

Column for Business Mirror
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The Entrepreneur

Chasing GDP: Ultimate solution to poverty

THE results of the latest survey of the Social Weather Stations (SWS) on hunger are disturbing, although not really surprising: about 4.3 million families (that's 21.5 million people based on five members per family) experienced involuntary hunger at least once in the three months prior to September 4-7, when the survey interviews were conducted.

What is more disturbing is the rise in the hunger rate: 6.4 percentage points, from 15.1 percent or 3.0 million families in June 2011. So more than 430,000 families (or more than 2.1 million people) joined the ranks of the hungry every month from June to September.

SWS traced the rise in the national hunger rate to the large increases in Metro Manila and the rest of Luzon.

In Metro Manila, the hunger rate went up from 13.0 percent (about 366,000 families) in June to 23.0 percent (estimated 647,000 families in September).

In the rest of Luzon, overall hunger rose by 18.6 percent, from 9.7 percent (estimated 845,000 families in June to a record-high 28.3 percent or 2.5 million families) in September. It surpassed the previous record of 25.0 percent (estimated 2.2 million families) in March 2011 for Luzon (excluding Metro Manila).

The survey results reflect our persistent poverty problem. The latest official figure for poverty incidence is 26.5 percent of the population in 2009, or 24.44 million of the estimated 92.23 million population of the Philippines during that year.

Even assuming that the poverty rate stayed on the same level in 2010, the number of Filipinos living in poverty would still have gone up to 24.91 million based on the estimated population of 94.01 million last year.

The increase in the number of Filipinos going hungry is somewhat puzzling in light of the billions (P21 billion for 2011 and P39 billion for 2012) being spent for conditional-cash transfer, which is precisely to ensure that people eat three square meals a day.

The CCT is also supposed to stimulate economic activity, so I am also puzzled by its failure to make a dent on the weakening growth, from 7.6 percent in 2010 to 4.6 percent in the first quarter of 2011 and 3.4 percent in the second quarter. It's either the economy would have been worse if there was no CCT program, or the program did not have any impact on the economy.

But I don't want to dwell on this. In fairness, I leave it to our economic planners and managers to review the program in relation to the economy, in addition, of course, to the poverty and hunger incidence.

The poverty problem that has plagued our country and our people for so many years is much too big to be solved by the billions that are being doled out every year, and so pervasive to be eliminated in the five years that the CCT program is being implemented.

In my view, the ultimate solution to poverty is high gross domestic product (GDP) or economic growth. The simplistic equation is that a low GDP growth creates more poor people and increases the poverty level. Conversely, a high GDP growth reduces the poverty level. I believe this equation can be applied to the results of the SWS surveys

on hunger vis-à-vis the performance of the economy. As I said earlier, GDP growth had slowed down from 7.6 percent in 2010 to an average of 4.0 percent for the first semester of 2011.

That coincides with the increase in the number of people that went hungry (or poorer) during the same period, as per the SWS surveys.

So let us not lose sight of the most important indicator of how we are moving toward reducing or eliminating poverty: it is the expansion of the economy that will create wealth.

Once the wealth is created, it is the responsibility of the government to spread the benefits to the most number of people. This can be done by refining the focus of stimulating economic growth to put emphasis on industries that provide more employment, which, in turn, would help narrow the gap between the rich and the poor.

The CCT is a good program, but let us not forget that it is a short-term measure, perhaps a necessary palliative to fill an immediate and urgent need.

It should never lull us into thinking that when families receive a few thousand pesos a month they are automatically out of the poverty trap. Instead, the program buys the government some time to undertake long-term measures to provide regular and adequate income to poor families. The worsening situation in the global economy—the continuing uncertainties in the US economy and the crisis in the euro zone—will continue to dim the growth prospects for the Philippine economy.

I believe it is time to be more aggressive in pushing growth in the domestic economy to offset the impact of the global slowdown. Prudence is a virtue, but it doesn't have to be a barrier to economic growth, which is becoming a matter of life and death for many Filipinos.

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