



EAGLE WATCH

Elections and the Economy

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Overview



- How do elections impact on the economy?
- What economic reforms need to be completed before election season?
- What leadership qualities should define our 2016 choices?



**How do elections
impact on the
economy?**



The “PiTiK Test”

The Essential Yardsticks (P-T-K):



Price Stability (*Presyo*)



Jobs (*Trabaho*)



Incomes (*Kita*)



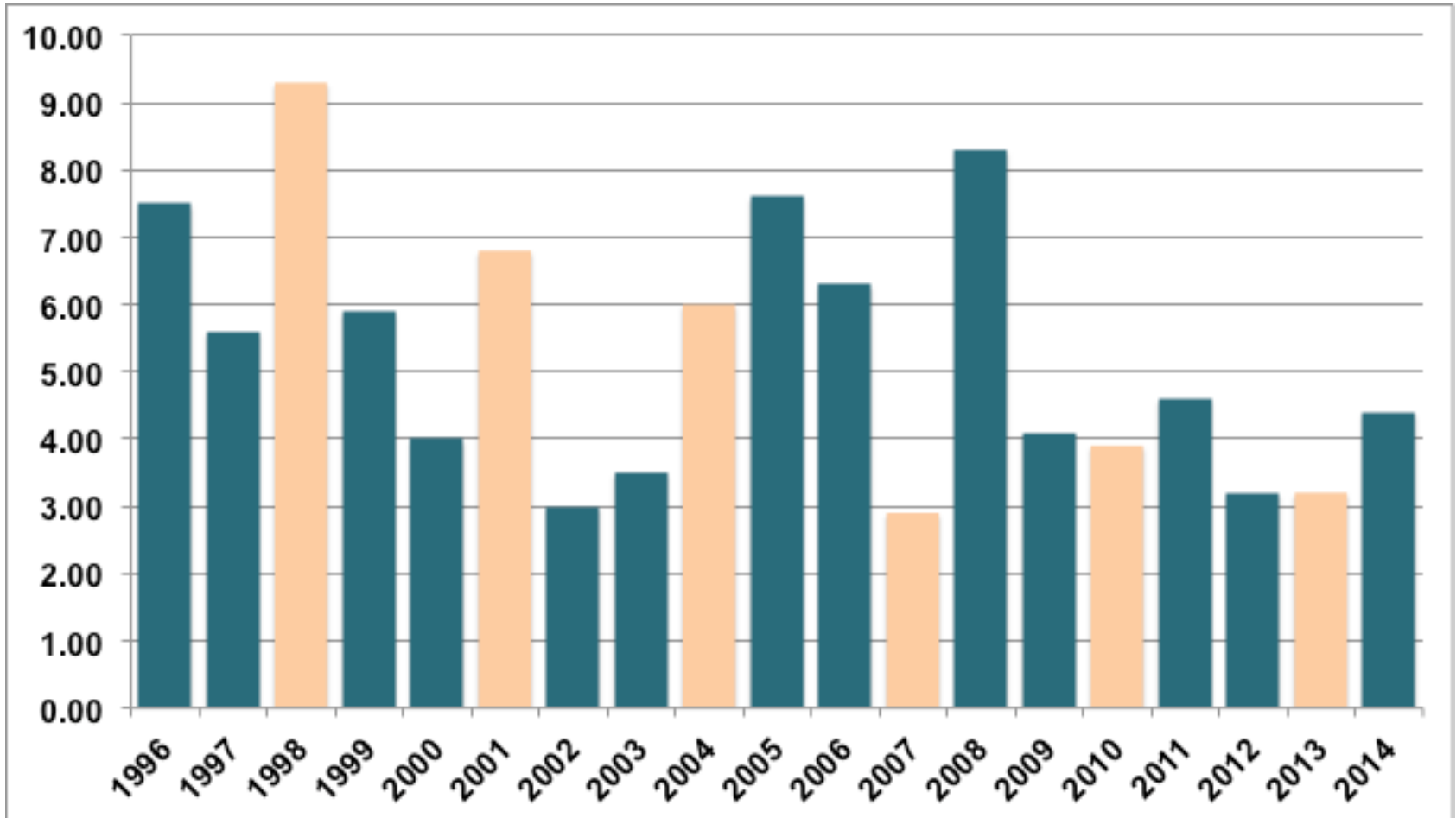
Presyo (Prices)



