



Aquino's 'Inclusive Growth': No solution, more of the same

Contributed by Jose Enrique Africa for the 5th SOP of CenPEG
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The Aquino administration has been in power since mid-2010 and the last three years provide compelling evidence as to whose interests it upholds most of all. The administration has skillfully used "good governance" and "*Daang Matuwid*" ("Straight Path") rhetoric to push a traditional, undemocratic and elitist economic and political agenda. There is growing wealth and prosperity for a few amid joblessness and poverty for the many. These are among the deep signs of a regression in the national condition that a recycled Aquino agenda for the last half of its term will not remedy.

The country's long-standing jobs and poverty crisis has continued and worsened under the Aquino administration. This is because economic policies remain biased for foreign investors and domestic elites rather than the national economy and the people. The government claims to acknowledge the country's economic problems and to be seeking "inclusive growth". Yet its policies are no different from those that have been increasingly implemented over the last three decades and that have resulted in today's grossly distorted and unequal economy.

There is a dogmatic adherence to failed 'free market' policies of neoliberal globalization. Instead of recognizing that the state of the economy and the people today is because of accumulating trade and investment liberalization, privatization and deregulation it is made to appear that it is because these have not been implemented enough. Hence the Aquino administration's determined thrust to extend neoliberal policies even to those last few areas of the economy that remain protected, even if only barely, by the last legal barriers under the 1987 Constitution. If these neoliberal policies are not changed the poverty and joblessness in the first three years of the Aquino government will continue in its remaining three years as well as compromise national development in the decades to come.

The supposedly good economic news for the Philippines are familiar: supposedly the fastest economic growth among the major countries of East and Southeast Asia, consecutive record highs in the Philippine Stock Exchange (PSE) index, record gross international reserves, investment grade ratings from two major international credit ratings agencies, and an incremental rise in world competitiveness ranking.

The counterpoint to the supposed good economic news is likewise familiar: the unchanged jobs and poverty crisis. Despite rapid economic growth the number of unemployed and underemployed Filipinos increased by over one million from 10.9 million in April 2010 to 11.9 million in April 2013 – consisting of 4.6 million unemployed (an increase of 52,000, using IBON estimates on National Statistics Office or NSO data) and 7.3 million underemployed (an increase of 955,000). This is the highest number of unemployed and underemployed Filipinos in the country's history.

Despite rapid economic growth job creation has been falling drastically in these first three years of the Aquino administration. While 1.4 million jobs were reported created in April 2011 (from the year before) this fell to 1.0 million in April 2012 and then turned to a negative 21,000 in April 2013. These occurred while the corresponding first quarter GDP growth rates were becoming more rapid at 4.6% (2011), 6.5% (2012), and 7.8% (2013).

**Jose Enrique Africa has a BSc in Philosophy & Economics and MSc in Development Studies from the London School of Economics and Political Science. A CenPEG Fellow, he is the Executive Director of IBON Foundation.*



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The poorest are clearly left behind by economic growth. Looking at employed persons by industry from April 2012 to April 2013 the agriculture sector where the greatest concentration of poor is found lost 624,000 jobs. The situation is even more stark in employment by occupation group: 822,000 farmers, fisherfolk, workers and unskilled laborers and 26,000 professionals, associate professionals, and technicians lost their jobs.

The steady erosion of the two most important productive sectors in the economy is also evident. The share of agriculture in total employment has continued to fall from 32.5% in April 2010 to 31.3% in April 2013, and of manufacturing from 8.6% to 8.4% over the same period. The share of agriculture in gross domestic product (GDP) is already down to its smallest in the country's history and of manufacturing to as small as in the 1950s.

Poverty has remained unchanged. The National Statistical Coordination Board (NSCB) reported official poverty incidence as statistically unchanged at 27.9% in the first semester of 2012 compared to 28.8% and 28.6% in the same periods in 2006 and 2009, respectively. IBON estimates that the reported poverty incidence of 27.9% means around 26.8 million poor Filipinos – computed using a projected population of 96.2 million in 2012 – or an increase of some 3-4 million from 2009.

Official figures however grossly underestimate poverty with the implied official daily poverty threshold in the first semester of 2012 for instance being just some Php52. This is unreasonably low and insufficient for meeting all a person's daily food and non-food needs for decent living. Various corrections for the low official poverty threshold would instead show anywhere between 38-68 million poor Filipinos which is the worst scale of poverty in the country's history.

