

*Transcript of Ms. Margarita Gomez' comments during the forum:*

*In Search of Reforms for Long-Term Growth and Prosperity held on May 26, 2006 at Discovery Suites, Pasig City*

Good morning to all of you. Yes, I did go to the School of Economics and I passed. I did okay, actually, but I feel that my perspective on the economy still comes from the many years that I spent working with marginalized communities. So I am not a typical UP School of Economics graduate.

My view on our economic growth is in agreement with most of the things that have been mentioned by the rest of the panel. However,... although I have to rush, I get the privilege of making comments on what they said, right? So I will.

I agree with Dr. Alba that one of the biggest obstacles to economic growth lies in our social and political institutions — particularly the way these institutions breed and perpetuate corruption. Let me give an example. While Congressman Teodoro spoke of predictability, profitability and competition, in the recent months I have been involved in a project which has been examining private investments in public infrastructure. And we have found that there is so much corruption here. This corruption has given birth to contracts that are unfavorable to the public — meaning that the government and people eventually pay for it —and that these contracts actually exacerbate our fiscal problem.

We engage private companies to invest in infrastructure because the government does not have the money to do this. But then because there is a lack of transparency. Many of these contracts have confidentiality agreements. Can you imagine a contract that has a confidentiality clause when one of the parties to the contract is the government of the Philippines? That's one. We have also consulted with many different sectors and even the government employees themselves and the LGUs (local government units) have said that they are often unable to insulate economic projects and programs from political meddling.

I know that in principle, it is good for us to honor our agreements, but I myself have not yet made up my mind whether I would accept that as an unbreakable principle. I think there might be situations where we will have to break our "word". Theoretically if we elect a president and the president makes an agreement, then we as a nation are bound to that agreement. But I think there may be occasions when this may not be the case. For example, we respect private property but if the government needs your property they take it, right? Similarly, there may be some cases where we will have to not honor some agreements.

Another thing I find about our social perspective is that we always adopt short-run policies and are content to rest on them. For example, we have a fiscal crisis so we implement the VAT (value-added tax). The VAT is not a progressive tax; in no way is it progressive. But it is easy to implement, it will raise funds quickly, so we adopted the VAT. Fine. But we stopped there. What about equalizing the burden? What about addressing collection shortfalls in corporate income tax? Or the taxing of income from other assets — cash dividends and interest income, and so on?

We always do just the easy things. I admit that we have to do these things quickly, because we're always in crisis, right? The price of oil goes up, and we are in crisis. With a fiscal problem, we are in crisis so we



implement stop-gap measures. But we always stop there; we never go beyond that. On another front: we don't have a boiling-point political situation, but we have had - for many decades- one that is simmering. We have rebellions in almost every province in our country, and we're just, simmering. So we talk about addressing poverty, but we do not do anything about it. What we do is encourage our countrymen to work abroad. We all know that today the best investment any Filipino family can make is to send one of their members abroad. But that, again, is a short-term solution. We are not developing our own capacity for sustainable economic progress. For now, it will bail us out — the dollars of the overseas workers. And we stop there.

We don't have a domestic economic development plan to speak of. Most of our population is in agriculture. And what do we do for our agricultural sector? Nothing. We do not improve irrigation; we do not develop better strains that will not subject our farmers to the use of imported and dollar costly inputs. We don't even make roads. We only talk about infrastructure for manufacturing and services, for what we refer to as business. But, not for the farmers.

We don't even give them long-term credit. The credit that a farmer can get in the Philippines today is only for one harvest. He can borrow now, as soon as he harvests he has to pay. So, he never has anything left over. He cannot make any kind of long-term investment. He cannot make an investment in machinery or in modernizing his production. He cannot make any kind of investment in facilities. He is, literally, on a hand-to-mouth basis with the bank. He borrows, he plants, he pays.

We always say that we should teach people to fish, not just give them fish. I think the other panelists have stressed that and there is really no argument there. But I also think that we have to find ways to curtail the strength and ability of some sectors in our society to fish the hell out of our waters. Pardon my French.

I am not in favor of any kind of trickle-down economics. I think we have to do all the things we have to do because we are always virtually in crisis. We just solve one problem to get a new one, and year to year we have to cope with the same fundamental problems. We should not forget that in the long-run, we have to have an economy that produces goods and services not just for the international market, but for ourselves, for the people in our communities.

Anyway, just an example before I get too excited. Yes, I wanted to say that it's very short-run of government to peddle half lies, like saying that there is an economic take-off. There is none. You all agree with me, right? There is none, and in the Enchanted kingdom—less *pa* (even less). (laughter). So, *wala talaga. Yung GDP nga, walang reality, eh.* (So there's really none. Even the GDP statistics, need a reality check.)

I went to Marinduque. You can go by plane, but in the plane you can't even stand, and I'm very claustrophobic. You can also take a bus to Dalahican in Quezon, and then you take a ferry to Marinduque. When you land in Marinduque, you're like nowhere — you know, there's not even a *tindahan* (store) there, or a comfort room. Nothing! You land, you walk a little bit and then you can ride the jeep (of course *hihintayin munang mapuno yung mga jeep* (you have to wait for the jeep to be filled [with passengers, before it goes]) and then you go to wherever your destination is. *Mahal ang pamasaha; mahal ang jeep sa Mindoro kasi kokonti lang ang sumasakay.* (Transportation cost is expensive, it's costly to take the jeep in Mindoro because hardly anyone rides the jeep). The reason why *konti lang ang sumasakay* (so few take rides) is because *konti lang ang economic activity* (there's so little economic activity). [Yet here] we are encouraging our country to have connections with the rest of the world.

I went there to meet this group of twelve women who carve these little animals (like birds) that they stick on toothpicks and other things like letter openers. They export them. Do you know that these women

cannot even receive their payment through the bank because it takes so long? When they want to collect payment, they have to come to Manila. *Yun ang kanilang* (That is their) transaction cost. *Pupunata sila sa Manila kasi mas madali pumunta sa Manila at gumastos, kaysa yung maghintay sila na mag-clear yung mga payments nila* (They would rather spend money to go to Manila to get their payments because it's so much faster than waiting for their payments to get cleared). And of course, in the village where they work, *hindi rin umaabot ang jeep* (It is not reached by jeep, no jeep goes there). *Walang tricycle; walang ro-ro* (No tricycles; no ro-ro [i.e. roll On-roll off transport]). Economic take-off, anyone?

I think I've said my piece, let me see *kung may kulang pa* (did I forget or miss anything?). *Yun na nga* (That's it) thank you very much.