Amanda Tam

TUL560

Dr. Viv Grigg

Summer 2014

Issues Affecting Local Economies in the Philippines

Economic systems are complex structures that are difficult to know inside and out due to their multidimensional components, yet it is so crucial to better understand them in the study of poverty reduction and development. Economic issues go much deeper than simply financial matters as they are linked with many different facets of a country. This paper will review and discuss issues of culture, migration, occupation, and societal structures within the Philippines and how these national and international systems affect local economies within the country.

 In January of this year, I attended a seminar at the University of the Philippines on the works of F. Landa Jocano, and the discussion revolved around the importance for Filipinos to fall in love with their own culture and how important it is for Filipinos to not view their culture and country as inferior to Western nations. F. Jocano Jr. stated that Filipinos often view imported goods as superior to their own products, and he provided the example of how Toblerone chocolate is viewed as much better than the locally produced Goya chocolate. This idea provides some excellent food for thought- *“How often are products from the Philippines regarded as high quality, especially by Filipinos?”* Culture may not appear to be of utmost significance when discussing economics, but I believe that it is strongly interconnected with the economic systems of the nation and affects its relations with and perceptions by other nations around the world. How we view our nation and ourselves affects our opinions of everyone and everything else that comes into contact with it.

 This idea of how culture ties in with a nation’s economy parallels Jane Jacobs’ (1984) argument of how important it is for imported goods to be replaced with locally made goods in order to become more sustainable. She states that when goods are made locally, there are more domestic jobs available for locals, and thus the city helps to feed itself as smaller industries that produce the parts for products and goods are developed. Jacobs stresses that cities that are more creative thrive in import-replacing. She adds that import-replacing needs to occur at a city level and not just at the national level. Many commonly purchased goods in the Philippines are imported from neighboring countries such as Thailand or Malaysia, and if there are more local industries within Metro Manila, more jobs would be available for Filipinos and the profits from the sale of these goods would remain within the country and this would allow for further investment of local communities and related industries.

 Migration of labor is a big issue in the Philippines. When I studied abroad in Botswana, Africa, there was also a similar emigration issue that was referred to as “brain drain.” The term refers to the phenomenon of emigrating peoples with particular skills or knowledge who move from developing nations to developed ones, as these educated and talented individuals seek better career opportunities. The educated professors and professionals who leave the country in hopes of living in a more modern and developed society damage the country’s economy, as its citizens were not investing in the country they were born and raised in. As soon as people received their university education, they would invest in the economy of a different nation. This issue of the emigration of educated and qualified people continues to be an issue in the Philippines; these workers who leave the Philippines and go overseas for work are referred to as Overseas Filipino Workers (OFW). Since other first or second world nations are already developed and have an overall better standard of living, it’s challenging to prevent nationals from leaving the country and convince them to remain in their country, even though it may be more beneficial for the nation, but less beneficial for them.

 Maria Teresa Pascual makes an interesting observation that although the Philippines’ GNP has been increasing annually, the GDP has not been growing at the same rate, as the domestic economy is decreasing in comparison to the GNP (1998, p.140). In other words, the nation’s economy has been steadily growing, yet the standard of life does not seem to be improving. Pascual (1998) argues that this is due to the fact that Filipinos who can afford to pay the costly recruitment fees will usually go overseas for work because they will receive higher salaries and the domestic economy in the Philippines has few jobs for them. Pascual adds that although there has been a push for the globalization and liberalization of economies for countries in the developing world, the reality is that the free market is biased towards those who are privileged and have the advantage, and “there is one crucial assumption underlying the rhetoric of the free market and liberalization: that all who participate in the market possess equal knowledge, influence and power. No one can dictate prices, no one person enjoys an advantage over the other” (1998, p.140). The Philippines has been disadvantaged due to hundreds of years of colonization by nations who chose to profit from and use the nation’s many resources, but not develop its economy and infrastructure well.

So many of the impoverished in the Philippines lack access to capital due to their inability to produce formal documents for their informal sector businesses and lack of collateral. Greer and Smith (2009) state that microfinance is one important tool in reducing poverty globally because “it works for one simple and indisputable reason—the vast majority of the poor are willing and able to lift themselves from poverty if given an opportunity” (p.79). Since most poor Filipinos cannot access to capital from financial institutions in order to start a small business, they are denied an opportunity to even enter into their local economic system, unless they are desperate enough to take the risk to take out a loan from a 5/6 lender who will charge them an exorbitant 20 percent interest rate on their loan. Santos adds, “…in the Third World, middlemen provide the fundamental condition for the functioning of the economy, income distribution being so unequal. The poorer the individual, the more he depends on middlemen for his purchases” (1975, p.111). Middlemen who are seeking the best interests of people (e.g. MFIs with low interest rates vs. loan sharks) are so important in urban poor economies in the Philippines.