- Traditionally, elections tended to push up the inflation rate (deficit spending, increased money supply)
- Bangko Sentral ng Pilipinas (BSP) now consistently manages money supply and inflation prudently

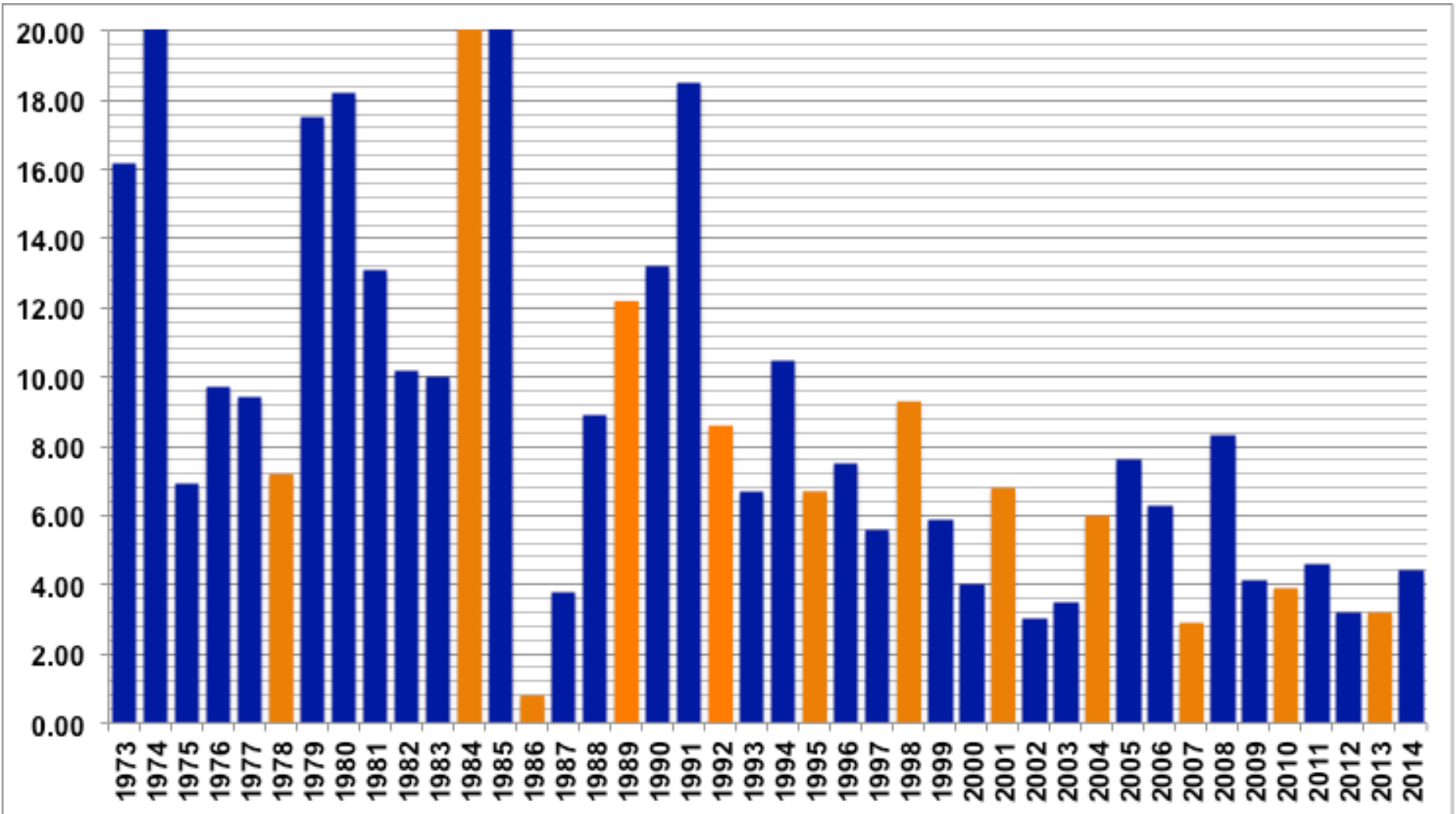


Inflation Rate, 1996-2014





Inflation Rate, 1976-2013





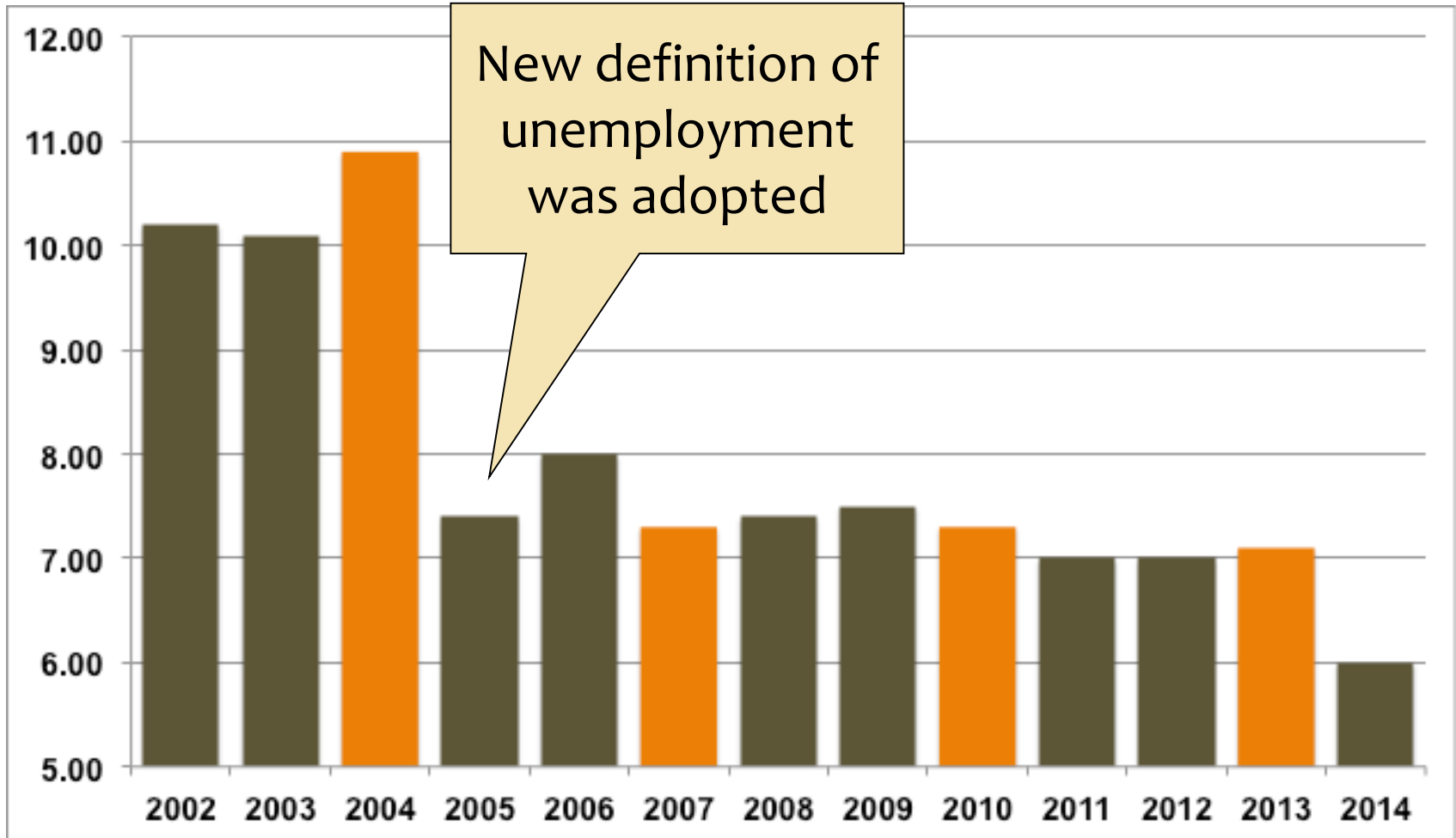
Trabaho (Jobs/Employment)



