

Chapter 1 : Economic history of the Philippines - Wikipedia

The following report contains the results of a series of workshops held between November to May , about the Philippine economic crisis. Learn more about the real state of the economy during the Marcos years.

The challenge to economic managers is akin to fixing an overheating car: Is the Philippine economy really overheating? How can we know that? Economic overheating is analogous to this. When an economy overheats, it means there are more goods and services produced in an economy than expected. This is typically in response to greater demand from consumers and producers, and manifested by rising inflation or accelerating prices. But how can an economy produce more goods and services than expected? Actual GDP gross domestic product measures the value of all final goods and services produced in an economy in a given period of time. Potential GDP, meanwhile, is a hypothetical concept that answers the following question: The economy churns out goods and services beyond its capacity, and prices and wages tend to rise. But if actual GDP is lower than potential, production slackens and more workers and machines become out of work. Prices and wages also tend to decline. So is the economy overheating? How do we know if the Philippine economy is overheating? Notice that in recent times, from to present, the output gap is positive yet small compared to past levels. The last time this happened was in to , in the run-up to the global financial crisis. Second, inflation $\hat{\pi}$ which measures how fast prices are rising $\hat{\pi}$ is currently at its highest in 9. However, the data belie this. The blue trend in Figure 2 shows the inflation rate if we remove commodities which typically have volatile price movements, such as rice, corn, meat, fish, vegetables, and petroleum products. Notice that this blue trend "core" inflation is rising in tandem with the orange trend "headline" inflation in recent months. This, to me, is stronger evidence of overheating. Higher world oil price and the rice crisis, despite their predominance in the news, can only explain part of rising inflation. Instead, it might be borne in larger part by unmoored inflation expectations. Third, we can also look at credit growth. When people take on more loans \hat{L} either for their businesses or for their own personal consumption car loans, housing loans, etc \hat{L} it could signal brisk economic activity. Figure 3 shows that in there was a sharp rise in total loans from universal and commercial banks. This could have triggered early red flags about overheating. Overall credit growth fell in , but rose again early this year. What you need to know This is important because the current account reflects the gap between local saving and investment. A growing current account deficit is not necessarily bad. What can government do? Combining all of the above \hat{L} a positive but small output gap, rising core inflation, swelling credit growth, and a widening current account deficit \hat{L} the Philippine economy does seem to be overheating, although the jury is still out as to its magnitude. What can government do in response? To cool down an overheating economy, the BSP could douse it by imposing higher interest rates. This policy works by dissuading people from taking on more loans \hat{L} whether for production or consumption \hat{L} thereby tempering credit growth and future economic activity. This is what exactly the BSP has been doing in the past months. After interest rate hikes in May and June 0. But large and frequent interest rate hikes \hat{L} though necessary now \hat{L} could also dampen economic growth in the future. Indeed, Figure 1 shows that episodes of overheating are typically followed by periods of slacking production. This is no coincidence: This is why we need to detect and forestall economic overheating as early as possible. We still have a long way to go. Instead, you pull over, open the hood, and let things simmer down. In like manner, the economic managers cannot just turn a blind eye to the blinking red lights and blindly push through with their pet projects, especially since some like Build, Build, Build could only stoke further overheating. His views are independent of the views of his affiliations. Follow JC on Twitter:

Chapter 2 : Analyzing The Rice Crisis in the Philippines | AEA Blog

The Global Financial Crisis (GFC) caused the collapse of large financial institutions around the world; and contributed to the failure of various businesses that led to significant downturns in economic activities. This study assesses the impact of the financial crisis on the Philippine export.

