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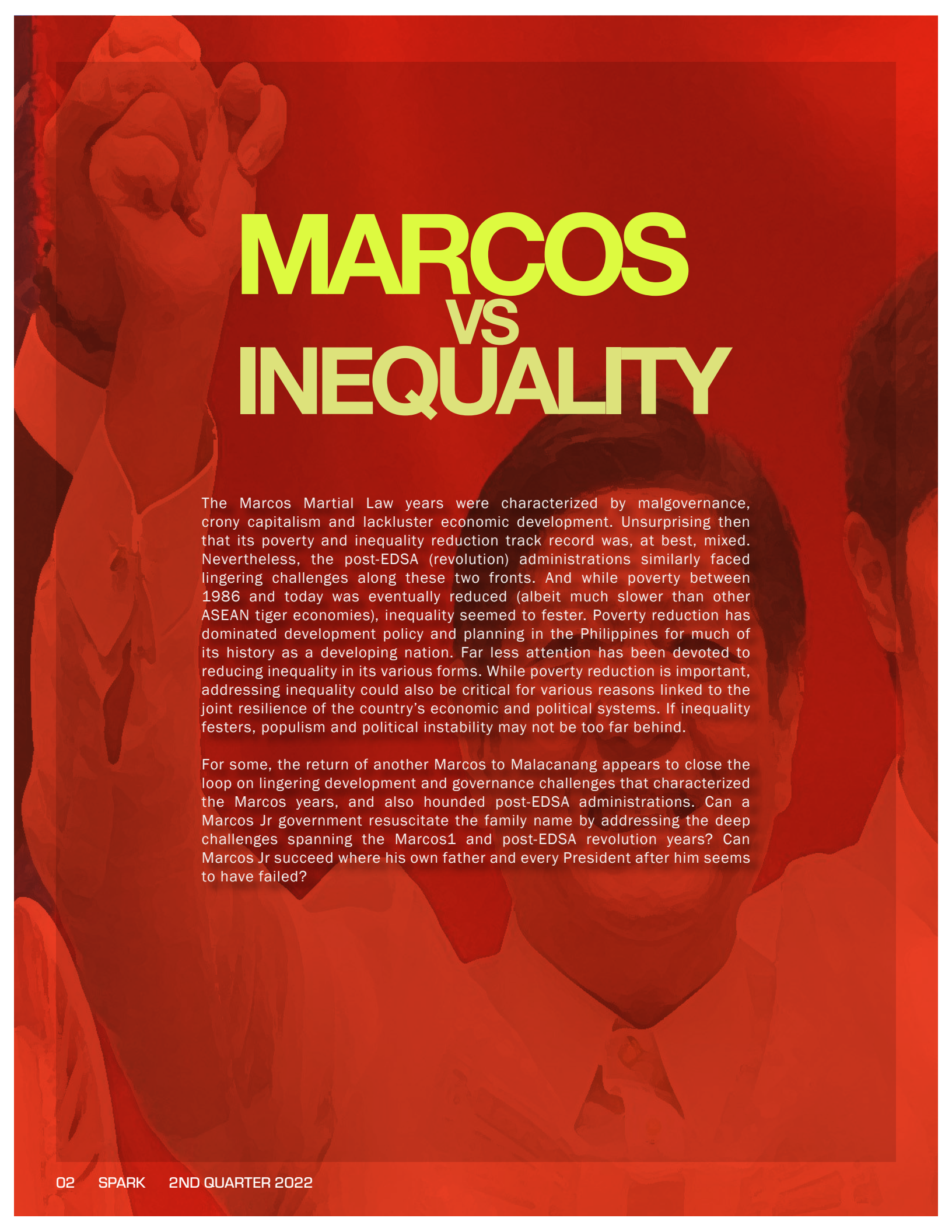
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## MARCOS VS. INEQUALITY

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# MARCOS VS INEQUALITY

The Marcos Martial Law years were characterized by malgovernance, crony capitalism and lackluster economic development. Unsurprising then that its poverty and inequality reduction track record was, at best, mixed. Nevertheless, the post-EDSA (revolution) administrations similarly faced lingering challenges along these two fronts. And while poverty between 1986 and today was eventually reduced (albeit much slower than other ASEAN tiger economies), inequality seemed to fester. Poverty reduction has dominated development policy and planning in the Philippines for much of its history as a developing nation. Far less attention has been devoted to reducing inequality in its various forms. While poverty reduction is important, addressing inequality could also be critical for various reasons linked to the joint resilience of the country's economic and political systems. If inequality festers, populism and political instability may not be too far behind.

For some, the return of another Marcos to Malacanang appears to close the loop on lingering development and governance challenges that characterized the Marcos years, and also hounded post-EDSA administrations. Can a Marcos Jr government resuscitate the family name by addressing the deep challenges spanning the Marcos<sup>1</sup> and post-EDSA revolution years? Can Marcos Jr succeed where his own father and every President after him seems to have failed?



*This article emphasizes the main rationale to include inequality reduction among the country's reform priorities. As the country struggles to recover from pandemic, inequality has invariably weakened its pandemic resilience while the protracted pandemic risk and economic slowdown also threatens to exacerbate inequality even further. Crises can turn into "inequality machines" that also create knock-on effects in the political system by weakening social cohesion and creating deeper divides that increase the chances for political instability. Reducing inequality could also appeal to the vast majority of Filipinos today who are not necessarily poor, but still face deep deprivations and certainly a mis-match in their ambitions and the weak upward mobility in the country. Arguably, this is the same vast majority that delivered the bulk of the votes for Ferdinand Marcos Jr in the 2022 elections.*

In what follows, section 1 outlines the main inequality-reducing policy recommendations to be addressed by the economic team in the Marcos Jr administration. Section 2 then describes the economics of Philippine inequality, while section 3 tackles the political dimension. A concluding section then provides a framework to understand how the different forms of inequality may be linked to each other, and this in turn guides a possible theory of change on how to break free from the inequality trap.



Even as inequality is a long-term challenge, planting the seeds for inequality reduction can produce a credibility-enhancing effect on the political and economic system, as citizens see deeper efforts to promote fairness and equity in the country. In turn this could counteract political instability brought about by populism. Given much of the inequality festered even after the EDSA revolution, the Marcos administration can close the wide arch of history if it proves critics wrong and advances deep inequality reduction reforms that many post-EDSA Presidents failed to accomplish.



