19<sup>th</sup> century reduced Spain’s already limited facility to buy Philippine exports and also harshly constrained its capacity to take part in the Philippine import trade until fairly late in the century (Legarda, 2011).</p> <p>– Spanish tariff policy oscillated between protectionism and liberalism, and this was replicated in the Philippines. Liberalization peaked around 1870, then protectionism swung back with the tariff of 1891, which for the first time allowed Spain to capture a substantial portion of Philippine import trade (Legarda, 2011).</p> <p>–The Spanish did little to advance the development of science in the Philippines (somewhat reflecting the scientific and economic backwardness of Spain itself in the 19th century) (Nelson, 2007)</p>
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The lingering question at this point is whether US colonialism, which took over the Philippines at the close of the 20<sup>th</sup> century, is a potentially confounding factor that significantly weakens the impact of Spanish colonial rule on modern outcomes. The answer is a qualified no. The enduring product of Spanish colonialism in the Philippines that eventually shaped the nation’s political economy—the rise of a native landholding elite—was sustained beyond 1900, during the onset and advance of US colonization.

Mostly composed of *mestizos* of Chinese descent, the local elite started as subordinate, low-level officials in the Spanish bureaucracy, and were given the responsibility to collect tributes and taxes for the royal coffers. Soon, in a take-off from Spanish *encomenderos*, they began amassing tracts of land, which developed into their economic base. The new landed elite were later branded as *ilustrados*; educated in Europe, they led the fight for independence in the late 19<sup>th</sup> century (Cruz, 2014). Privileged access to the legal system (*pacto de retroventa* during the Spanish occupation) allowed this emergent elite to gain *de jure* franchise over property that was *de facto* owned by the indigenous population, thus institutionalizing high inequalities in the ownership of agricultural land (De Dios, 2008).

Curiously, the US administration, as it attempted to reconfigure the political system in the colony, even transformed these landed elite into a powerful oligarchy. As Acemoglu and Robinson (2012) recount the events, what occurred was a stepwise progression toward complete economic and political elite dominance: *first*, when the American authorities auctioned off 400,000 acres of church estates (called friar lands), it was the elite that had the cash to buy the property; *second*, when the US colonial managers started staffing bureaucratic posts with locals, it was the educated elite who were best placed to fill the positions; and *third*, when the US administration opened up political institutions in a sequential fashion (provincial governors in 1902, national assembly in 1907, bicameral congress in 1916, and the executive in 1935), it was the elite who dominated all of them. The outcome, which endures to this day, was political patronage and clientelism, and the extraction of rent from a bureaucracy with no strong civil service tradition. In retrospect, as Nelson (2007) suggests,

the Hispanic influence today in the Philippines, even a century after Spain left, may well be bigger than that of the US. Or to quote Woo-Cumings (2001, p. 14), “It all goes on as if the American colonial experience (however similar it may or may not have been to Lockean liberalism and the rule of law) had never existed.”

## Linkages to regional integration

Table 9 is a “what if” illustration of the Philippines being a British, Dutch or French colony instead of having Spanish rule. This counterfactual suggests that the Philippines would compare favourably with its next-door states, who were under these colonial rulers. Using the coefficients in Table 5 to draw up the regression equation, the results show a much improved institutional performance for the country, specifically in terms of modern income. In terms of human welfare, however, the country would have performed better only if it were a British colony. The Philippines’ 2011 GDP per capita was USD2358, while its 2011 HDI was 0.651.

If the Philippines had been a ...	...its GDP per capita (USD current - 2011) would have been	% Higher	...its Human Development Index (2011) would have been	% Higher (lower)
British Colony	4838	50.78	0.698	9.53
Dutch Colony	3467	31.32	0.637	(0.86)
French Colony	2800	14.96	0.599	(5.43)

Not having a “better” colonial experience is clearly a disadvantage. This is exacerbated by the Philippines’ neighbours’ having “superior” British, Dutch or French colonial histories. Table 10 once more confirms somewhat the pecking order of the European powers—British first, followed by the Dutch and then the French—in the colonial experience of their respective Southeast Asian territories (Malaysia, Indonesia and Vietnam) during the late 19<sup>th</sup> century. While the Philippines seemed to equalize matter in the colonizer-colonized relations (all were characterized by social inequalities), its neighbours were ahead in economic growth and bureaucratic organization, and in more devolved governance structures, owing to more liberalizing tendencies of its colonizers in the 1800s.