The government has been reporting falling official poverty incidence following changes in methodology in 2003 and 2011 that, among others, lowered the poverty threshold. But if the real value of the poverty threshold is maintained then the trend of unchanging poverty incidence has actually been going on not just since 2006 but for some 15 years now since 1997 – with correspondingly rising absolute numbers of poor Filipinos.

This socioeconomic crisis for tens of millions of Filipinos occurs amid growing prosperity for a very few. The net income of Philippine Stock Exchange (PSE)-listed firms rose from Php438.1 billion in 2010 to Php501.3 billion in 2012. The net income of the country's Top 1000 corporations has been growing at an increasing rate in the latest three years for which data is available – their cumulative net income has gone up from Php756.0 billion in 2009, to Php804.1 billion in 2010 and to Php868.1 billion in 2011.

It is the same with the net worth of the 40 richest Filipinos. Their collective worth has been steadily increasing from US\$22.8 billion in 2010, to US\$34.0 billion in 2011, and further to US\$47.4 billion in 2012. This combined net worth in 2012 was equivalent to over one-fifth (21%) of GDP for the year. These oligarchs' business interests dominate the country's real estate, ports, construction, trade, power, water, telecommunication, transport, mining, banking and finance, and food and beverage industries.

In 1985 the top 20% of families cornered 52.1% of total family income leaving the bottom 80% to divide the remaining 47.9% between them. This has barely changed over the last decades of supposed democracy and in 2009 the top 20% of families still claimed 51.9% of total family income (with the bottom 80% dividing the remaining 48.1%).

Aquino: Neoliberalism and underdevelopment

The first three years of the Aquino administration affirms how the government's economic policies systematically create the conditions for increasing the profits and wealth of a few. These are not



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accidental outcomes – much less due merely to corruption or rent-seeking – but are rather the inevitable result of economic policies aimed at creating favorable conditions for preferred foreign capitalists and domestic big business interests to profit and flourish.

The administration maintains neoliberal policies from previous governments and has even sought to deepen these against the interests of workers, peasants and the general public. This is evident in its labor flexibilization, wage repression, dragging and defective agrarian reform, defense of oil deregulation, insistence on water and power privatization, and pursuit of hospital privatization.

The public-private partnership (PPP) program is, in the first place, a scheme to mobilize public resources to directly and indirectly support corporate profits. The government is providing regulatory risk guarantees and amending legislation so that the broadest number of private foreign and big local firms can avail of public support for their private profits. Even the much-hyped multibillion CCT program is not so much a long-term sustainable anti-poverty program than a massive multi-billion peso effort to undercut criticism of the free market as well as to provide political legitimacy and to generate popular support for neoliberal "inclusive growth".

The strongest affirmation that the government's "inclusive growth" agenda is nothing but the failed neoliberal globalization policies of the past is its determined foreign investment liberalization offensive – involving charter change or specific legislation, or both. This denies the displacement, marginalization, dispossession and impoverishment of tens of millions of Filipinos from decades of globalization and its supposed reforms. It exposes claims of poverty reduction and attention to inequity as mere lip service.

The Aquino administration is oblivious to the lessons of economic history. No country has ever developed the rural economy, built national industry or gained from foreign trade and investment under the "free market". It is also heedless of global trends toward protectionism as governments worldwide take measures to support their domestic economies amid the protracted global crisis since 2008. These include those most aggressive in pushing free market policies on the Philippines.

Moving forward

The country's economic problems only seem intractable because policy-makers have remained within the narrow bounds of neoliberal dogma and market forces. Market-led growth and constantly giving priority to private profits will never eliminate poverty and reduce inequality which requires a dedicated set of economic and social policies. National development and the people's welfare cannot be attained without radical redistribution of wealth and assets, modernizing the vast economy through agrarian reform, rural development and national industrialization, and sustained public provision of education, health and housing. Given the self-serving nature of foreign capital – and especially amid a protracted global crisis – the drivers of development need to be domestic consumption based on mass employment and domestically-financed capital accumulation. These require responsible and democratic government intervention in the economy.

The challenge for real democracy and development in the country remains; but there are reasons to be hopeful. The public will no longer readily accept the empty promise by yet another administration that the benefits of growth will eventually be felt by all. There is already general disenchantment with the extreme poverty and worsening inequality in the country which massive cash transfers have been unable to contain. More and more people demand genuine democracy – sorely lacking in the 2013 midterm elections – and a government that upholds their rights and interests above all. Most importantly, the social forces most actively struggling for change in the country are resilient and resurgent. ##