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## REFORMS TO REDUCE INEQUALITY

Deep political reforms must be prioritized to help preserve and sustain economic and democratic reforms gains in the past decades

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[ews.abs-cbn.com/news/05/23/22/marcos-still-looking-for-inauguration-venue](https://ews.abs-cbn.com/news/05/23/22/marcos-still-looking-for-inauguration-venue);  
[taiwannews.com.tw/en/news/4576490](https://taiwannews.com.tw/en/news/4576490);  
[getrealphilippines.com/2018/06/philippine-poverty-is-really-a-very-simple-problem-it-really-is](https://getrealphilippines.com/2018/06/philippine-poverty-is-really-a-very-simple-problem-it-really-is);  
[cnnpilippines.com/news/2019/12/6/Poverty-rate-2018](https://cnnpilippines.com/news/2019/12/6/Poverty-rate-2018);  
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Checks and balances prevent conflicts of interest and prevent positions of power from being abused



## ABOUT THE AUTHOR

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is a governance and institutional reforms specialist with over 25 years of experience in development policy and public administration reforms. Presently, he is Dean and Professor of Economics at the Ateneo School of Government. From 2011 to 2015, he was an Associate Professor of Economics at the Asian Institute of Management (AIM), and the Executive Director of the AIM Rizalino S. Navarro Policy Center for Competitiveness. Prior to this post, Prof. Mendoza worked as a Senior Economist with the United Nations in New York.

His research background includes work with UNICEF, UNDP, the Federal Reserve Bank of Boston, the Economist Intelligence Unit (EIU), and several Manila-based non-governmental organizations. Mendoza has also engaged in research and technical activities to various countries such as Ethiopia, Mongolia, Senegal, Thailand, Turkey, Kyrgyz Republic, and Ukraine.

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## WEAK SOCIAL SAFETY NETS

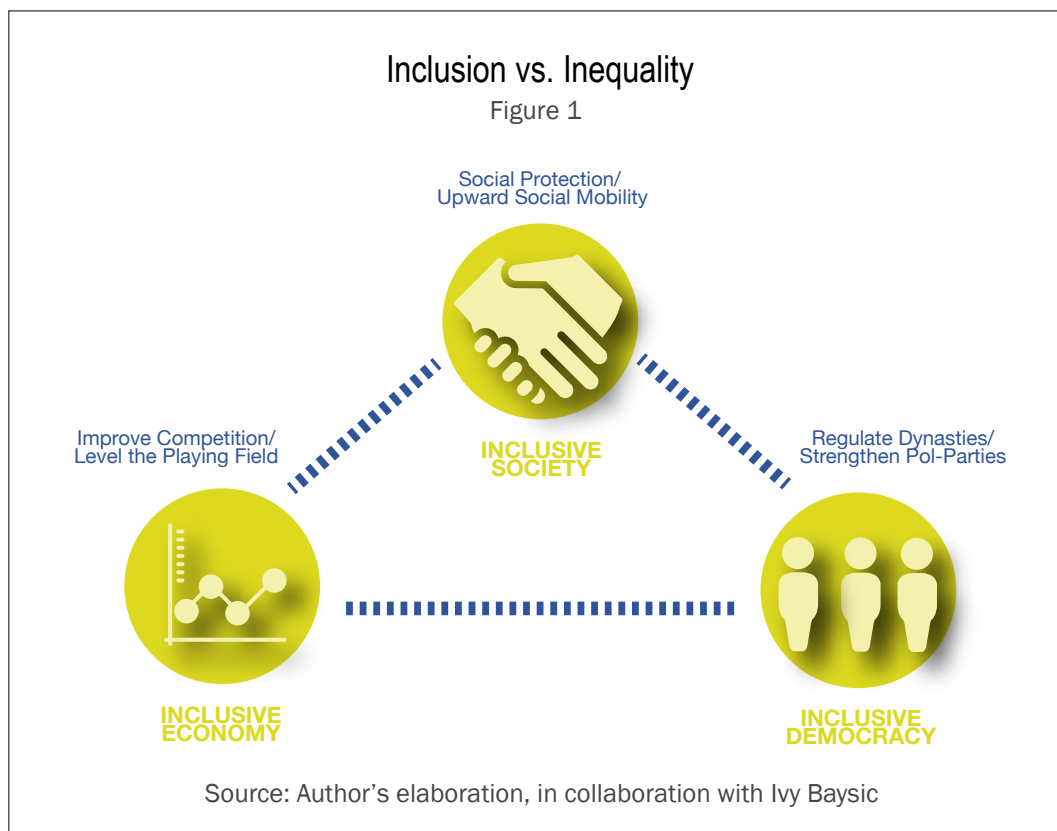
Protecting the population from crises strengthens the resilience of society and the economy from future shocks

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# reducing inequality

## Reforms to Reduce Inequality

In terms of inequality reduction in the Philippines, a review of the extant policy and academic literature (e.g., Balisacan and Fuwa 2004; Banaag et al 2019; Mendoza 2011) on the topic will reveal at least three main areas for possible reform engagement (Figure 1).



The first area seeks to promote more inclusive societies by building inclusive education, healthcare and social protection systems as national public goods that promote social cohesion and resilience to crises and disasters. These investments inevitably redound to economic competitiveness and sustained economic growth and development in the longer run as well. Reforms in this area prevent citizens from falling through society's cracks by creating a strong social safety net that enables greater resilience.

The second area tackles the reforms and regulations towards a more inclusive and competitive market economy, promoting greater competition, where rent-seeking is minimized while

innovation, productivity and job-creation become the main goals for big business. Here the reforms focus on building ladders for stronger upward social mobility for citizens, so they are not stuck in low-income status and vulnerability and citizens' aspirations are better matched by economic opportunities provided to them at home.

political power in the hands of a few families, and instead to empower citizens and promote a more inclusive democracy. Inclusive democracies have stronger checks and balances and can be expected to promote political stability in the long run. Reforms here are expected to create positive feedback onto other reform areas that also seek to mitigate inequality and strengthen social cohesion, fairness, and democratic empowerment of citizens.