It is a politically sensitive commodity with which supply disruption causes people distress. The Philippines consumes about 33, tons of rice daily. This shows that a slight increase in the price of this commodity will greatly affect the standard of living for most Filipinos. Currently, the world is experiencing a global food crisis. There has been an increase in demand for rice all over the world especially in China, Africa, the Middle East and India. To offset the increase in price, the top exporting countries of rice have reduced their exports significantly to keep domestic prices low and to counter inflation. But why does an agricultural nation like the Philippines import rice? Onofre Corpuz provides us some background on shortages and crises regarding rice. Based on this article, the Philippines has been importing rice since the Spanish era. This article by Dr. Cruz seems to tell us that our notion that the Philippines is a top exporter of rice is incorrect. Also, the reasons for the rice crisis before are more or less similar to what we are already encountering today. He attributes the recurrent rice shortages to the following: In addition to these, he also blames the practice of idleness during the Spanish era. The Philippines has intrinsic disadvantages in the production of rice. First, the country lacks water sources for its cultivation. Unlike our neighboring countries, their agricultural lands are situated near flowing bodies of water. Furthermore, the Philippine agricultural lands are scattered all over the country on different islands. This means that transportation, cultivation, maintenance and production are quite expensive because economies of scale hardly arises from a disjointed production process. Another reason for the rice crisis is government negligence. The government could improve market outcomes. However, with wrong intervention and mishandling, the matter could become even worse. This negligence is evident in the high-cost of domestic rice production compared to out neighboring countries. Our country has more or less 4 million hectares utilized for rice production. We cultivate about 3 metric tons of rice per hectare. Based on this given data, the principle of comparative advantage begins to set in. We could conclude that if production of rice is cheaper in neighboring countries, then importation of rice is indeed an economically wise decision. However, an implication of such dependence on rice importation makes us very susceptible to global crises like the one we are currently experiencing. The reason why no serious damage relative to other countries involved is felt by the Filipinos is that most of our daily consumption is being produced inside the country. A much seemingly feasible action that the government must undertake, is to make the production of rice less costly by enhancing its production process. Aside from its failure to lower the cost of production, another sign of government negligence comes into mind when we talk about the failure of the NFA to procure large amounts of rice. The primary function of the NFA is to ensure food security and stable rice prices and supply through diverse strategies such as the procurement of rice supplies, thereby gaining significant influence over the market price. Another government failure is the ill-action of subsidizing bio-fuel crops. The subsidized bio-fuel program of most countries in the world, including the Philippines, has lead to a decrease in agricultural land allotted for wheat, rice and other agricultural crops. To add to the long list of government blunders is its failure to impede conversion of arable land to industrial centers, parks and offices. Even though the economic gains we get from these sectors are substantial, the arable lands suitable for agriculture is very scarce. Moreover, there are idle lands in the country that are not being developed. And making matters even worse is government corruption, which has already seeped through the system. First among these, are the skyrocketing crude oil prices in the world market. One notable consequence of this is that it makes fertilizers and other input materials in the production of rice much more expensive. Another is that it also contributes to the increase in the price of rice since transportation is a cost incurred by suppliers. Besides rising crude oil prices, another factor which contributes to the aggravation of this crisis is global warming. This poses a much serious problem in the Philippines where agricultural lands lack abundant water sources. Other things to be considered are natural calamities such as flood and drought which also contribute to lesser food crop yield. Of all the rice shortage