 People’s work environments play a huge role in how their perceptions of the concept of work. Bakke (2005) states that it is crucial that the workplace be a joyful environment where people have the capacity to unleash their creativity. Unless you are highly educated with an in demand college degree, most jobs that are available are service jobs or jobs that allows for little creative freedom. I also think that this lack of creativity is because in Filipino culture it’s disrespectful to speak back to an authority figure and so people can be hesitant to bring up their suggestions and ideas (Filipino culture is very relational and its important to maintain relational harmony and not create any dissonance or tension).

 Most service jobs in the Philippines are at fast food restaurants and retail stores, which pay a meager minimum wage, and are usually only contractual (typically a 6-month term). The companies will often deny their workers benefits since they are contractual workers and will usually let go of the employee once his or her 6-month term so that they do not have to provide the worker any benefits, which is required for regular longer term employees. This unjust method that is very common in the country concentrates profits at the top of a company, but denies the hard-working employee the salary and benefits they deserve. This is especially common at chain stores and restaurants, which are often global companies such as McDonalds.

Societal structures are especially influential upon local economies. The term “societal structures” is a rather general term, and relates back to different aspects of all the aforementioned themes that influence economies, but when societal structures such as politics are corrupt, it definitely negatively affects local economies. “*How do you trust politicians after so many come to your community and promise that if you vote for them, they will provide more economic opportunities for all?”* After time and time again, men and women assure you that they will invest funds into education and the development of livelihoods, yet they fall back on their agreements. It’s a common saying here that “politics is good business” because once people are elected to a political position, it is common for them to selfishly use funds intended for public services for their own wellbeing.

 Dependency theory can be used to describe the situation of the Philippines in terms of the global market. The country and its many islands are a wealth of resources including sugar cane, coconuts, and rice. It’s upsetting that although the country is one of the largest producers of sugar in the world, the domestic cost of sugar is among the highest in the world as the Filipino government has a strict monopoly over the industry and its prices (Pascual, 1998, p.141). The government of a nation and how effective and just it is affects the poor in particular because they usually are the ones being marginalized and abused, and are not supported by the judicial system. The government in the Philippines has not been known for providing effective services to the poor, and has not made them a priority on its agenda. The Filipino government should be investing back into its own people instead of choosing to make decisions that benefit the already wealthy and powerful; if something does not change, the rich will only continue to get richer and the poor population will continue to grow.

 Hernando de Soto (1989) makes a very good point about how legal systems in a country affect its development as he states,

“All of the evidence suggests that the legal system may be the main explanation for the difference in development that exists between the industrialized countries and those, like our own, which are not industrialized…The debate about development will therefore have to be reformulated to take the importance of legal systems into account. We cannot continue to close our eyes to the fact that not all of a society’s decisions are determined by its cultural characteristics or economic systems...We sincerely believe that development is possible only if efficient legal institutions are available to all citizens.” (p. 185-186)

De Soto’s quote reminds us that there is always more to explore below the surface. A city or nation’s economy is not just an issue of financial matters, but there are always a multitude of elements that need to be considered in the economy’s struggles and challenges. The history, culture, politics, and the many various structures of a locale all need to be accounted for in better understanding economic systems.

References

Banerjee, A. (2009). “Understanding the Economics of The World’s Poor.” From *Poor Economics.* http://www.npr.org/2011/05/05/135928772/understanding-the-economics-of-the-worlds-poor.

De Soto, H. (1989). In *The Other Path: The Economic Answer to Terrorism.* New York: Basic Books. Pp. 131-187.

Greer, P. and. Phil. Smith. (2009).  *The Poor Will Be glad: Joining the Revolution to Lift the World Out of Poverty* (Kindle ed.). Grand Rapids, MI: Zondervan.

Jacobs, J. (1984). Back to Reality. In *Cities and the Wealth of Nations: Principles of Economic Life.* pp 29-44. Hazell Watson & Viney Limited. Great Britain.

Jocano Jr., F. “Romancing the Culture: F. Landa Jocano and the Quest for Self-Definition.” The History of Philippines Anthropology Lecture Series. 30 January 2014. University of the Philippines-Dilman.

Pascual, Maria Teresa D. (1998). “Economic and social inequality in the Philippines-lessons for China, lessons from China.” In *A Just Asia.* Lutheran World Federation; Geneva, Switzerland. Pp. 139-147.