A third area focuses on promoting political and institutional reforms to help de-concentrate

Similar to an inequality trap scenario, the reform scenario described here is also mutually reinforcing—a spiral of citizens' empowerment along the social,

## Legislative Reforms Deemed Critical and their Status as of 2021

Table 1

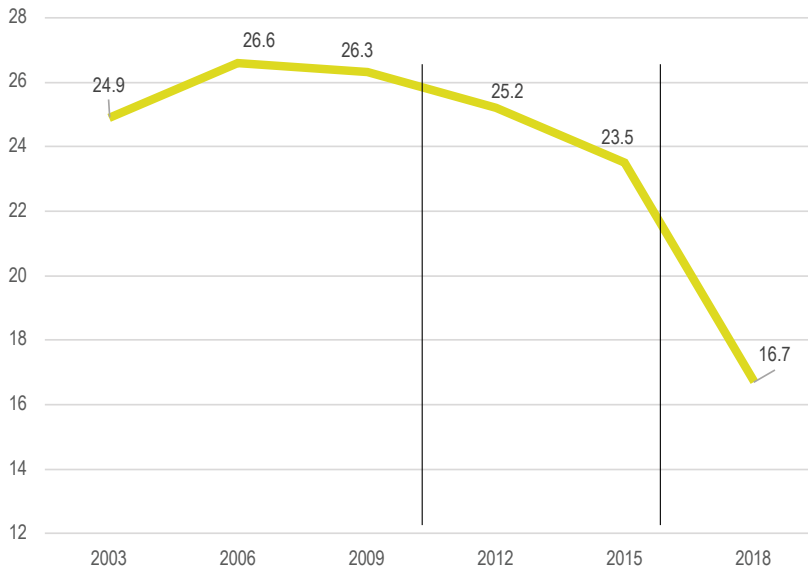
Reforms	Area of the Constitution Supported	Status	First Filed in Congress
TRAIN1 Law	Economic development, taxation	Passed as R.A. 10963 and signed into law on 14 December 2017	First of four reforms for the amendment of the National Internal Revenue Code of 1997
Bangsamoro Basic Law	Peace building, equity, and development	Passed as Republic Act 11054 and signed into law on 26 July 2018	First filed during the 16th Congress (2015)
Rice Tariffication Law	Price stability, food security	Passed as Republic Act 11203 and signed into law on 14 February 2019	Tariffication of rice was negotiated for a 10-year extension with the World Trade Organization in 1996 (ended in 2017 after another extension of 5 years)
Universal Health Care Law	Poverty reduction, social justice, and social protection, right to healthcare	Passed as Republic Act 11223 and signed into law on 20 February 2019	First filed during the 15th Congress (2011)
4Ps Law	Poverty reduction, social justice, and social protection	Passed as Republic Act 11310 and signed into law on 17 April 2019	First time filed during the 17th Congress but the 4Ps has been initiated by Arroyo in 2007 then expanded on a national scale by Aquino in 2010
Coco Levy Trust Act	Development of local industries, social justice	Passed as Republic Act 115421 and signed into law on 26 February 2021	First filed during the 15th Congress (2011)
CREATE	Economic development, taxation	Passed as Republic Act 11534 and signed into law on 26 March 2021	Second of four reforms that amend NIRC of 1997 (section 20)
Political Party Reform Law	Real competition among parties, representation of national interest	Filed by the 17th Congress but not yet passed	First filed during the 12th Congress (2002)
National Land Use Law	Equitable access to economic opportunities, food security	Filed by the 17th Congress but not yet passed	First filed during the 9th Congress (1992)
Rightsizing the National Government	Efficient delivery of public goods, limited bureaucracy in providing public service	Filed by the 17th Congress but did not pass	First filed during the 13th Congress (2004)
Freedom of Information Law	Accountability, minimizing corruption, right to information public concerns	Filed by the 18th Congress but not yet passed	First filed during the 14th Congress (2010)
Anti-Political Dynasty Law	Equal access to opportunities for public service and prohibition of political dynasties	Filed by the 18th Congress but not yet passed	First filed during the 8th Congress (1987)
Divorce Bill	Women's rights	Filed by the 18th Congress but not yet passed	First filed during the 13th Congress (2005)
Campaign Finance Reform Law	Low barriers to entry for politics, representation of national interest	No bills filed during Duterte administration	Still no law filed despite RA 7166 being passed in 1991

Source: Yusingco et al (2021:9-10)

## Pre-COVID19 Official Poverty on the Decline

Figure 2A

### Poverty Incidence Among Population



Source: Philippine Statistics Authority

economic and political spheres that tends to support sustained and inclusive economic growth and development.

With new international evidence and the glaring levels of inequality in the Philippines reviewed here, and the risks brought about by severe division and threat to democratic institutions due to populist politics, it is self-evident that deep political reforms must be prioritized sooner to help preserve and sustain economic and democratic reform gains in the past over three decades. As elaborated in this paper, inequality in its different forms, most notably in the political sphere, could derail economic growth and development by creating the conditions for impunity and severe political instability. The implication and main adjustment proposed here is to prioritize important political reforms and to pass them at the soonest possible time.

Based on several recent reform assessments (e.g., Atienza and Cats-Baril 2020 and Mendoza and Olfindo 2018), Table 1 lists some of the key reform priorities and their status. The legislative reforms are grouped according to those passed, notably under the Duterte administration, those not yet passed, and the first time the reform was filed in Congress. The latter provides a possible indicator of how some reforms are longstanding and yet continue to be delayed. This raises the issue noted by some analysts that the 1987 Constitution is not the main problem, rather the malfunction lies in the continued failure to implement ancillary reforms that were meant to complement and underpin it.<sup>1</sup> Key political and governance reforms that have been longstanding and should therefore be prioritized include political party reform, freedom of information and dynasty regulation. To this short list, and

considering new technologies in social media that have become available powerful tools in the political sphere, campaign finance reforms should be included.

Progress on many of these reforms has been frustrated for decades by an entrenched political economy propping up inequality. It is critical to understand these patterns as this might reveal options to overcome reform blockages.