	Malaysia	Indonesia	Vietnam
Colonizer	Britain (onset: 1874)	Netherlands (onset: 1830)	France (onset: 1874)
Legal foundation	Common law , some elements of Islamic law (Woo-Cumings, 2001)	Civil law	Civil law
Economy	Plentiful virgin land and relative closeness to trade routes made Malaysian economy responsive to the increasing international demand for raw materials	<i>Tanam paksa</i> (forced plantation); much of Java, North Sulawesi and West Sumatra became a Dutch plantation James & Schrauwers, 2003)	Economy based on export of raw materials, bolstered by international need for rubber, gold, coal, tin, and bauxite and utility crops like rice, coffee, and tea

	as well as foodstuffs. To have an ample supply of capital and wage labor, the British encouraged Chinese migration, whose profits from trade financed ventures in agriculture and mining. Crops such as pepper, gambier, tapioca, sugar and coffee were produced for export to markets in Asia (e.g. China), and later to Europe after 1850 when Britain adopted free trade (Drabble, 2004)	Growth in exports accelerated rapidly due to mutual interests by Dutch bureaucrats, the indigenous Javanese ruling class and the Chinese merchant community; liberal economic reforms allowed market forces a stronger role in the economy (Booth, undated)	which were traded throughout the world; the French also relied on low-cost labor provided by Vietnamese peasants (Shackford, 2000)
Governance	Direct colonialism; very powerful legal-administrative institutions in parts of the Malay Peninsula (Lange, Mahoney & Vom Hau, 2006)	Direct Dutch rule; modern liberal administrative methods of the kind applied to the Netherlands itself; spatial additions to the state accompanied by expansion in the number of government departments (James & Schrauwers, 2003)	Power branched out from Paris, executed by governors-general, <i>résidents supérieurs</i> and other ' <i>rois de la brousse</i> '; local assemblies enjoyed only consultative powers (Aldrich, 2008)  Major difference with the British empire, colonial populations sending representatives to the French parliament, was not implemented in Vietnam; there was fear the native intermediaries would not take care of the interests of the French minority settlers (Lâm, 2000).  Annam and Tonkin were governed by the Hanoi Governor General, and by two <i>résidents supérieurs</i> ; Vietnamese monarchy in Hué and the pre-colonial bureaucracy were allowed to remain (Cooper, 2001).
Treatment of native population	The British elite managed a hierarchical but plural society founded on open immigration policy that	"Aliran" promoted two sets of rights, one for the Dutch elite and the other for the indigenous	Predicated upon a hierarchical relationship: <i>dominé/dominateur</i> ;

	saw influx of Chinese and Indian merchants who were economically and socially segregated from the native population (Hirschman, 1986)	population; “tutelage” offered to Indonesians (James & Schrauwers, 2003).	inférieur/supérieur (Cooper, 2001).
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There is more dire news for the Philippines flowing from accidents of history. According to Bertram (2007), most past studies have knocked down the quite pleasant idea of convergence toward a linear, harmonious integration of national economies *that is detached from past history*. In one instance, countries which started out with lesser per capita income had grown at a snail's pace, not more swiftly as forecast by the neoclassical theory of *ahistorical* convergence. This soberingly implies, as argued by Mahoney (2010), that it will not be simple to reorder or reshuffle the hierarchy created by colonialism.

On top of this, All Southeast Asian countries, unfortunately, still have colonial hangover. Emerging from the mould of decolonization, these post-colonial entities are yet caught in a struggle to fashion modern nation-states that can do their job effectively (Ooi, 2012). Because their frontiers—which were arbitrarily and expediently delineated by competing colonial powers—have congealed into their current border lines, these nation states continue to treat matters of dominion and jurisdiction as contestable domains (Chong & Chew, 2012). They remain attached to nationalism and independence, unlike Europe which had partly yielded national sovereignty to a supranational European Union after seeing the pointlessness of territorial conflicts and disputes (Phar, undated).