causes that are beyond the control of the Philippine government, probably the most detrimental is overpopulation. The average growth rate during the years was 2. Clearly, if such trends continue, it would be hard for the Philippines to lessen its dependence on rice imports because its production of rice grows at a rate much lower than the rate at which its population is growing. There is no denying that today, the world is facing a global shortage in rice and other agricultural products such as wheat. Among the 36 countries named by the United Nations Food and Agriculture Organizations that are experiencing rice shortage, the Philippines is not included. Does this mean that we are not suffering the so-called rice shortage? Therefore, no rice shortage threatens the country. This situation, of course, is only short-term and it cannot be ascertained whether next year, our country would be as fortunate. But a major factor that exaggerates the current crisis, is the hyped reaction of both producers and consumers to this artificial rice shortage. Because the media makes too much of a big deal out of this crisis, consumers tend to panic-buy while producers hoard their supplies. Thus, the interaction of both increase in demand by the consumers and decrease in supply caused by the hoarding of suppliers raise the market price of rice disproportionately. This is why the price of rice is very high even if there is actually no shortage. In basic economic courses, shortages could be eliminated by increasing price up to a point where quantity demanded equals quantity supplied. This is exactly why in the Philippine market, the price of rice increases in order to meet its demand. There are long lines in NFA stores because they sell subsidized rice. Naturally, the price of rice should go down since supply is augmented. However, this is not what is happening. The government imports rice, which is what they have been doing ever since, and sells it at a much lower price. Therefore, the main problem that the Philippines is really facing is the abrupt price increase in rice, not a shortage of supply, which is caused by the interplay of all the factors mentioned earlier. Thus, there is no point for either the consumers or the producers to deviate from their usual economic activities. The media can also contribute by not overstating the issue. For the Filipino consumers, the implication is quite serious. The effect of large price increases of rice for the Filipinos is a lower standard of living because the more they spend on rice alone, the less they could afford other necessities of life. It follows then that significant increases in the price of rice translate into higher inflation and thus makes general consumer welfare drop. If the crisis is not solved immediately, experts predict long-term inflation for the Philippines. After all, large increases in the price give them greater incentive to produce and earn more. However, this is far from reality. Because they are not the ones that dictate prices, they are at a losing end here. Their profits do not equate to what the classroom demand and supply mechanism tells us because they sell their yield at prices dictated by traders that, more often than not, take advantage by lowering their buying prices. In the short-term, the importation of rice from other countries is one proper way to address this problem. Flooding the market with more supply of rice, provided the amount is significant, could influence the market price to some degree. The NFA serves its purpose indirectly through a subsidized system of buying imported rice and selling it cheap. The government, in accordance to this proposal, could encourage restaurants and fast-food chains to implement the half-cup rice servings for every meal which is already in effect in many establishments. Also, the government should have a keen eye on unscrupulous hoarders of rice supply, and render their activities unlawful and detrimental to the economy. Furthermore, the consumers are advised to calm down and be rational in dealing with the current crisis. Panic-buying would just worsen the current situation because the shortage crisis which the world is facing, although certainly relevant, is not yet evident in our country. One of these must be aimed at revolutionizing the production process and lessening the cost of production. The 1 billion peso budget granted by President Arroyo for research would surely benefit this purpose. Aside from that, agricultural education for farmers and improvement of irrigation and transport systems are other strategies that could be pursued. In addition to these, agriculture-related technology should be developed so as to increase the quality of rice. A study indicates that the Philippines has the least developed methods of production. While neighboring countries have shifted to advanced methods of production using high-technology capital, the Philippines still depends on carabaos. Lastly, the government can certainly end this rice conundrum if it puts the conversion of arable lands into industrial centers to a halt. Bibliography Arze Glipo, V. Trade Liberalization in the Philippine Rice Sector. Retrieved April 5, , from [http: Philippine CPI hits 3-year-high in April](http://Philippine CPI hits 3-year-high in April). Retrieved May 07, , from China Economic. Retrieved May 05, , from the Phillippines:

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Chapter 3 : Philippines Economic Update April

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The financial crisis hit us last July and there are no signs of recovery. But, so far, the crisis has not been as devastating as in Thailand, Indonesia and South Korea. I am surprised to learn that our GNP growth rate was 5. Even the IMF is surprised. It is a drop from the 7. But I doubt if this can be sustained. How has the Ramos government responded? Instead of taking measures to protect our economy like Mahathir has done in Malaysia, Ramos is speeding up the pace of deregulation. Until recently, he kept assuring the Filipino people that "our economic fundamentals are sound", that the Asian financial crisis is a temporary consequence of the transition from protectionism to a free-market economy. Two weeks ago, however, a resourceful journalist got hold of a secret memorandum from the director-general of the National Economic Development Authority. The memorandum urged the president to tell the truth about the economy and that people should prepare for worse. Heeding the advice of his top technocrat, Ramos reluctantly admitted that our economic fundamentals may not be sound after all, yet he has done nothing to reverse or slow down the implementation of IMF-imposed structural reforms. Does the Filipino ruling class agree with this response? It is seldom united on any major issue. The native capitalists, who benefited from protectionism, have always opposed liberalisation. Their opposition slackened as the economy surged in the last five years. Now they are having a second wind; they are getting more aggressive in their campaigning for the restoration of import and exchange controls. How is the crisis affecting ordinary people? The prices of basic commodities are rising. Some companies are retrenching and a few stand at the edge of bankruptcy. But the impact is not yet as painful as in Indonesia and Thailand. No bank has closed down, although five are tottering due to overexposure in real estate. Distributors of motor vehicles and imported appliances are even offering generous discounts. They want to dispose of their old inventories to pay their debts before the peso sinks further. Since the Supreme Court declared the oil deregulation law unconstitutional, oil cartels are unable to arbitrarily raise the price of oil. But Ramos is putting pressure on Congress to enact a revised oil deregulation law, minus the features which the Supreme Court deemed violated our constitution. Once the new law gives the oil cartels a free hand, the prices of all commodities are bound to shoot up. Only then will ordinary people feel the full impact of the crisis. The campaign is gaining momentum, but victory is not certain. The odds are formidable. How well placed is the left to respond to the crisis? The left has been weakened by a series of splits. As one newspaper put it, "[it] is splitting like an amoeba". The crisis would have been an opportunity for the left, but it is in no position to avail itself of that opportunity. How will this impact on the coming elections? Before the financial meltdown, all major political parties professed unbounded faith in neo-liberalism. Even the opposition promised to continue the process of deregulation and privatisation. Elections in the Philippines tend to create an artificial and short-lived boom because millions of dollars mostly ill-gotten wealth in foreign banks are brought back to finance the campaigns. This is probably one of the factors that cushion the full impact of the Asian crisis. Watch out for what happens after the elections. It brings together left-wing and other progressive forces that recognise the need to fight on the electoral front. Its program spells out an alternative to neo-liberalism. Although not avowedly socialist, its program contains a host of socialist elements. The socialist organisations within it, like BISIG, see this new party as an arena for conducting the struggle for socialism. BISIG has grown into a big organisation. When it was launched in it had chapters only in Metro Manila and Pampanga. Now we have large and very militant chapters in the Visayas and Mindanao, as well as other provinces in Luzon. In the last local elections we elected two mayors, one of them in a major city in Mindanao. BISIG-led campus parties captured the student councils at 26 universities throughout the country. There are still outstanding ideological differences between us. But we are gradually converging. We engage in common projects and hold joint mass actions. We are now exploring the feasibility of establishing one school to which the various groups may send their cadres. If we can consolidate our unity within the framework of

