Column for Business Mirror
MANNY VILLAR
November 21, 2011

The Entrepreneur

Chasing GDP: Leadership Scorecard

A SURVEY conducted by 60 Minutes and Vanity Fair on September 29 and October 2, 2011, showed that former President Ronald Reagan was the kind of president most Americans wanted to see at the White House amid the current economic difficulties in the United States.

According to the poll, 36 percent of the respondents said they wanted Reagan, who died in 2004, to lead the US out of the economic crisis, beating the late President Franklin Delano Roosevelt, who was picked by 29 percent of the respondents.

The survey reports did not provide the reasons behind the respondents' choice, but I believe they still remembered the performance of the US economy during Reagan's two-term presidency compared with the present situation.

The US economy grew by 3.0 percent in terms of gross domestic product (GDP) in 2010, a turnaround from the contraction by 0.337 percent in 2008 and 3.486 percent in 2009, when the US suffered its latest recession.

When Reagan was first elected on November 4, 1980 (at 69, the oldest man ever to be elected US president and broke his own record with his reelection on November 6, 1984, at age 73), the US was also in recession.

The 16-month recession in 1981 and 1982 was the longest on record for the US since World War II until the 18-month contraction in 2007-2009.

On the other hand, the 7.2-percent GDP growth rate in 1984 (under Reagan) was the highest since 1959.

From 1981 through 1988 (Reagan's second term), annual GDP growth averaged 3.4 percent. In comparison, the GDP grew by an average of just 1.82 percent from 2000 through 2009.

By 1989, Reagan's last year in office, the GDP was at $5.48 trillion, almost twice the size before he was first elected president.

The Reagan years also saw inflation slowing down from more than 13 percent in 1980 down to 4 percent in 1988. Reagan implemented sweeping economic initiatives, which became known as "Reaganomics," advocating reduced tax rates to stimulate economic growth, controlling the money supply to reduce inflation and deregulating the economy to boost investments, among other things.

He also initiated one of America's first public-private partnerships (so PPP is not an original idea from the Philippines) as a major part of his job-creation program (16 million new jobs were created during the Reagan presidency).

I decided to cite the recent survey by the two US poll entities and briefly recalled the performance of the US economy during Reagan as a fitting conclusion to this series of articles on the GDP and its relevance on the two major issues (investments and the poverty problem) that have, for many years, challenged Filipinos and the Philippine economy.

Actually, I believe the GDP is also related to a third issue: corruption. In my previous column I cited the simple equation between the GDP and poverty. Low GDP growth creates more poor people; conversely, high GDP growth reduces poverty.

Viewed from another perspective, if the drive against corruption results in underspending and, therefore, low GDP growth, then poverty will increase, which I believe creates a favorable environment for corruption. The less resources a person (including a government employee) has, the easier it is for him to succumb to the offer of bribe or to the opportunity to make a quick buck.

Thus, it exacerbates the corruption problem and negates the very objective of the drive against corruption. And, if high GDP growth is the ultimate solution to poverty, it is also the most effective and permanent solution to corruption.

Based on what I have discussed for the past three weeks, as well as the reference to President Reagan, the GDP is the scorecard of a country's Chief Executive.

I like to think that Reagan became popular to many Americans for what he did to the US economy, because they benefited from the jobs he generated, the investments he attracted, and the stable inflation that he made possible.

The GDP numbers are like the grades that students receive, based on their performance in school. At the end of a president's term, the GDP shows whether, like a student, he passes or fails, or whether he graduates with honors or flunks the course.

The big difference is that a student's grades affect only him or his family, while the GDP scorecard affects not just a leader and his political career, but his country and millions of his countrymen.

You may send your comments/feedback to mbv_secretariat@yahoo.com.

LINK:

http://www.businessmirror.com.ph/home/opinion/19630-chasing-gdp-leadership-scorecard