- Higher employment (= lower unemployment) expected due to hiked spending and production activity
- Election-related incremental jobs are likely to be temporary



Unemployment Rate, 2002-2013





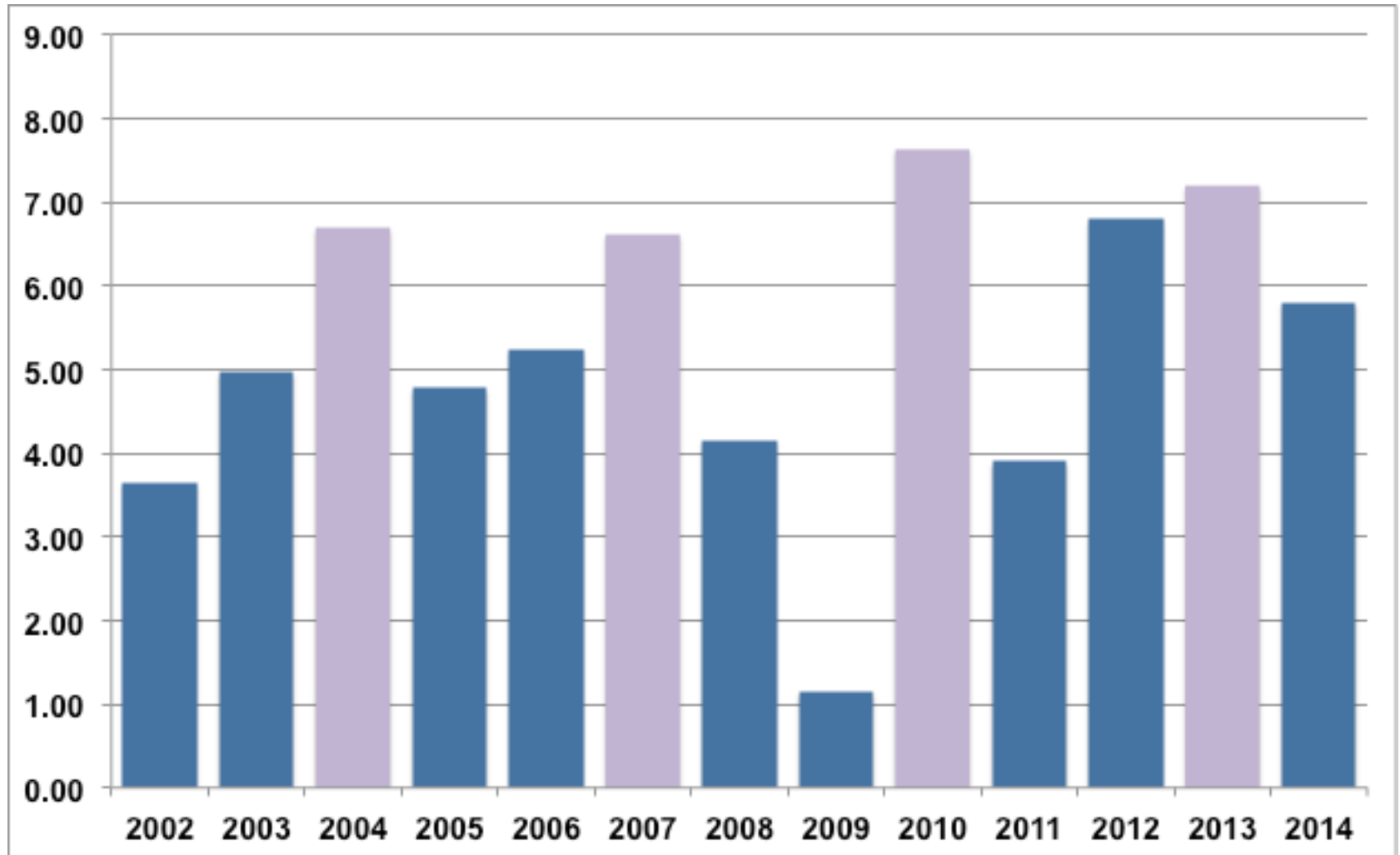
Kita (Incomes/GDP)