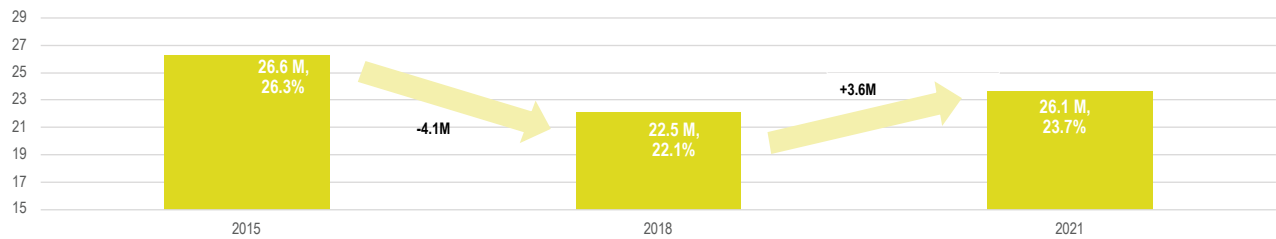
## Inequality in the Philippines

Compared with its Asian neighbors, the Philippines has not been able to aggressively reduce poverty. As a result, both poverty and inequality have been stubbornly persistent over time. The official poverty figure prior to COVID-19 was around 17% of the population (Figure 2a). Already, early studies of the impact of COVID-19 predict that the pandemic could push at least 1.5 million Filipinos into poverty.<sup>2</sup> The latest data from the Philippine Statistics Authority suggests that the increase in poverty in 2021 at the height of the pandemic nearly wiped out the gains in poverty reduction since the Aquino administration (Figure 2b). Furthermore, Social Weather Stations' data on self-rated poverty illustrates how this declined from well over 70% during the tail-end of the Marcos Sr (Ferdinand E. Marcos) administration to about 50% at the time prior to the pandemic (Figure 3). Most likely the pandemic lockdown and economic slowdown has caused this to spike again, and this is the challenge now faced by the Marcos Jr (Ferdinand Marcos Jr) administration.

Because of lockdowns or severe restrictions, self-reported hunger increased, reaching 30.7% at the national level (as of September 2020). 7.6 million Filipino households faced hunger in the last three months prior to the

## Post-COVID19: Recent Poverty Reduction Gains Wiped Out?

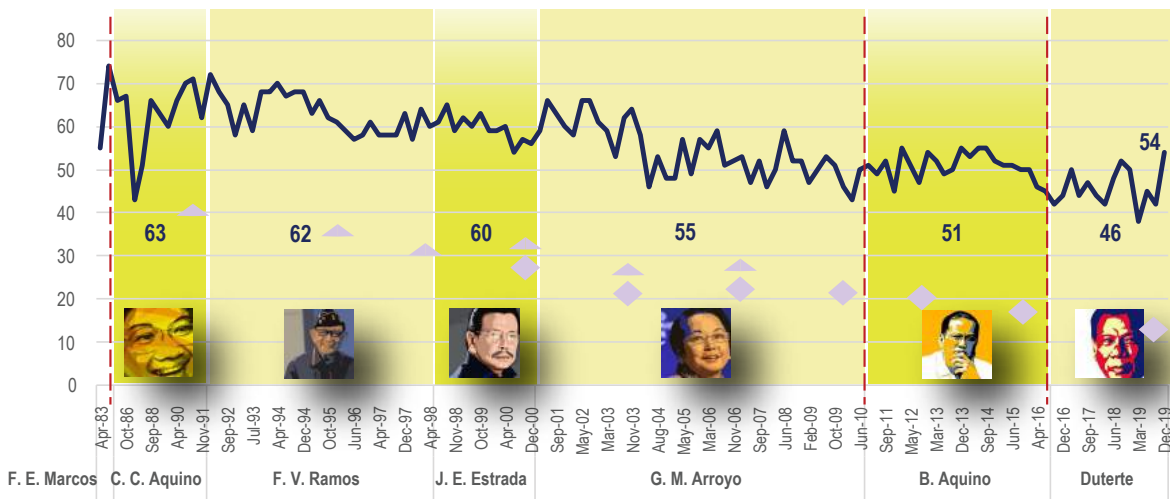
Figure 2B



Source: Figures are estimates only based on 2015 1st Semester Poverty Incidence Estimates (PSA) – released Mar 2016, and 2018 and 2021 1st Semester Poverty (PSA) – released Dec 2021

## Self-Rated Poverty (Pre-COVID19)

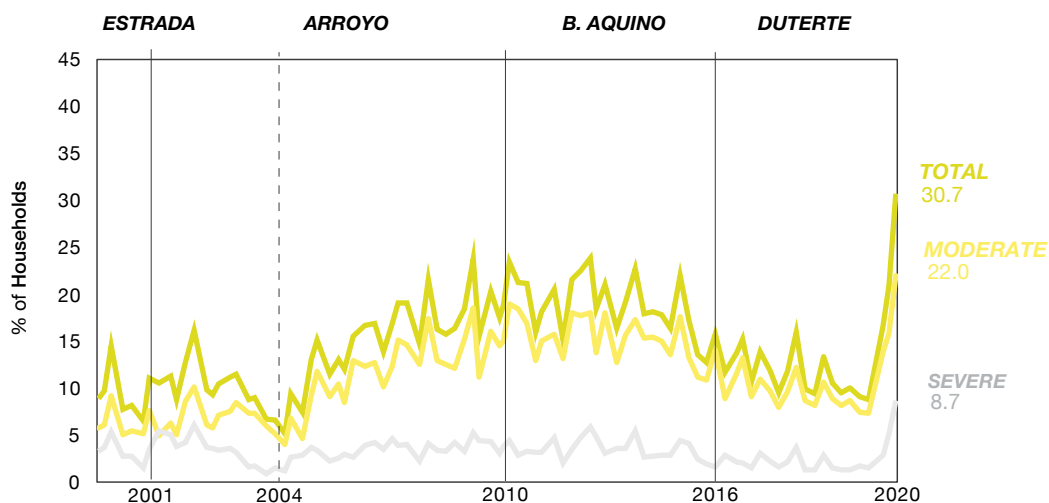
Figure 3



Source: Social Weather Stations (SWS)

## Self-rated Hunger from July 1998 to September 2020

Figure 4



Source: Social Weather Stations (SWS)

