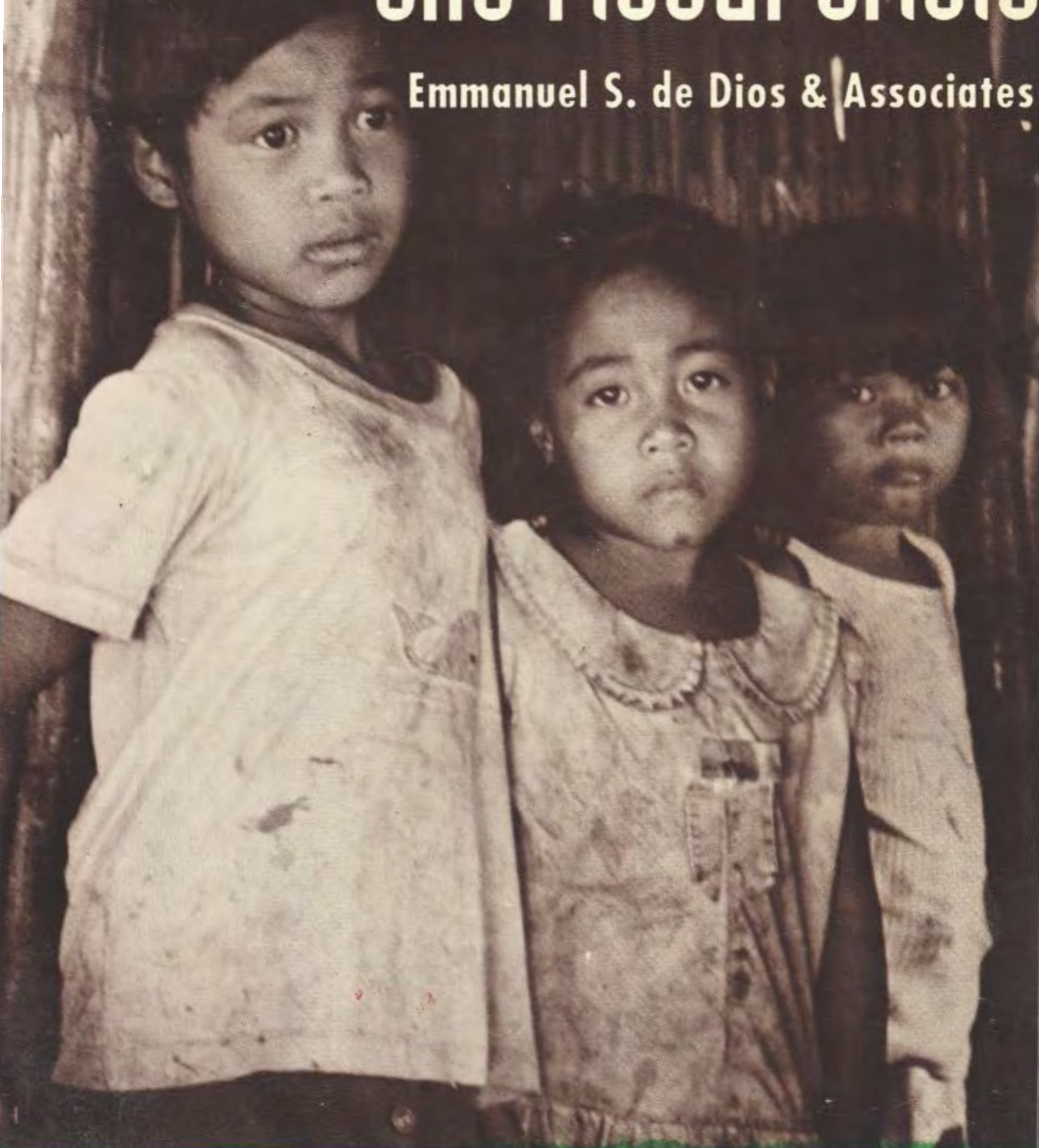


# Poverty, Growth and the Fiscal Crisis

Emmanuel S. de Dios & Associates



PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES  
INTERNATIONAL DEVELOPMENT RESEARCH CENTER

POVERTY, GROWTH  
AND THE FISCAL CRISIS

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**Emmanuel S. de Dios & Associates**

**Emmanuel S. de Dios  
Felipe M. Medalla  
Ma. Socorro Gochoco  
Edita A. Tan  
Gonzalo M. Jurado  
Cristina C. David  
Eliseo R. Ponce  
Ponciano S. Intal, Jr.  
Aurora Sanchez  
Beta P. Balagot  
Florian A. Albuero**