If some *inter*-national process were to rearrange and transform country-specific levels of development, it would have to materialize from a set of incentives and conditions very much unlike those associated with colonialism; the process will have to be its antithesis (Mahoney, 2010). For Southeast Asia as a whole, is that possibility articulated by ASEAN?

The ASEAN experiment is still a work-in-progress, its destination still not clear-cut. ASEAN for now is a “noodle bowl” tangle of British, Dutch, French and Spanish state and legal traditions which also lead to different pathways to progress. Such heterogeneity may positively promote diversity, but it pays the high price of being unable to deepen the regional alliance’s institutions at a rate consistent with the effort to leave no member-country behind economically. Fear of infringement on sovereignty and a watchful attitude toward non-intervention have created institutional roadblocks to achieving ASEAN’s own objectives: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy (Severino, 2010; Kelley, 2010). Initiatives such as the ASEAN Free Trade Area (AFTA) and the Trade in Services are known more for their potential rather than for their currency (Kelley, 2010).

Still, ASEAN can make good progress in its decolonizing effort in order to make each member country sync with each other, in a process of makeover where common and contrasting historical and cultural dilemma is seriously discussed, instead of “digging in” along national lines of protective development (Ooi, 2012). To get around sovereign rigidities, Chong and Chew (2012) suggest that the ASEAN countries together reprise communitarian practices derived from their pre-colonial history, as after all, uniform prescriptions of nation-

state (which displaced the pre-modern regional order of overlapping authorities<sup>7</sup>) took shape only in the 19<sup>th</sup> and 20<sup>th</sup> centuries.

Difficult as it sounds, ASEAN can “reverse fortunes” much like colonialism itself did, but in a positive kind of way that turns around the opportunities for member-countries that are lagging behind the leaders. Following the argument of Mahoney (2010), Asian colonialism itself, albeit in a paradoxical way, offers an instance where a global game-changing process became historically possible, shifting levels of wealth and development from Asia to Europe.

Will the Philippines be able to wend its way successfully through the region, with all the country’s post-colonial vulnerabilities? Certainly, it can. In a manner of speaking, the Philippines can “walk on two legs,” aspiring for greater regional convergence and at the same time, turning to its past history for guidance. The key is to step up institutional solidarity with its neighbours combined with a lesson-drawing reinvention of its own growth strategies. It is a matter of creatively using historical insights to realize highly consequential changes in its development trajectory.

The Philippines can turn to its civil law heritage, for example, in lieu of matter-of-factly implementing common law jurisprudence acquired from the US, whose adversarial nature does not sit well with the country’s consensual culture. Such shift can possibly generate a statist developmental roadmap for the country, in the same way that Japan’s civil law institutions accelerated the state-led fortunes of South Korea and Taiwan, its erstwhile colonies. The use of such “administrative guidance” should pave the way for experimenting with what are currently regarded as the “wrong institutions” (Woo-Cumings, 2001). As well, there are other possibilities from history. For instance, Grafe and Irigoien (2006), studying the colonial situation in Latin America, argue that Spain’s fiscal setup in its colonies, where both Spanish nationals and the native population were heavily taxed, led to inter-colonial transfers and cross-subsidization that positively covered the needs of those areas that either could not or would not raise sufficient revenue to pay for their defence and administrative expenditure. A similar analysis of the fiscal arrangement in colonial Philippines might yield similar insights. Hence, history is not destiny, but a useful guide. A Spanish heritage does not necessarily dispatch the Philippines to a bleak future.

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<sup>7</sup> Southeast Asia was once a borderless region where commerce, religion and peoples flowed freely across archipelagic societies, from Aceh through Melaka to Riau-Johor, Maluku, Bali, Brunei and Sulu (Chong and Chew, 2012).

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