this party, perhaps the various political blocs, including BISIG, will gradually lose the reason for separate existence. Current issue Become a supporter.

Chapter 4 : Philippines left confronts the economic crisis | Green Left Weekly

*An Analysis of the Philippine Economic Crisis [Emmanuel S. De Dios] on racedaydvl.com *FREE* shipping on qualifying offers.*

Roy Mijares Foreword Over the past decade, attention was focused on Asia as the fastest growing region in the world. Then, in , many of these fast-growing economies, seemingly without warning, turned around and faced economic collapse as a result of financial and currency crises that spread all over Asia as well as other emerging markets in the world. One of the basic causes of the crises is that the affected currencies had pegged their exchange rates to the U. Cheap short-term foreign currency funds led to overexpansion in non-profitable plant investments as well as speculation in real estate and the stock market, leading to an asset bubble. When the bubble burst, the firms, banks and investors that relied on external borrowing could not easily repay the large stock of short-term foreign debt that was called. There were excess debt and weaknesses in the financial system. The simultaneous rush to cover foreign currency liabilities once the currencies started to depreciate exacerbated the fall in the currencies. As the currency depreciated, the real burden of the debt denominated in foreign currencies dramatically increased and led to further financial crisis for banks and firms. Devaluations in one country led to competitive devaluations and contagion across Asia. Finally, stringent IMF conditions, which were imposed in order to stabilize the exchange rate and reform the financial system, led to closures of troubled financial institutions, a tightening of credit, and high interest rates, which severely affected even the viability of previously healthy companies. In an environment with large devaluations and tightened monetary policy, interest rates increased, which further weakened financial institutions, corporate borrowing, business activity, employment and the general economy. Compared to the high growth in , GDP is expected to have declined drastically in in Indonesia from 4. Even Singapore experienced a slowdown, growing only 1. The Philippines had a El Nino, which started in the first quarter, and very bad typhoons in the fourth quarter hit the agricultural sector very hard for a Thus, if it were not for the devastating effects of the weather, growth would have been positive. Additionally, export growth may be very much understated see section II. GDP growth for is expected to range from about 2. Why was the Philippines not as badly affected as its Asian neighbors? How did conditions in the Philippines differ from its Asian neighbors? What is its future outlook?

Exchange Rates Pegged to the U. Dollar Many Asian economies had pegged their currencies to the U. However, a relatively fixed exchange rate encourages large capital inflows, and leads to nominal appreciations and overvalued currencies. As can be seen from Fig. The South Korean won appreciated against the dollar from to and in ; and the Thai baht had negligible changes since The Philippine government is also guilty of having a policy of maintaining a steady peso-dollar rate. Peso depreciations directly affect inflation and public sentiment towards government officials. Additionally, a depreciating peso increases the cost of the government in servicing its foreign currency borrowings. A pegged rate has always resulted in an overvalued peso and unsustainable current account deficits. However, after the political crisis in the s, the peso only started to stabilize in with the central bank maintaining the same policy of pegging the peso to the dollar via a dirty float , and the Philippines was able to return to the international capital markets only around While the "Asian miracle" was boosting the economies of its neighbors, which encouraged them to borrow, the Philippines was labeled "the sick man of Asia. The whole economy was falling apart, and naturally, no one would lend to the Philippines. Thus, Philippine companies could not borrow foreign currency as early as those from the other countries until the economy and currency had stabilized. Additionally, there were many veteran bankers who experienced the turmoil of the s, which made them more prudent both in their borrowings as well as lendings. Excess Debt and Profitability and Bankruptcy Exceedingly high leverage often is a symptom of excessive risk taking, and can often hide low underlying profitability. With excessively high debt ratios, capital will be insufficient to support any downturns. Much of the foreign debt of Asian companies was unhedged since hedging brings the cost up to equal or almost equal to local currency borrowing costs , and much of it was short-term since long-term debt is usually much more expensive. There were very high leverage ratios in the corporate sector. By mid, eight of the 30 largest conglomerates were bankrupt. Naturally,