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International Development Research Center (IDRC)

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Please address all inquiries to:

Philippine Institute for Development Studies  
4th Floor, Neda sa Makati Bldg.  
106 Amorsolo Street, Legaspi Village, Makati 1229  
Metro Manila  
Philippines  
Fax No. (632) 816-1091  
Tel. No. (632) 86-57-05; 816-1548; 88-40-59

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## PREFACE

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IN LATE 1991, A REAPPRAISAL OF THE OFFICIAL STATISTICS ON POVERTY SHOWED THAT the decline in poverty incidence reported between 1985 and 1988 had been too optimistic. Until then, the government had customarily reported an encouraging 8 percent decline in poverty incidence, from 56 to 48 percent. However, a more refined treatment of the data by government agencies themselves later showed that, during the period, poverty incidence had fallen by, at most, only 3 percentage points, from 58 to 55 percent. Not surprisingly, poverty incidence had declined so little even in the years of recovery.

Events since 1988 were hardly encouraging. Growth slackened continuously until the country finally slid into a recession in the last quarter of 1990. This recession extended over most of 1992. There was a good ground to suppose, therefore, that the poverty situation had not improved and may, in fact, have deteriorated. Results available recently from the 1991 Family Income and Expenditures Survey, although computed on a different basis, show that the number of poor families actually increased and poverty incidence worsened between 1988 and 1991. The government, however, appeared unprepared to undertake any significant initiatives to reverse the trend. At the time, the government's economic managers were engrossed in the complex fiscal and financial problems related to meeting its targets under a stabilization program. Even worse, the steps taken to address the deficit -- such as large cutbacks on infrastructure spending and heavy indirect taxes -- seemed to aggravate the problem by stifling growth further and compromising the chances for future development.

It was in this climate of missed objectives and policy drift that Dr. Ponciano S. Intal, Jr. of PIDS approached the group of scholars whose work appears in this volume to discuss and write for a project called "The Crisis of Poverty." The aims were clear: first, public attention needed to be refocused on the most important development goals and issues. The overriding question was whether and how poverty could be alleviated significantly and in a sustained manner.

Second, it was the aim to suggest more practicable ways to approach these goals, being mindful of the inevitable difficulties in policymaking confronted by officials. Rather than merely set directions, the point was to present policy tradeoffs soberly and help decisionmakers come to a choice. At the same time, it was not lost on the group that the new set of national officials to be elected in 1992 might be receptive to a fresh and nonpartisan look at the country's problems.

The message was that measures to redress poverty could not be regarded merely as a "special" or sectoral concern. For, without denying the need for programs to address some special problems faced by poor groups, it is still the direction of mainstream development and macroeconomic policies that shall ultimately determine whether poverty alleviation efforts succeed or fail. The danger on the one hand is the shortsightedness of those who make macroeconomic adjustments without regard for long-term consequences on the poor and on development. On the other hand are the poor, or those who work closely with them, who feel justified in their skepticism or hostility towards painful but necessary economic reforms. But this, too, is a kind of myopia and between one and the other fertile ground for useless debate and conflict.

Where there are no longer any neat and pat answers, however, and virtually all solutions require much of everyone, it is hoped that the articles included here can contribute towards shaping a working consensus, if not on ultimate visions, then at least on the urgent tasks at hand.

EMMANUEL S. DE DIOS  
*February 1993*

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Dr. Arsenio Balisacan (UPSE); Dr. Carlos Bautista (Ateneo de Manila); Dr. Ernesto Bautista (NEDA); Dr. Ramon Clarete (UPSE); Dr. Marian de los Angeles (PIDS); Dr. Benjamin Diokno (UPSE); Dr. Herminia Francisco (UPLB); Ms. Milwida Guevara (Department of Finance); Dr. Mario B. Lamberte (PIDS); Ms. Jennifer P.T. Liguton (PIDS); Dr. Joseph Lim (UPSE); Dr. Gilberto Llanto (ACPC); Dr. Rosario Manasan (PIDS); Dr. Erlinda Medalla (PIDS); Dr. Nimfa Mendoza (UPSE); Dr. Celia Reyes (PIDS); Dr. Gwendolyn Tecson (UPSE); Ms. Ofelia Templo (NEDA); and Dr. Bruce Tolentino (Department of Agriculture).

Even as they have generously contributed their time, however, these persons are not responsible for any of the opinions the authors express, or any remaining errors and omissions.





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