

STATEMENT

# The Spectacle of Development

On Mrs. Gloria Macapagal-Arroyo's upcoming 8<sup>th</sup> State of the Nation Address (SONA)

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A spectacle is often referred to as an event or an episode which is memorable because of the appearance that it creates in an attempt to convince or awe a particular audience. This is precisely the show Mrs. Gloria Macapagal-Arroyo has been trying to sell us for the last couple of years.

Those who want to see impressive numbers of supposed growth were treated to a display of statistical bravado starting with the increased revenue generation, the curbed fiscal deficit, and yes, the 7.3 % growth of the Gross Domestic Product (GDP). Those who want to see and feel development or at the very least see increased government support on the gut-level were given an assortment of populist yet fleeting measures such as the P500-lifeline support for poor electric consumers, tuition moratorium to state schools and this recent, a rollback of oil prices—after pleading embarrassingly to greedy oil companies.

It is on this same league that Mrs. Arroyo launched an aggressive media campaign concerning its "achievements." Barely a week before her annual national report, Mrs. Arroyo is promoting the idea that it fulfilled its SONA promises comprised of completed infrastructure projects, increased social spending and job creation.

Yet, after all of these numbing statements and claims, the question still begging to be answered is: why aren't these "accomplishments" convincing the people that they are in fact on the road to development and economic bliss?

The answer? You cannot convince them of something that is not there. Well, at least not for so long.

It is in this sense that the Freedom from Debt Coalition (FDC) asserts that the Arroyo government's economic governance has not only failed on its promises, is not only sugar-coated with lies and erroneous figures, it is also and more importantly, defective in many ways possible.

## **Spectacle No. 1: Arroyo's populist measures on the economic crisis**

The Arroyo government's series of populist measures is not a manifestation of its benevolence but rather a symbol of a raging crisis that pushes her to snap back at the neo-liberal conditionalities of her foreign lenders.

Arroyo, as a part of her technocratic, market-oriented training, doesn't really want subsidies, tax relief, or oil prices rollbacks. She is only forced to do so because of the threat of a socioeconomic rupture, threatened as she already is by the host of political quagmires that hounded her during the first quarter of this year, like the ZTE-NBN and NorthRail controversies, and the still-lingering Hello Garci scandal.

However, these palliatives do not strategically address the underlying structural reasons behind our ills. They only block the road towards the genuine solution. They exhaust the nation's coffers with unsustainable, unplanned, and politically-motivated programs, while breeding among the poor majority a dependence on dole-outs.

## **Spectacle No. 2: The 7.3% GDP growth**

The 7.3% GDP growth had largely been fueled by staggering growth in the Government Consumption Expenditure (GCE), which registered a 10.8% growth from 4<sup>th</sup> quarter of 2006 to 4<sup>th</sup> quarter of 2007. This was due to large-scale infrastructure projects being transacted by the Arroyo administration. This corresponds to the 17.6% growth rate in Construction.

However, these infrastructure projects are largely debt-driven and unsustainable. In fact, the Department of Public Works and Highways (DPWH) registered a total of \$332 million worth of new foreign borrowings.

Furthermore, the said growth happened during an election year explaining as a matter of fact the increased implementation of infrastructure projects primarily induced by rent-seeking and patronage politics.

Nonetheless, beneath the exhibition of the GDP growth is an un-erased scaffolding of poverty and public misery. The National Statistics Coordination Board reported that 16% increase in the number of poor Filipinos, from 23.8 million in 2003 to 27.6 million in 2006. This is a year before the record-high 11.4% inflation rate of June 2007.

## **Spectacle No. 3: Improved revenue performance**

Since the fiscal crisis of 2004, the Arroyo administration has made it a point to increase uncompromisingly both its tax and non-tax revenues. From 2006 to 2007, revenues went up by as much as P139 billion, with revenue effort rising from 14.91% to 14.92% over the same period. The projected revenue for 2008 is P117 billion more than programmed for 2007.

However, this was done through cannibalistic measures of selling public assets, as in privatization, and eating up people's purchasing power with the aggressive imposition of consumption taxes.

Through and through, the government's revenue policy is rabidly pro-rich and highly detrimental to the poor. Failing to make a dent in taxing the rich as a result of massive tax evasion and tax

leakages, Arroyo opted for consumption taxes such as the R-VAT, thereby blurring any distinction on tax collection based on social and economic status.

Also, the accelerated privatization serves as defective analgesic for poor revenue collection and generation. Privatization is not a sustainable way of generating revenues, as one can only sell one's asset once. We also lose possible revenues from privatizing profitable government assets.

#### **Spectacle No. 4: The balanced budget and increased social spending**

The administration's definition of a balanced budget is controversial if not unsound. For one, a budget which places utmost priority on debt payments at the cost of social spending cannot be considered "balanced" in the truest sense of the word.

Even as Mrs. Arroyo concedes the problem of debt and deficit in her budget, she is dealing with it in a manner that would disproportionately place undue burden on the already disadvantaged: the food insecure, the uneducated, the homeless, and the landless. This policy is not significantly different than the policy of eliminating poverty by exterminating the poor.

While the Arroyo government would like to style itself as giving more to social services, the truth is, it is not. In the education sector alone, under the Arroyo government, education spending per Gross National Product (GNP) dropped from an already 3.8% during the short-lived Estrada Administration to a record low of 2.2% in 2006, which is obviously a far cry from the widely accepted international standard as prescribed by UNESCO pegging education expenditure of developing nations at 6% of GNP.

This is more evident in the per capita and per student spending of the administration for education. From the deposed Estrada Government's per pupil spending of P5,830 (from 1999-2000) it dropped to P5,467 (2001-2004) under Arroyo. Compared to debt servicing, the education budget in the 2008 Budget, is merely a third of what the government spent on debt (P181.86 billion compared to P624.09 billion).

Concurrently, the health budget for this year is more dismal - it is only 4 per cent of what we will be spending on debt (or P22.9 billion).

#### **Abandon Gloria and her failed development paradigm**

As a result, we are not surprised if Arroyo's SONA this 28 of July will be a distortion of actual political and economic realities. However, the crippling economic crisis felt by many will betray all her fabricated truths and lies. It may yet spell the end of her government.

Alas, the Arroyo government, while itself to blame for the current economic crisis, only rests on an equally blamable flawed economic paradigm. Her administration can learn a thing or two from the Chinese, aside from acquiring illegitimate deals and debts. Their revolutionary leader once said; "unless the problem of method is solved, talk about the task is useless."

Well, we say, in the case of the Philippine economy, unless the problem of an obviously flawed development paradigm is solved with the intention of replacing it with a new and truly viable one, any talk of progress, of fulfilling promises and improved economic statistics will be ineffectual, unconvincing and in the end, a mere spectacle.

After all, people cannot eat spectacles.