

Column for Manila Bulletin
MANNY VILLAR
November 15, 2011

Of Trees and Forest

Simple Equation

MANILA, Philippines — The current socioeconomic conditions and recent developments underscore the relationship between economic growth as expressed in terms of Gross Domestic Product (GDP) and the Philippines' 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.

If we assume that the poverty rate remained at 26.5 percent, the number of Filipinos living below the poverty threshold of a dollar a day would still have gone up to 24.91 million based on the estimated population of 94.01 million last year.

A more current indication of the extent of the poverty problem is the third quarter survey conducted by the Social Weather Stations last September 4-7, 2011. SWS found the proportion of families experiencing involuntary hunger at least once in the past three months at 21.5%, or an estimated 4.3 million families. That's a 6.4-point bounce from 15.1% (estimated 3.0 million families) in June 2011. The measure of hunger refers to involuntary suffering because the respondents answer a survey question that specifies hunger due to lack of anything to eat.

The survey firm attributes the rise in the hunger rate to the large increases in Metro Manila and in the areas of Luzon.

Overall hunger climbed by 10.0 points in Metro Manila, from 13.0% (estimated 366,000 families) in the June survey to 23.0% (estimated 647,000 families) in September. In the remaining areas in Luzon, overall hunger rose by 18.6 points, from 9.7% (estimated 845,000 families) in June 2011 to a record-high 28.3% (estimated 2.5 million families) in September 2011. It surpassed the previous record of 25.0% (estimated 2.2 million families) in March 2011 for this area.

The problem persists despite the anti-poverty measures being implemented by the government, particularly the conditional cash transfer (CCT) program. The national budget for 2011 appropriated P21 billion for the program. The amount is being raised to P39 billion under the proposed budget for 2012.

There must be another reason, which should point to a better solution, behind the poverty problem.

A speech delivered by International Monetary Fund Managing Director Christine Lagarde at the International Finance Forum in Beijing on November 8 raised a good point. She noted that China's GDP was growing by an average of 10 percent a year. At the same time, China pulled half a billion people out of poverty over the past three decades.

Here in the Philippines, our GDP growth has been slowing down – from the record 7.6 percent in 2010 to 4.6 percent in the first quarter of 2011 to 3.4 percent in the second quarter.

Based on the first-semester performance, the government has lowered its GDP growth target for the whole year to between 5 and 6 percent, from the earlier estimated of 7 to 8 percent. I doubt if the lower target will be reached given the uncertainties in the global economy, which is adversely affecting our exports.

My point is that there's a direct correlation between GDP growth and poverty. Actually, it's a simple equation: low GDP growth means more people losing jobs or finding employment, which in turn creates more poor people and therefore increases the poverty level.

Conversely, higher GDP growth creates more livelihood and employment opportunities and, therefore, reduces poverty.

Conclusion: the ultimate solution to poverty is high economic growth. Even economists agree that the Philippines needs to grow consistently by 7 percent or higher a year to bring the benefits of growth to the poor majority. China has already proven that.

The CCT program is a good measure but let us not forget that it is a short-term response to a problem. And that the most important indicator of the success or failure of anti-poverty measures is the expansion of the economy that will create wealth.

Once the wealth is created, it is now the responsibility of the government to spread the benefits to the most number of people, which will narrow the gap between the rich and the poor.

This can be achieved by focusing on industries that provide more employment or programs that encourage people to become entrepreneurs.

(Please send comments, feedback to mbv_secretariat@yahoo.com)

LINK:

<http://www.mb.com.ph/articles/341433/simple-equation>