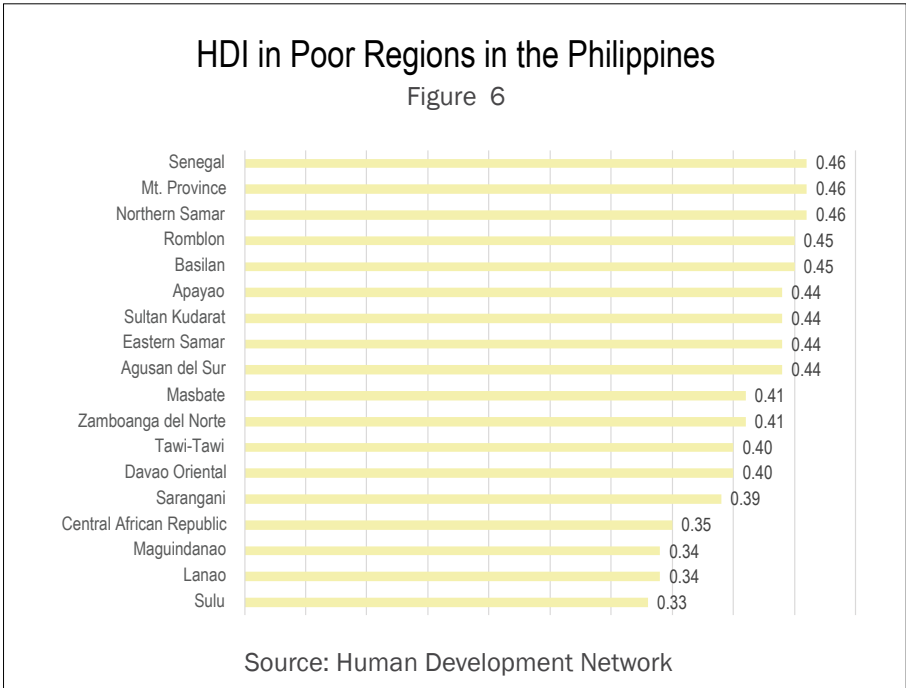
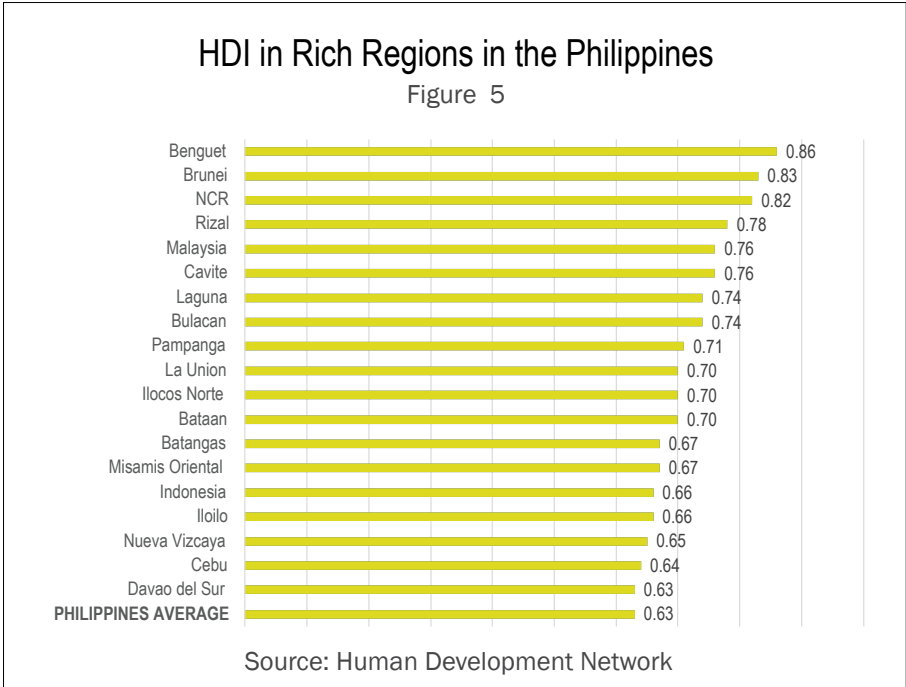


survey (Figure 4).<sup>3</sup> Visayas (41%) and Mindanao (38%) faced even more hunger than the national capital region, despite COVID-19 cases being initially concentrated in urbanized Luzon.

The Philippines was in the bottom half of most unequal countries in the 1980s; and this further deteriorated so that by 2018, the country ranked in the top third of countries worldwide in terms of inequality.<sup>4</sup> Unlike some of its ASEAN neighbors that reduced both inequality and poverty in the past 5 decades, in the Philippines, inequality remained high, while poverty reduction has been painstakingly slow. This pattern persisted even under the post-EDSA revolution regimes. The result is a highly skewed income pyramid, and a highly unequal society. Around half of Filipino households can be classified as poor and low income, living on less than PhP16,000 a month. Meanwhile, only around 320,000 Filipino families live on PhP 118,000 per month or more.

Economic growth in the Philippines improved until around the 2000s. While the rising tide also lifted the incomes of some of the poor and low-income households, the brunt of the increase was skewed in favor of the upper income households and the already well-developed regions. Taken together, this provides the gist of the country's imbalanced growth. Politically, this also sets the stage for a deep divide between the largely educated upper classes and the struggling middle to lower income and poor groups in the population.

Another clear aspect of inequality is regional—it is clear when examining geo-spatial disparities in Philippine income growth. Already richer regions grew faster than poorer regions, signaling a growing development gap with strong geographic features.<sup>5</sup> The



National Capital Region and provinces like Benguet and Rizal achieved human development levels roughly comparable with fast-growing East Asian economies like Brunei and Malaysia. Nevertheless, other parts of the country—notably in Mindanao—lagged in human development (Figure 5.)

Human development indicators in Sarangani and Maguindanao are

roughly at par with conflict-prone Central African Republic. A Filipino child born in Tawi-Tawi can expect to live up to 54 years of age—a full 19 years shorter than the national average and 24 years shorter compared to children living in La Union province (Figure 6).<sup>6</sup>

## Weak Social Safety Nets

Considering the divergence in income growth paths across regions and across socio-economic groups in the Philippines, many factors are to be considered but the evidence points to two. The first has to do with the way crises and disasters have become recurrent features in the Philippines, considered by experts as among the most disaster-prone countries in the world. Worse, disasters and crises of different types (e.g., financial, economic, climatic, etc.) in the Philippines are typically followed by non-inclusive recovery. The poor are more likely to be adversely impacted by different types of aggregate shocks and crises—they have weaker resilience due to pre-existing vulnerabilities and less resources to draw from to protect themselves and their next generation. Clearly, crises without adequate safety nets for society contributes to greater inequality over time.

