

Challenge for the next administration:

# Fixing the Philippine economy

**Will things get much better in the next administration, at least on the human rights and democracy front but especially on the economic front? The country's elites have been remarkably tolerant of any politics in the country ranging from liberal democracy to authoritarianism. They've always prospered even if the ascendant faction always does better than others.**

The majority of Filipinos on the other hand are always stubbornly, persistently, unflinching left behind. They're given the most attention at election time because of their all too valuable votes – but then forgotten except as economic fodder until the next elections come around.

So many things have to come together for the country to break from its backwardness and underdevelopment. The political impulse from a reformist or even revolutionary government is among those that matters the most. The acid test is its economic vision for the country — has it looked unflinchingly at the problems of the past and conditions today to come up with an agenda to fix the country's future?

IBON has come up with a series of snapshots on economic issues to hopefully spark conversations and debates about the economic programs of all the candidates for national office.

The series starts with a profile on poverty and inequality as the inevitable result of the country's misformed economic structure. This is followed by an explanation of why the neoliberal "free market" reforms haven't delivered on their grandiose promises and, actually, never will. Then a sketch of the social and economic reforms needed – not as a blueprint but rather general directions to keep improving on as we learn how to do better.

After these broad strokes of the situation are outlines of three key interlocking policy areas: national industrialization, agricultural development, and protecting the environment. These will define the long-term trajectory of the Philippine economy.

The constant stumbling today however has to be urgently attended to. The government's response in the nearly two years since the pandemic started has already caused so much distress for families, economic scarring, and health burdens. The series concludes with immediate proposals for strengthening the public health system and post-pandemic and -lockdown recovery.

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## PH POVERTY AND INEQUALITY

All the aspirants for national office have filed their certificates of candidacy including through opportunistic substitutions after shady backdoor political negotiations. The air is thick with personality, celebrity and controversy but serious platforms and programs are still largely missing.

There are still many months before the May 2022 elections and Filipinos certainly deserve more. Our leaders need to have a real vision for the future grounded in a critical reading of our history – not just a superficial grasp of the now to inform the crafting of voter-friendly campaign promises.

The Philippines was Asia's 6<sup>th</sup> largest economy with the 7<sup>th</sup> highest gross domestic product (GDP)

per capita in 1980 but dropped to just its 9<sup>th</sup> largest economy with only the 14<sup>th</sup> highest GDP per capita today. These are clear signs of being left behind. The economy's so broken – can it still be fixed?

### Growth for whom?

The Philippines has been growing more and more rapidly in the last three-and-a-half decades. The economic structure is also changing in terms of domestic patterns of activity and linkages with the global economy. However, while average incomes are increasing, the gains from growth are overwhelmingly concentrated in a few at the top while the majority stay poor and fall further behind.

**Table: Incomes and wealth, 2006 to 2018**

	2006	2009	2012	2015	2018
<b>Top 40 combined net worth (Php B)</b>	823.1	780.1	2,002.9	3,245.9	3,818.0
<b>Average income of poorest 70% of families</b>	87,000	106,714	137,571	164,857	202,714
<b>Average real income (2012=100)</b>	113,134	119,635	137,571	154,072	172,817
<b>Top 40 combined net worth (% of GDP)</b>	12.6	9.3	18.1	23.3	20.9
<b>Top 40 combined net worth as share of total income for poorest 70% of families (%)</b>	77.8	56.6	97.1	124.4	108.7

Sources: IBON computations on data from Forbes and PSA

This is easily seen looking at trends since 2006. (**See Table**) The combined wealth of the 40 richest Filipinos almost quintupled (364% increase) between 2006 and 2018. In contrast, the average income of the poorest 70% of families barely doubled (133% increase) and in real terms actually grew by just 53% over the same period.

Wealth is also increasingly concentrated. Using the net worth of the 40 richest Filipinos as a percentage of gross domestic product (GDP) as a proxy, this basically doubled from 9.3-12.6% in 2006-09 to 20.9-23.3% in 2015-18. The gap between the richest few and poorest majority is also widening with the

net worth of the 40 richest as a share of the total income of the poorest 70% of families also growing.

Fixing the economy starts with knowing the problem and why it happened. There is so much poverty because decades of neoliberal globalization policies – unfortunately continuing to this day – have made domestic agriculture and Filipino industry weaker than ever. More than services, these production sectors are vital to create jobs and raise incomes. And there is so much inequality because the gains from economic activity are cornered by a few at the expense of the many.