high debt results in large interest expenses, which are sustainable if profits are high enough. However, in and , when profits were dropping, the proportion of interest expenses to income before interest, taxes and depreciation NBITD increased. From to , the return on assets ROA dropped from a positive 5. During the same period, Malaysia had an average ROA of 6. A Z-score above 2. The Z-score of samples of companies in general manufacturing, extractive industries, utilities, and consumer goods are shown in Fig. Interest coverage [earnings before interest, taxes and depreciation allowances EBITDA to interest expense payable] is also dangerously low for the sample companies in Thailand and South Korea. Foreign Borrowings Rapid reversals of the capital inflows occurred as domestic and international investors panicked and dumped currencies, stocks, and other regional assets. The first wave of depreciations in mid changed the relative real exchange rates and cost-competitiveness of the countries in the region. As the currencies of countries that were competing in the same world markets came under attack and depreciated sharply, the fundamental value of the other currencies that had not depreciated started to deteriorate, and come under pressure to also depreciate. Although the ratio of the total external debt to GDP in the Philippines was high, much of this was in the form of government debt to multilateral aid agencies. The currencies were vulnerable as the ratio of short-term foreign liabilities to foreign exchange reserves became quite low. Thus, the Philippine deposit system was less subject to capital flight compared to Thailand. Real Estate Bubble There was nothing fundamentally wrong with the Malaysian economy in that it did have a good manufacturing sector and there were many foreign direct investors. In Thailand, instead of going into more productive assets, excess funds were flowing into real estate and the stock market. Much of it also was funded by debt, and some of it in foreign currency. When asset prices stopped increasing, sales slowed, loans could not be repaid, and the bubble burst. Many of the real estate projects in Thailand were funded by bank loans, some of which were in foreign currency. On the other hand, the boom in real estate in the Philippines was basically due to real demand although by the middle of , there were signs of the beginning of a bubble at the high-end residential market. As the economy recovered in the early s and foreign and domestic investments increased, the central business districts CBDs of Greater Manila Makati and Ortigas began to face office shortages as well as residential shortages due to the lack of investment in real estate projects during the turmoil of the s. In June , office vacancy rates for Makati were extremely low at 0. As of September , the Makati area still had a low vacancy rate of 5. Non-performing Loans Effect on Economy There was overinvestment in excess productive capacity or low growth projects resulting in low or negative profitability. Much of these overinvestment were due to a pegged exchange rate policy that kept borrowing costs low; political pressures to increase capital accumulation to accelerate economic growth; and the low interest rates in Japan that led to large capital inflows to the higher yielding Asian countries. These investments in productive capacity could only be justified by very high growth rates, which could not continue forever. In Thailand, much of the unproductive investment went to real estate and the stock market. In South Korea, the top 30 chaebols expanded to many unrelated businesses; they had subsidiaries in total in , which went down slightly to in early In , 20 of the largest 30 conglomerates in South Korea had a rate of return on invested capital ROIC below the cost of capital. In the Philippines, the bulk of bank credits were given to productive sectors of the economy such as manufacturing. As of January , manufacturing accounted for the largest share of total loans at A survey covering the period ending December showed that the real estate lending of 21 commercial banks comprised of In Thailand, bank exposure to the real estate sector was also around the same level at 9. However, Thai finance companies had relatively higher real estate exposure. In contrast, Philippine finance companies are not significantly engaged in real estate lending. When banks are undercapitalized, have lax lending standards, and are subjected to weak supervision and regulation, they become a source of domestic and international systemic risk. Current account deficits were financed with short-term and unhedged foreign-currency denominated liabilities. These liabilities were again mismatched by longer-term domestic loans. Furthermore, short-term interbank funding is subject to financial confidence. If banks are the main or only source of financial intermediation, their breakdown dramatically weakens economic growth. In return for its bailout, the IMF insisted on closing down troubled financial institutions as well as requiring very high real interest rates to stabilize the currency, which often created a general panic among domestic and international depositors, lenders, and investors in the country. With very high interest