A second reason for the persistent inequality in the country has to do with the weak upward mobility in the Philippine economy; and here the analogy is one of missing ladders so that poor and low-income Filipinos can continue their ascent in both income and human development. As illustrated earlier, poverty reduction results in less poor Filipinos, but many nevertheless get stuck in low-income status, in what has become a very skewed income pyramid. There is a very large lower income population in the Philippines, and it is becoming clear that the Philippine economy is unable to provide sufficient high-quality employment for a growing youth labor force that must then seek opportunities abroad, or face unmet ambitions at home. Analysts contend that this is the same group that supported Ferdinand Marcos Jr in his quest for the Presidency.<sup>7</sup>

While candidate Marcos' messaging on policy was not very clear, one might concede that he may have resonated most with those disgruntled with the development deficits of the post-EDSA years—nearly three decades of post-EDSA administrations that were closer to the lived experience of many young voters who comprised the vast majority of the voters in the 2022 Presidential elections. (Note that 37 million of the estimated 65 million eligible voters for the 2022 Presidential elections were aged 18-41, i.e., 57% of the total voting population. In 1986 (during the EDSA revolution), the oldest among this group was only about 5 years old.<sup>8</sup> Furthermore, an estimated 78% of the total voting population belongs to class D, i.e., the low-income population not all of which will be poor.<sup>9</sup>)

## Missing Ladders for Upward Social Mobility

The structure of the Philippine economy affects the inclusivity of any growth it manages to achieve. The apparent concentration of wealth that is associated with weaker competition in the market economy, and high risk of rent-seeking both conspire to produce an economic environment that is less likely to be spurred by productivity enhancing innovations and job creation. Instead, wasteful rent-seeking and political connection building dominates the landscape and undermines the nation's chances for stronger job creation. This is often referred

“

The poor are more likely to be adversely impacted by different types of aggregate shocks and crises—they have weaker resilience due to pre-existing vulnerabilities and less resources to draw from to protect themselves and their next generation. Clearly, crises without adequate safety nets for society contributes to greater inequality over time.

”

GOOD INEQUALITY THRIVES IN COMPETITION AND RELIES ON INNOVATION TO PUSH PRODUCTIVITY AND A GROWING ECONOMIC PIE. BAD INEQUALITY DOES NOT NECESSARILY PUSH GROWTH AND INNOVATION, AND INSTEAD RENT-SEEKING MAY DOMINATE, EVENTUALLY LIMITING GROWTH PROSPECTS WHILE CONCENTRATING WEALTH IN FAVOR OF THE ECONOMICALLY AND POLITICALLY WELL-CONNECTED AND POWERFUL

to as oligarchy and it is the second pernicious aspect of Philippine inequality. In addition to social safety nets for those that may fall lower in the income and human development levels during a crisis, one could also examine whether an economy has the right structures that enable citizens to continue to ascend the income and human development ladder.

The philosopher Plato defined oligarchy as a system whereby the majority are poor and disempowered, while a small ruling class consolidates power and subverts laws to press their own interests over the common good. More recent conceptions of oligarchs refer to a wealthy class – usually but not exclusively in business – that exercise control over key parts of the economy and could exert strong influence over the government itself. Russia's Magnificent 7 who controlled much of Russia's banking system in the post-Soviet Union transition period, and China's princelings who are comprised of children of the original high-ranking Communist officials during the country's cultural revolution are among the possible examples. The relationship of business and political oligarchs to these countries' development is complex—while they mobilize capital for investments and also generate jobs, they also tend to constrain competitiveness by thriving on protection and rent-seeking.

In the Philippines, oligarchic behaviors include: securing government contracts through personal connections, illegal activities like insider trading, and

capturing regulatory institutions in order to extract “sweetheart deals”. This has been referred to as “booty capitalism” and “crony capitalism.”<sup>10</sup>

In early literature on the Philippines, it was clear that political leaders gave advantages to business cronies in ways that also helped to consolidate political power.<sup>11</sup> The presence and impact of business oligarchy is also focused on economic structure and anti-competitive behavior.

The source of wealth could differentiate the kind of wealth creation and subsequent inequality in a country. One is based on innovation and productivity, while the other type of wealth creation is often heavily-influenced by political connections, rent-seeking and protectionism. This is probably a useful way of describing “good inequality” vs “bad inequality”. Good inequality thrives in competition and relies on innovation to push productivity and a growing economic pie. Bad inequality does not necessarily push growth and innovation, and instead rent-seeking may dominate, eventually limiting growth prospects while concentrating wealth in favor of the economically and politically well-connected and powerful.

Perhaps one of the best cures for oligarchy is the resurgence of genuine competition in the market economy. A key institutional innovation that could encourage this is the creation of a strong and independent competition authority that effectively levels the playing field by

preventing abuses of market power and other anti-competitive behaviors. Incentivizing big businesses to seek export markets is another means to foster competitiveness. Opening up the economic environment also leads to greater competitive pressure for big businesses. This could force them in the direction of innovation rather than rent-seeking.

## Political Lens on Inequality

Political science and sociology authors have extensively analyzed the existence and dynamics of political dynasties, notably by Hollnsteiner (1963), McCoy (1994), Rivera (1994), Balisacan and Fuwa (2004), Querubin (2016) and Teehankee (2001). Recent empirical research by Asian Institute of Management (AIM) and Ateneo researchers on dynasties in the Philippines found very sobering evidence of what political inequality in the Philippine countryside looks like. Our data-intensive 2012 study of political dynasties in the House of Representatives suggests that about 80% of dynastic legislators increased in their net worth from 2003 to 2007. This increase was so remarkable that half of the sample's asset growth beat the returns from investing in the Philippines Stock Exchange.<sup>12</sup>

Updated figures reinforce this picture of privilege and power. Based on their self-declared statement of assets, liabilities and net worth, some dynastic legislators in both the lower and upper houses of Congress have experienced phenomenal growth in their wealth while in office. A certain dynastic Senator had a reported wealth increase of over PhP 500



million in 3 years, while another saw her wealth grow by PhP1.9 billion in a span of just 6 years. Would it surprise us that these Senators were husband and wife (Figure 7)?