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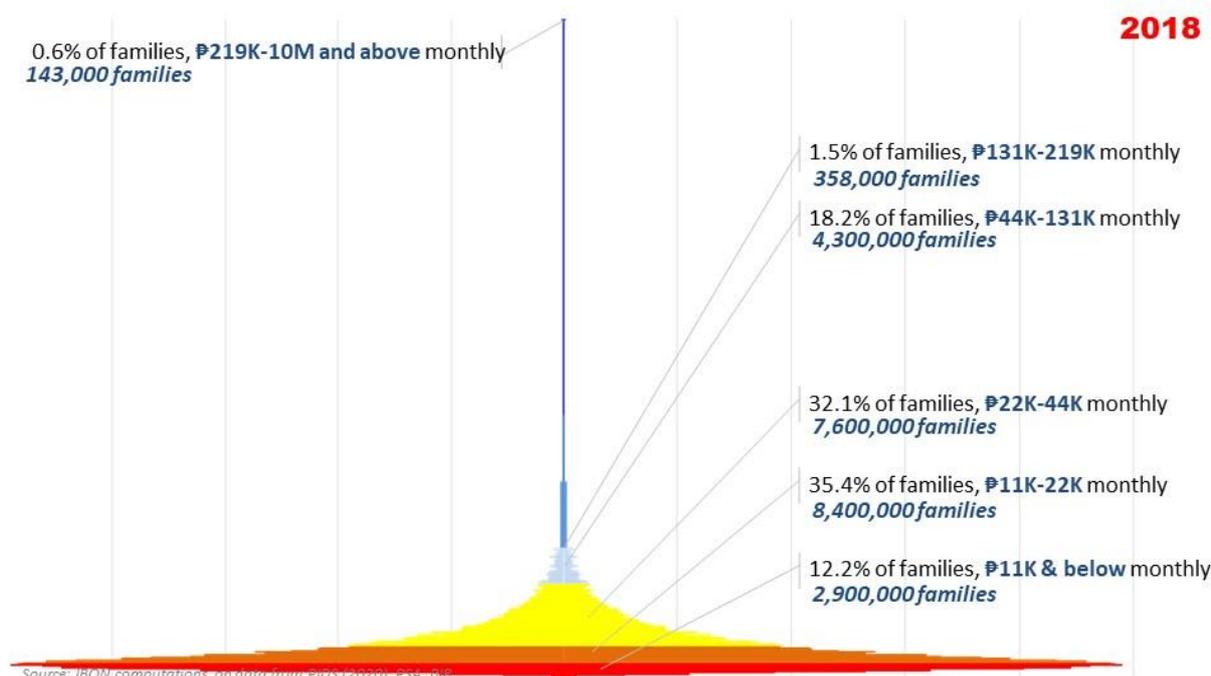
These adverse trends are reinforced by the political economy kinetics of elite vested interests who prosper despite persistent Philippine underdevelopment. Entrenched foreign and domestic elites do not have a stake in broad-based national development whose impetus can only come from meaningful democratization.

The majority of Filipinos are poor and suffer one or more serious deprivations. Low incomes are the clearest indicator.

## Structural poverty

Out of some 24 million Filipino families in 2018, some 11.3 million or nearly half (47.6%) had monthly family incomes of at most Php22,000; the poorest 2.9 million families struggled to survive on Php11,000 or even less.<sup>1</sup> (See Chart) Another 7.6 million (32.1%) had monthly incomes between Php22,000-44,000 – relatively more but still not enough to ensure complete stability and security.

Chart: Distribution of monthly household income, 2018



Sources: IBON computations on data from Forbes and PSA

The vulnerability of these 18.9 million families (79.7% of families) with monthly incomes of at most Php44,000 is confirmed by recent official data reporting 18.7 million households – or three out of four nationwide – not having any savings as of the third quarter of 2021.<sup>2</sup> This is an over three million increase because of the over-reliance on lockdowns to contain the pandemic.

But aside from low incomes are chronic deprivations in one or more basic needs. Frequently overlapping low and often insecure incomes are the lack of education, insufficient nutrition and poor health, poor housing, lack of clean water, sanitation and electricity, lack of assets, and even violence.<sup>3</sup>

At the other end of the scale, IBON estimates that the top 143,000 families (richest 0.6%) have

monthly incomes of at least Php219,000 to as much as Php10 million or more. This is at least 20 times to as much as 900 times or more than earned by the bottom 2.9 million families (poorest 12.2%). These discrepancies cannot be due merely to differences in the level of work or effort.