rates, previously healthy companies but had high debt were now losing money. Additionally, even loans to companies with sales orders were cut; since these companies could not process orders without funds for working capital, more companies started to face insolvency. As bad loans increased, the banks themselves began to face insolvency risk, as other domestic and foreign banks cut or reduced their credit lines, continuing the vicious circle of panic, illiquidity, and insolvency. One can easily see the effect of the Japanese banking crisis on its economy. One can see the devastating effect of the closure of a major bank in Hokkaido on the local economy. In the Philippines, since the start of the crisis, only one medium-sized bank was recommended to be closed in October, while two small regional banks were closed earlier. The main reason that the Philippines was more resilient to the Asian crisis compared to its Asian neighbors was due to its stronger financial system; thus available credit was not reduced to the extent as its neighbors. Compared to the others, most of the loans in the Philippine banks were made to the more productive sectors of the economy such as manufacturing. Its loans to the real estate sector were relatively smaller, and the growth in real estate investment was basically due to real demand. As these ratings show, Philippine banks in general are more stable than those in Malaysia, South Korea, Thailand, and Indonesia. Exports One major sector that is supporting the Philippine economy is exports, which accounts for about half of GDP. In 1997, merchandise exports grew 1.5%. In 1998, while the merchandise export growth of the other countries turned negative, that of the Philippines still grew, although at a slower rate of 0.5%. In terms of constant peso prices, however, merchandise exports grew only 3%. The writer believes that this is very much understated and may be one result of having a base year that is 13 years old. Thus, stronger trading ties with the United States, combined with strong economic growth in the United States, had compensated for the declines in exports to Asia. In the same year, for Indonesia, it was -1.5%. This positive figure for net factor income is due to the remittances of overseas Filipino contract workers as well as migrants, mostly living in the United States. In 1997, there were about 1.5 million Filipino contract workers deployed overseas.

Chapter 5 : Lessons for the Philippines from the US financial crisis | East Asia Forum

An Analysis of the Decline of the World Market to the Philippine Economy It was but a deafening thunder when the world experienced the Global Economic Crisis.

Most of the immediate efforts of the Aquino administration was directed in reforming the image of the country and paying off all debts, including those that some governments were ready to write-off, as possible. This resulted in budget cuts and further aggravated the plight of the lower class because the jobs offered to them by the government was now gone. Infrastructure projects, including repairs, were halted in secluded provinces turning concrete roads into asphalt. Privatization of many government corporations, most catering utilities, was the priority of the Aquino administration which led to massive lay-offs and inflation. The Aquino administration however, was persistent in its belief that the problems were caused by the previous administration. Growth gradually began in the next few years of the administration. Somehow, there was still a short-lived, patchy, and erratic recovery from to as the political situation stabilized a bit. With this, the peso became more competitive, confidence of investors was gradually regained, positive movements in terms of trade were realized, and regional growth gradually strengthened. There were other key events in the administration that affected the economy. This approach, which also proved important in regaining the confidence of investors, whether domestic or foreign, was definitely unthinkable during the Marcos era. The administration was also characterized by the rescheduling and management of international debts, an exhibition perhaps of the fact that other external entities also sympathized with what happened to the Philippines and also allowed the Philippines to get back on track before anything else. Development in this administration, however, was slightly bothered by some unforeseen circumstances such as organized coups by the Reformed Armed Forces Movement in Negosyo, Mindanao also stalled development along with the coup attempts. The Philippines was also hit by the oil price hike effects of the Gulf War. Pressure on government spending and safety nets was intensified as natural calamities like earthquakes and the eruption of Mt. Pinatubo plagued the country, just as if the daily brownouts were not bad enough. One of the most important policies of the administration is the launching of the Comprehensive Agrarian Reform Program in June , which involved the acquisition and redistribution of all agricultural lands within a time frame of 10 years. So far, the law has already had numerous accomplishments since it was actually passed. There were setbacks, however, in the overall implementation of this reform program such as the Garchitorena scandal tainting the Department of Agrarian Reform DAR and supposedly exposing inefficiencies in the government bureaucracy. Another important breakthrough involved in the program was the fact that the program was also seen as a way to address poverty and equity issues. Also important in the administration were the trade reforms. The trade reforms pushed by the administration were those that improved export growth and foreign trade through the abolishing of export taxes, the gradual liberalization of imports, and the imposition of an anti-export bias ideal. Tariff rates were also eventually reduced to encourage more foreign trade. As for industry dispersal and regional growth, the administration conceptualized and enforced the Local Government Code of which increased the autonomy and development of Local Government Units through decentralization. It was during this administration when the Bangko Sentral ng Pilipinas was established, and this administration was also when the Philippines joined the World Trade Organization and other free trade associations such as the APEC. During the administration, debt reduction was also put into consideration and as such, the issuance of certain government bonds called Brady Bonds also came to fruition in Key negotiations with conflicting forces in Mindanao actually became more successful during the administration, which also highlighted the great role and contributions of Jose Almonte as the key adviser of this liberal administration. By the time Ramos succeeded Corazon Aquino in , the Philippine economy was already burdened with a heavy budget deficit. This was largely the result of austerity measures imposed by a standard credit arrangement with the International Monetary Fund and the destruction caused by natural disasters such as the eruption of Mt. Hence, according to Canlas, pump priming through government spending was immediately ruled out due to the deficit. Ramos therefore resorted to institutional changes through structural