- Hiked spending (campaign posters, streamers/tarps; radio, TV/print ads; transport & hotel services for candidates & entourage; T-shirts, caps etc; show business personalities' talent fees; salaries & wages of campaign workers; food/meals consumed and given away during the campaign, etc.)
- Much more money in circulation (from bank accounts here and abroad, hidden or unhidden; government coffers; hoarded cash; even counterfeit money)



GDP Growth Rate, 2002-2013





Election Drivers - 1

- Election years of 2004, 2007, 2010 & 2013 saw GDP grow by 6.2%, 7.2%, 7.3% and 7.2% respectively, vs. an average of only 4.4% in the non-election years since then
- Ballester et al. (NEDA) calculated candidates' and government spending of P13.5B, or 0.34% increase in GDP in 2007 elections, corresponding to 1.5 million new jobs



Election Drivers - 2

- Same study concluded that positive impacts were not broad-based
- Mostly seen in services, especially mass media, where the wealthy benefit most
- Positive boost to industry sector including manufacturing is only 0.29 percentage point; agriculture – only 0.07 ppt
- Election-induced growth is non-inclusive



Election Drivers - 3

- Most visible impact on common people would be in the salaries and wages of hundreds of thousands of election workers, including school teachers – and of course, the money that changes hands through vote buying/selling
- My own updated and expanded estimate (for 2013) = P28.5B in direct spending; assuming multiplier of 5, gives P142.5B or 1.3 ppt in GDP growth



What economic reforms need to be completed before election season?



Criteria

- Critical for inclusive growth and development
- Crucial for long term sustainability of economic momentum
- At risk of finding weak support from a possibly corrupt/populist leader/government
- Can be promulgated/enacted within 5-10 months



Legislative Imperatives - 1



- Competition Law
 - Create a national competition body to enforce competition policy
- Customs Modernization and Tariff Act
 - Improve efficiency and strengthen trade facilitation role of customs
- National Land Use Act
 - Clarify policy framework for land use, address titling issues

Legislative Imperatives - 2

- Freedom of Information Act
 - Operationalize transparency and accountability in government
- Fiscal Incentives Rationalization
 - Remove redundant incentives, adopt performance-based incentive system
- Redefinition of ‘Public Utility’
 - Ease antiquated definition to eliminate unnecessary regulation and attract more foreign investments





**What leadership
qualities should
define our 2016
choices?**



Qualities of the Ideal Leader

- **Character**
 - Choosing the greatest good for the greatest number
- **Competence**
 - Knowing what will yield the greatest good for the greatest number
- **Charisma**
 - Ability to bridge deep divisions and unify the country; can push even unpopular but necessary reforms



Ultimately, it is the quality of leaders we elect into office that would determine the election's long-term impact on the economy and society.

It is not so much the election itself, but how we all individually exercise our electoral duty, that would spell the difference.