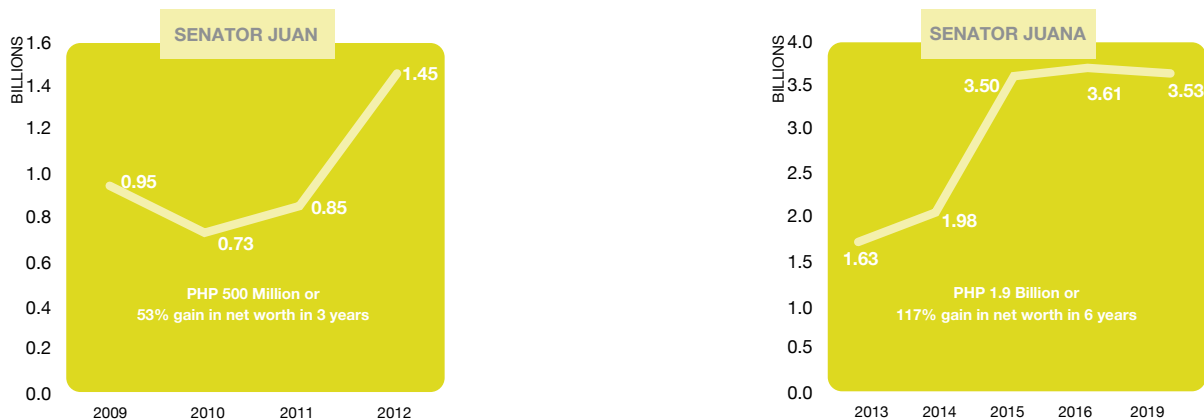
The Statements of Assets, Liabilities and Net worth (SALNs) of selected dynastic Congressmen revealed an even more impressive buildup of wealth. In just one term (3 years), their wealth grew by almost 200% to over 300%. If these Congressmen were listed in the Philippine stock exchange, then they would put most blue-chip stocks to shame (Figure 8)!

When only the wealthy dominate elected public office, and when their wealth while in office expands dramatically, then there are clear imbalances in political power. Checks and balances are critically important in order to avoid possible conflicts of interest and prevent positions of power from being abused.

Our studies tracking political dynasties also show that they win in elections by much larger margins of victory, probably owing to distinct advantages due to incumbency and in some cases the sheer number of family members

### Selected Senators' SALN

Figure 7



Source: Author's compilation based on data from SALN reports

### Selected Congressmen's SALN

Figure 8



Source: Author's compilation based on data from SALN reports

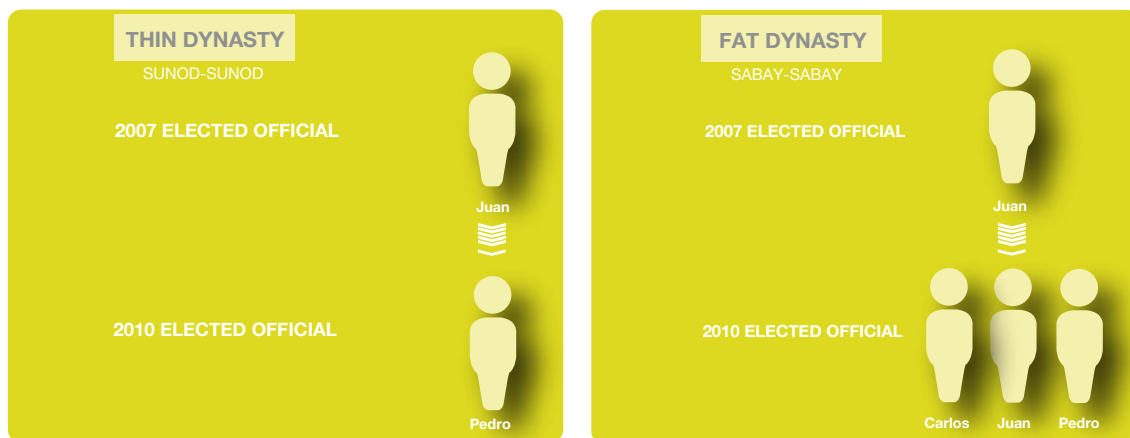
already serving in office. In the words of one non-dynastic Mayor who described this to me some time ago: “Sa eleksyon, hindi lang isa ang kalaban ko, lima sila.” (In an election, I am not just up against one, they are five.) In our research we have begun to track “thin dynasties” (sunod-sunod) and “fat dynasties” (sabay-sabay tumatakbo at nanunungkulan) (Figure 9). There is also a growing trend in Philippine elections wherein candidates are running unopposed, most likely due to political agreements negotiated prior to the elections by ruling political clans.<sup>13</sup>

If we define “fat dynasties” as those political clans with at least two elected members in office, then fat dynasties already dominate most of the local government. 80% of Governors, 67% of Congressmen, 53% of Mayors and 40% of Vice Mayors are from fat dynasties (Figure 10). While we do not yet

have an update of the 2022 election results, we expect this trend of power consolidation to continue—and political dynasties to expand their grip on elected office. The Senate alone reflects for the first time in history father-daughter, mother-son, brother-sister, brothers tandems (inside the same Senate), as well as many other Senators with relatives in elected office (Figure 11). This accentuates longstanding calls for greater representation for under-represented regions in the Philippine Senate, given many of these Senators basically reside in Metro Manila.

## Comparison Between Thin Dynasty and Fat Dynasty

Figure 9



Source: Author's elaboration

## Fat Dynasties in the Philippines from 2004 to 2019

Figure 10

Position	2004	2007	2010	2013	2016	2019
<b>Governor</b>	56.96% 8.86p	55.00% 1.96pp	71.79% 16.79pp	82.50% 10.71pp	76.25% 6.25pp	80.25% 4.00pp
<b>Vice Governor</b>	53.85% 7.10pp	48.10% 5.75pp	52.56% 4.46pp	65.00% 12.44pp	53.16% 11.84pp	67.90% 14.74pp
<b>Provincial Board Member</b>	39.78% 0.25pp	37.73% 2.05pp	42.90% 5.17pp	41.95% 0.95pp	45.95% 3.82pp	45.20% 0.57pp
<b>HOR Congress</b>	48.11% 6.48pp	50.00% 1.89pp	55.56% 5.56pp	56.84% 1.28pp	55.60% 1.24pp	66.67% 11.07pp
<b>Mayor</b>	39.56% 1.83pp	41.15% 1.59pp	47.84% 6.69pp	48.87% 1.03pp	50.81% 1.94pp	53.38% 2.57pp
<b>Vice Mayor</b>	27.84% 1.03pp	29.10% 1.26pp	34.06% 4.96pp	36.17% 2.11pp	38.99% 2.82pp	38.91% 0.08pp
<b>Councilor</b>	20.85% 0.10pp	20.22% 0.63pp	22.51% 2.29pp	22.63% 0.12pp	22.71% 0.08pp	23.15% 0.44pp