policy reforms, of which included privatization and deregulation. He sanctioned the formation of the Legislative-Executive Development Advisory Council LEDAC, which served as a forum for consensus building, on the part of the Executive and the Legislative branches, on important bills on economic policy reform measures⁴. The daily brownouts that plagued the economy were also addressed through the enactment of policies that placed guaranteed rates. The economy during the first year of Ramos administration suffered from severe power shortage, with frequent brownouts, each lasting from 8 to 12 hours. Twenty power plants were built because of these, and in effect, the administration was able to eliminate the power shortage problems in December and sustained economic growth for some time. However, the Asian Crisis contagion which started from Thailand and Korea started affecting the Philippines. This prompted the Philippine economy to plunge into continuous devaluation and very risky ventures, resulting in property busts and a negative growth rate. The remarkable feat of the administration, however, was that it was able to withstand the contagion effect of the Asian Crisis better than anybody else in the neighboring countries. Most important in the administration was that it made clear the important tenets of reform, which included economic liberalization, stronger institutional foundations for development, redistribution, and political reform. The liberalization and opening of the capital opening culminated in full-peso convertibility in 1993. For fiscal policy, on the other hand, the administration worked on bills to expand the scope of VAT. There was even a budget surplus in the years to due to the effective tax-enhancement program by the administration. This administration, however, would also have some contributions to welfare. Farmers had insufficient funding for rural infrastructure and support services while real estate developers agreed on better deals. In the end, the Philippine economy under the Ramos administration gained recognition in breaking out of its deficit-laden stature in Asia. Aside from this, it was also during his administration that allowed for the escape of the Philippine economy from recession, during the Asian Financial Crisis, unlike its Asian neighbors like Thailand, South Korea and Indonesia. His reforms have brought gains, broad spillover effects on the rest of the economy and possible positive long-term effects on economic growth. Surely, it is of no doubt that Ramos is commendable to have established strong political leadership that was mandatory in handling the reforms, prior to the weak state of the economy he inherited. And instead of adjustments happening, people saw further deterioration and hopelessness that better things can happen. Targeted revenues were not reached, implementation of policies became very slow, and fiscal adjustments were not efficiently conceptualized and implemented. All those disasters caused by numerous mistakes were made worse by the sudden entrance of the Jueteng controversy, which gave rise to the succeeding EDSA Revolutions. Despite all these controversies, the administration still had some meaningful and profound policies to applaud. The administration presents a reprise of the population policy, which involved the assisting of married couples to achieve their fertility goals, reduce unwanted fertility and match their unmet need for contraception. The administration also pushed for budget appropriations for family planning and contraceptives, an effort that was eventually stopped due to the fact that the church condemned it. The Estrada administration also had limited contributions to Agrarian Reform, perhaps spurred by the acknowledgement that indeed, Agrarian Reform can also address poverty and inequitable control over resources. In 2001, however, fiscal deficits grew and grew as tax collections fell, perhaps due to rampant and wide scale tax avoidance and tax evasion incidences. This boosted fiscal policy confidence and brought the economy back on track once again. Soon afterwards, political instability afflicted the country and the economy anew with Abu Sayyaf terrors intensifying. Due however to the support of local leaders and the majority of the House of Representatives, political stability was restored and threats to the administration were quelled and subdued. Towards the end of the administration, high inflation rates for rice and oil in started to plague the country anew, and this led to another fiscal crisis, which actually came along with the major recession that the United States and the rest of the world were actually experiencing. The important policies of the Arroyo administration highlighted the importance of regional development, tourism, and foreign investments into the country. Therefore, apart from the enactment and establishment of the E-VAT policy to address the worsening fiscal deficits, the administration also pushed for regional development studies in order to address certain regional issues such as disparities in regional per capita income and the effects of commercial communities on rural growth. To further improve tourism, the administration launched the policy