The grossly inequitable distribution of incomes is striking but nonetheless still only partially captures the reality of structural poverty. The gaps in wealth are even greater.

## Wealth and power

A fraction of Filipinos are stunningly wealthy and, if anything, just getting wealthier. IBON estimates that there are 2,919 Filipino billionaires with collectively Php8 trillion in wealth.<sup>4</sup> The richest 2% of Filipino families are also cumulatively worth

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Php20-25 trillion which is 40% of the nation's wealth and as much as the poorest 80% have combined. The reported net worth of the country's ten richest Filipinos is Php108 billion to as much Php811 billion each.<sup>5</sup>

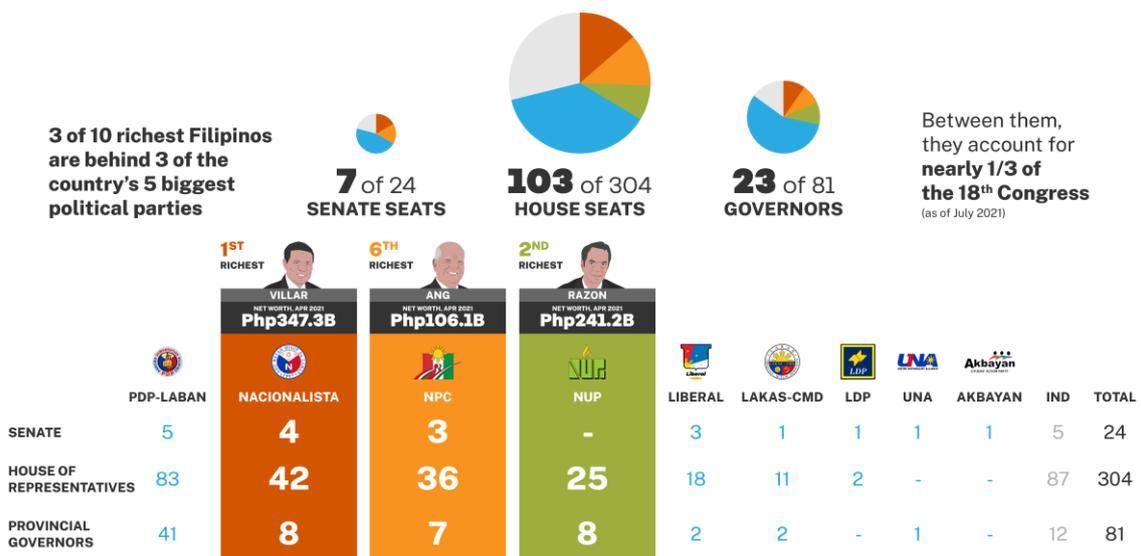
This wealth easily translates into political power. It cannot be mere coincidence that three of the ten richest Filipinos are behind three of the country's five biggest political parties. The Villar-backed Nacionalista Party (NP), Razon-backed National Unity Party (NUP), and Ang-backed Nationalist People's Coalition (NPC) altogether account for some one-third of the Senate, House of Representatives, and governorships. (See **Infographic**) The country's political parties are not mass-based parties with constituencies built

around distinct programs for governance. In the 21<sup>st</sup> century, they are still just like the power cliques of 18<sup>th</sup> century aristocratic and monarchical regimes – formed around influential personalities mainly for seizing or wielding power rather than anything else. The resulting dynamics of this political economy causes economic policies and lawmaking to be systematically biased for politically powerful elites.

In this way, economic undemocracy fuels political undemocracy which further reinforces economic undemocracy – in a vicious cycle of inequality, poverty and underdevelopment. These deep-seated problem are most effectively tackled with more democratized political leadership over the country's economic policies and processes. ###

### Infographic: Distribution of Senate, House of Representatives and Governors by political party

#### DUTERTEGARCHS: The few very rich are very active in national politics



B - billion IND -Independent Php values are based on a US\$-Php exchange rate of Php48.24

SOURCES: Commission on Elections, Forbes World's Billionaires List

## Endnotes

<sup>1</sup> PSA (2019), FIES 2018

<sup>2</sup> BSP (2021), Consumer Expectations Survey – Third Quarter 2021

<sup>3</sup> NAPC (2017), Reforming Philippine Anti-Poverty Policy

<sup>4</sup> IBON estimates on data from Credit Suisse (2021), Global Wealth Databook 2021

<sup>5</sup> Forbes (2021), Philippines' 50 Richest (converted to pesos using Jan-Sept 2021 average forex rate)



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