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The Political Economy of Neoliberalism in the Philippines: The Aquino Regime

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What is the state of the Philippine economy?

High economic growth driven by investors in the business process outsourcing, creating demands for office space in urban areas, increasing rental rates, and escalating land prices in highly-urbanized areas. But at the same time, massive backlog of housing for the middle class families, and poor families.

Control of the economy by the same elite people under principles of free market, changing old hands to new hands, and back again, by way of insider dealing. The privatization program was controlled by moneyed elite people, instead of giving it to the public by way of issuing stock shares to be sold to the public, as alternative financial investments.

Banking cartel still dictates the real interest rates with high spreads between savings deposit and lending interest rates. The central bank's indicative interests are low, but the spread is still high. Cost of banking operations are low, given the state of wages of banking employees.

Insurance cartel –runaway insurance scams and fly-by-night operators, with regulators conniving with the insurance companies giving way to collapse of insurance companies such as CAP, Legacy group, Family First, as pre-need insurance companies, not entirely classified as insurance company, thereby giving a loophole in the regulated industry, which becomes an unregulated one.

Stock Exchange cartel- the concentration of funds and resources among old families controlling the economy. The electronic exchange system is still not accessible to most small investors, or the public, and has to pass through securities firms who have seats at the Exchange. Today, it now has Philippine Dealing Systems and Exchange Corp with 3 subsidiaries. However, the open trading for commodities has not yet been established. This is a fact that has not been resolved yet. Furthermore, there is a monopoly of securities depository system organized under it.

Overall effect of the control of the economy results to victimization of the public to scams such as pyramiding, or Ponzi scheme, lately by Amana company in Southern Mindanao, which have largely not been penetrated by financial services companies.

The lack of financial mechanisms to support tribal lands has also been the perennial problem between the state and the tribal communities. Mining and logging companies are given licenses to exploit tribal lands with impunity resulting to environmental degradation, and depravity for tribal communities, and ultimately, migration to urban areas.

Another case is the possible displacement of more than 30,000 Dumagat community in Aurora where a planned 12, 000 hectare, economic and free trade zone has started construction since 2006, and the government corporation, Aurora Pacific Economic Zone and Freeport Authority (APECO) has served notices of eviction.

Majority of politicians are coming from Political Dynasties which provides the framework for protection of landed and financial based economic interests in the House of Representatives, and the Senate, numbering more than half of them as members of political dynasties.

Promoting political dynasties in the regions is controlling local economies in such areas as rice, coconut, meat and poultry products. Commodities has been left to the control of big companies, dictating basic prices such as refined petroleum products, despite its liberalization. The National Petroleum Exchange has not yet been passed. The Freedom of Information Act has not been passed, giving access to the matters of public interests.

What is the effect of the high growth rate in the rural areas? Most of the rural areas are neglected since rapid urbanization are taking place within the regime of neoliberalism, which provide emphasis on rural-urban migration as factories are encouraged to locate in the periphery of the cities.

How about policies that is geared to promote equality.

Conditional cash transfer program – largely a dole out to help the poorest among the poor, and yet the program has not helped the poorest of the poor.

Concentration of economic leverage controls creates lopsided alternative cash mechanisms for the poor such as localized gambling, and investment scams perpetrated by unregulated small financial economies operating outside the normal financial marketing schemes.

Alternative Economic Policies:

Efficient distribution of financial resources of the country is the main goal in order to create and stimulate effective demand.

If savings ultimately becomes the basis for investment ($S=I$), clearly this does not show in the economic data. Investments has been largely coming from foreign investments in the hotel and tourism sector. Portfolio managers has been buying peso as it has appreciated considerably, and the buoyant stock market fed by foreign portfolio managers wanting to diversify, and catch on to the 2nd fastest growing economy in the Asia-Pacific, second only to China.

Solutions:

Creation of small and medium enterprise exchange

Creation of commodities exchange

Creation of Insurance exchange

Support training of financial agents by establishing free and basic courses in accounting, and financial products.

If free market will truly be effective, there should be free market structures that will harness the financial resources of the market, and thereby effectively create an efficient distribution of resources, increasing income distribution, and high productivity rates for financial products to the public.

This is lacking in the Philippines.