touching on Holiday Economics, which involves the changing of days in which we would celebrate certain holidays. Indeed, through the Holiday Economics approach, investments and tourism really improved. As for investment, the Arroyo administration would normally go through lots of trips to other countries in order to encourage foreign investments for the betterment of the Philippine economy and its development. Benigno Aquino III administration[edit] The Philippines consistently coined as one of the Newly Industrialized Countries has had a fair gain during the latter years under the Arroyo Presidency to the current administration. According to the World Wealth Report, the Philippines was the fastest growing economy in the world in with a GDP growth of 7. Also the disruption of the flow of imports for raw material from floods in Thailand and the tsunami in Japan have affected the manufacturing sector in the same year. Please improve it by verifying the claims made and adding inline citations. Statements consisting only of original research should be removed. Thus, an issue for the economy today is to keep these determinants and factors in check. The determinants that countries have to keep in check would include physical infrastructure, demographics, population, geography, political and social stability, and investment atmosphere, among others. Now a question to raise here is how is the Philippines actually doing when it comes to these determinants? The Philippines is falling behind neighbors when it comes to physical infrastructure. Population, on the other hand, definitely has to be checked out. As of this moment in time, it seems as if the population is starting to become a slight puzzle to development and thus, issues directed towards population, such as the RH Bill issue, need to be resolved quickly. Moreover, aside from labor, the economy and institutions really have to start looking for more productive uses of population, or maybe ways in which population growth can be made to synch with economic growth. Population growth is also higher in the Philippines than in any of the neighboring countries so maximization of such a development can be of great help. Meanwhile, when it comes to the environment and natural resources, the Philippines continues to be plagued by the degradation and loss of precious natural resources. So aside from some explicit policies for environmental development and preservation such as the Clean Air Act and policies that regulate the waste materials of factories, the economy and the institutions should continue to address the problems faced by natural resources. Political and social stability are also important in maintaining sustainable development. Elections and competent leadership have to be kept organized and consistent with the kind of political organization that serves as a good premise for development. Legal and judicial processes have to undergo reform and the systems must become quicker this time. Consistency of policies is also an important thing to observe in the future because it seems that in the past administrations, many inconsistencies, most especially when it comes to economic policies, actually come into the picture as regimes change. Conflicts with Mindanao also have to be resolved once and for all. One more major concern plaguing the country is the investment atmosphere prevalent in the country. Aside from the already mentioned underinvestment in infrastructure, some more investment issues that need to be addressed include the attention that must be given to corporate governance and the stock market and the protections that have to be developed for investments and property rights. The investment environment is still shaky, perhaps also because of the quality of government in the Philippines. Perhaps it is clear that the country and the institutions need to push for improved quality of governance for the betterment of the investment atmosphere in the country. Poverty alleviation and economics with heart[edit] Generally, during the period in question, roughly a third of the population of the Philippines was below what is called the Threshold Family Income TFI. Even until now, this continues to be true. Villegas presented that in , poverty incidence hit Things became a bit better in , with poverty incidence dropping to Until now, the distribution of wealth in the country is still inequitable, and the lowering of poverty incidence does not mean that it is really low enough to serve as a premise for development. And even though poverty incidence keeps on getting lower and lower, other crucial welfare factors, such as education, are still left unanswered. Malnutrition, low life expectancy, substandard housing, and child labor are still rampant even today, and there is this clear need for food and nutrition, health, education, housing, utility improvements, just so the poor families can have better grasps of subsistence. Villegas enumerated some measures or ways to address poverty. Aside from these of course can come the provision of basic needs and the enactment of macroeconomic adjustments directed towards the development of the poor. Safety nets and other adjustment programs can also help.

Chapter 6 : [ANALYSIS] Is the Philippine economy overheating?

A number of economists here and abroad have warned that the Philippine economy might already be "overheating." For example, the IMF (International Monetary Fund), the World Bank, the AMRO (ASEAN+3).

Chapter 7 : Philippine Resiliency to the Asian Financial Crises

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