Source: Ateneo Policy Center Dynasties Dataset

A concerning development, which could link political dynasties to income inequality, is that Philippine political dynasties are more prevalent in regions with relatively higher levels of poverty. Do poor people vote for dynasties? Or do dynasties fail to reduce (or even worsen) poverty? Recent empirical evidence both in the Philippines and abroad suggest that the balance of causality flows from dynastic leadership to higher poverty, yet context here matters significantly. The dynasties to poverty link is likely significant in places where few checks and balances are left to temper the concentration of political power. Our ongoing study suggests the negative impact of dynasties is strongest in Visayas and Mindanao.

We hypothesize that some form of competition, either in elections or through democratic checks-and-balances by stakeholders (for instance business, media, academe, civil society organizations) could probably temper this negative relationship. Hence, similar to the market economy which requires healthy competition to prevent “bad inequality”, the political system also requires a healthy degree of competition in order to prevent imbalanced political power and the bad governance and underdevelopment that this is associated with.

Focusing a political lens on inequality allows us to appreciate how the main forms of inequality in the Philippines—social, economic and political—may actually constitute an “inequality trap” given these various imbalances appear to be mutually reinforcing in their overall development impact. First, elections are characterized by strong political dynasties and weak political parties, leading to weaknesses in informed voting. Elected leaders, in turn, are not held accountable to clear reform agendas, and instead are likely to be captured by different economic interests who funded

## A Dynastic Senate in 2022

Figure 11



Source: News5. (<https://www.facebook.com/News5Everywhere/photos/a.3088477051309028/3088488451307888/>)





their campaigns. (For some leaders, they themselves possess economic interests and businesses within the political clan, representing an even stronger form of “state capture”.) This governance environment is likely to be abused by rent-seeking and personality politics. That in turn weakens the drive for stronger public service provision, due to leakages and weak governance in implementation of policy reforms. Finally, many citizens remain mired in patronage politics, making them susceptible to manipulation and cooption during elections. Put simply, political concentration of power leads to, or at least tolerates, economic concentration, which in turn produces an economic environment that is characterized by inequality in economic opportunities.

## Conclusion

Clearly, advancing inequality reduction in the Philippines requires the kind of political will that could break this inequality trap on multiple fronts, ranging from economic, to political and social. This kind of concerted effort has never before been demonstrated in the post-EDSA period. And certainly, it is difficult to imagine it taking place during a period racked with governance challenges like the Marcos Sr regime.

Can the Marcos Jr regime be any different?

The Marcos Jr administration is riding on a historic election mandate; and it is possible to leverage this to attack the root causes of poverty and inequality in the country. Doing so will probably undermine the very same dynastic pathway that made a Marcos Jr

Presidency possible, so many will be critical and may not believe this task possible. Nevertheless, the possible redemption arch for the Marcoses may yet see Marcos Jr solidify his place in history by correcting what even his father and all other post-EDSA Presidents were unable to do. Furthermore, the recent appointment of technocrats (instead of politicians) to key economic management posts gives some reason for optimism on a serious reform agenda.<sup>14</sup> Whether the proposed solutions come in the form of follow up reforms long-delayed, or an entirely new constitution that contains this time self-executory elements that favor greater competition in both the economic and political spheres remains to be seen.

In the final analysis, inequality is of interest not merely because of a desire for a more equal distribution of wealth. Inequality itself can derail economic growth, breed populism and weaken social cohesion. For these reasons, the challenge of our generation is no longer simply about reducing poverty. Reducing inequality is the key to political stability, crisis resilience and sustained economic development.

# endnotes

\*This paper excerpts from and builds on Mendoza, R.U. (2020) "Inequality, Oligarchy and Dynasty", 19th Jaime Ongpin Annual Lecture for Public Service in Business and Government, Ateneo de Manila University, 28 October 2020 and Mendoza, R. U. (2022). Reducing Inequality in the Philippines. In V. A. C. Manhit (ed.) *Beyond the Crisis: A Strategic Agenda for the Next President* (pp. 169-196). Quezon City, Manila: Rex Printing Company Inc.

<sup>1</sup> <https://www.rappler.com/nation/congress-constitution-christian-monsod-charter-change-senate-hearing>

<sup>2</sup> Abad (2020).

<sup>3</sup> "The 30.7% Hunger rate in September 2020 is the sum of 22.0% (est. 5.5 million families) who experienced Moderate Hunger and 8.7% (est. 2.2 million families) who experienced Severe Hunger. Moderate Hunger refers to those who experienced hunger "Only Once" or "A Few Times" in the last three months. Meanwhile, Severe Hunger refers to those who experienced it "Often" or "Always" in the last three months." See Social Weather Stations (2020).

<sup>4</sup> Mendoza (2019).

<sup>5</sup> Domingo (2019).

<sup>6</sup> Banaag, Dayrit, and Mendoza (2019).

<sup>7</sup> <https://www.onenews.ph/articles/class-d-vote-why-the-poor-want-marcos-jr-to-succeed-duterte>

<sup>8</sup> <https://www.cnnphilippines.com/news/2022/2/8/youth-vote-56-percent-2022.html>

<sup>9</sup> <https://www.onenews.ph/articles/class-d-vote-why-the-poor-want-marcos-jr-to-succeed-duterte>

<sup>10</sup> Hutchcroft (1998) and Krueger (2002).

<sup>11</sup> Manapat (2020) and De Dios et al (1984).

<sup>12</sup> Mendoza et al (2012).

<sup>13</sup> See <https://www.rappler.com/news-break/iq/229916-local-candidates-running-unopposed/>.

<sup>14</sup> <https://www.searca.org/press/biz-groups-welcome-balisacan-neda-chief>

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