

# **SUSTAINABLE INCLUSIVE GROWTH: OPPORTUNITIES AND CHALLENGES**

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## THE PHILIPPINE GROWTH RATE IN THE LAST DECADE

In 2010, the Philippines achieved a growth rate of 8.4 %.

However in the first quarter of 2011 the growth rate fell back to 4.9 % - more or less the average of the last decade.

### Reasons:

In 2010 there have been huge expenditures related to the national and local elections.

2011 has seen a strong decline in Public Administration and Defense and Compulsory Social Security expenditures under the new administration.

## QUANTITY OF GROWTH

The Philippines achieved, in the last 15 years, a steady but not dynamic growth – different from other countries in the region like Thailand, Vietnam, Indonesia, Malaysia.

## QUALITY OF GROWTH

The growth has not been inclusive at all:

- 23% or about 20 million Filipinos are still living in absolute poverty (under poverty line)
- 44 % or more than 40 million Filipinos are very poor, living from less than US \$ 2 per day
- There have been no significant changes since restauration of democracy in 1986

## 1ST CONCLUSION

There is no inclusive growth in the Philippines up to now.

And there is no sign, yet, that the new administration is able to change the situation: Hunger increased since 2010 (Social Weather Station-survey in March 2011), and the number of jobless people has increased remarkably.

The Philippines have to increase their growth rates and – this is similarly important – to change the character of the growth in order to achieve sustainable inclusive growth.

## SOME OBSERVATIONS

1) Monopolization and cartelization of Philippine Markets is high – nationally and locally:

- As Economists:

Do you see the connection to the political dynasties – which were forbidden in the 1987 Constitution but are still dominating political life and huge parts of the most profitable economic sectors and which are preventing productive competition?

## SOME OBSERVATIONS (2)

(2) The Philippine Economy is suffering from a lack of investment - domestic as well as foreign investment.

- As Economists:

Do you see the role of a cumbersome and heavy bureaucracy and of nationalist provisions in your 1987 Constitution?

## SOME OBSERVATIONS (3)

(3) The Philippines are trailing behind all other Southeast-Asian Countries with regard to the expenditures for education and health.

As Economists:

- Do you see the impact of the extremely low tax income of the state (the rich basically do not pay much taxes)?
- And do you see the impact of the priorities of the families dominating the national administration in public spending?



## SOME OBSERVATIONS (4)

(4) Less than five percent of the Philippine Labour Force are employed in the formal sector of the Philippine Economy.

As Economists:

- Do you see the impact of a Philippine labour code and labour laws, which have international standards, but prevent the country to successfully compete with its neighbours in most sectors?
- And do you see what it means when a state has no serious law enforcement intentions like it has been the case under the former administration of President Arroyo?

## 2ND CONCLUSION

- (1) Do not look for easy solutions: it is not the State or the Administration which can create growth, only the people can do it.
- (2) But the State has to provide them with a legal and political framework, in which they are promoted and protected to work productively.
- (3) And you need a strong state to do that – against the interests of the powerful elites.

## PERSPECTIVES

The only way to achieve sustainable inclusive growth and to effectively fight poverty is through liberating the ideas and initiatives of the poor and to empower them in their fight for better living conditions.

Sustainable inclusive growth needs

1. free, educated, responsible people,
2. free markets,
3. a lean state bureaucracy,
4. consequent law enforcement, and
5. a minimum of solidarity of the citizens with the weakest parts of society.

In Germany, we call such a system a **Social Market Economy**.