



**PCED** | Philippine Center for  
Economic Development  
Annual Report **2015**



# PCED | Philippine Center for Economic Development

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# PCED

**The Philippine Center for Economic Development (PCED) was created on 15 March 1974 by Presidential Decree (PD) No. 453 with the sole function of giving financial and moral support to the programs of the School of Economics of the University of the Philippines.**

## **Mission**

It is envisioned that through the financial support of the Center, the School will be able to undertake its academic functions on a larger scale, ultimately contributing to the country's continuing and accelerated efforts at national development.

## **Vision**

To give financial and moral support to the research, teaching, training and other programs of the School of Economics of the University of the Philippines.

The Center is directed to formulate a program for financing the programs of the School, including the endowment of faculty chairs. Being independent of this assistance, the School remains under the academic and administrative supervision of the University of the Philippines System, relying on faculty initiative as the prime means of developing competent training and research programs.

*Continued on inside back cover...*

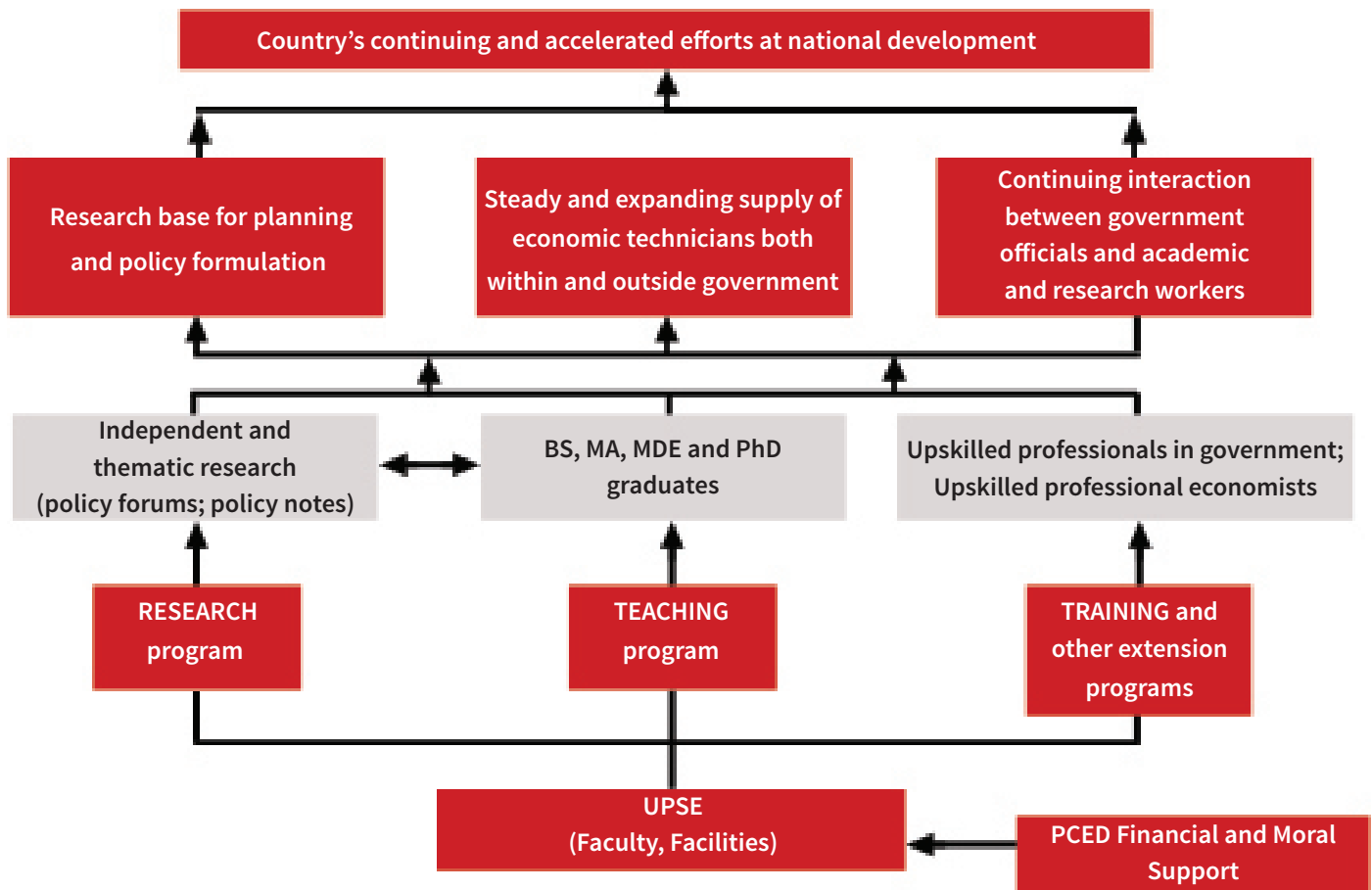
# PCED Mission and Vision

Continued from inside front cover...

The support of the Center extends to programs related to all of the following functions of the School which are to:

1. Conduct and engage in economic research oriented towards national policy and the needs of national development, particularly in the areas of:
  - a. monetary and fiscal policy;
  - b. tariff and trade policy;
  - c. industrial and agricultural policy;
  - d. regional economic development;
  - e. long-, medium-, and short-term economic planning;
  - f. human resources and employment;
  - g. economic aspects of education, health, and social development in general; and
  - h. statistical programs and policy.
2. Undertake training programs designed to provide the government and the nation as a whole with planners, analysts and economic statisticians; or in general, with technicians skilled and knowledgeable in the problems of economic development;
3. Serve as the medium for bringing together experts and specialists in other disciplines to conduct studies and investigations, and engage in the interchange of ideas so as to bring their knowledge and experience to bear on common problems, with a view to evolving fresh ideas and approaches that could be effectively applied to economic development; and
4. Engage in the publication of the results of research.

Figure 1. The PCED Mandate (PD 453)





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## Message from the Chair



The Philippine Center for Economic Development (PCED) was created 41 years ago specifically to help the UP School of Economics (UPSE) while keeping it independent as an academic institution. By holding trainings and seminars, bringing together experts from various disciplines to exchange ideas, and conducting and publishing high-level studies, the PCED extends financial and moral support to the UPSE and boosts its research studies that provide timely and relevant development directions for the government and other policy makers.

In 2015, over 4 million pesos was utilized to advance its research and development agenda. This is apart from the 1.8 million peso financial support to the UPSE which, among others, funded student assistants and upgraded library acquisitions and facilities by assisting in the subscription renewal to print and non print periodicals and local book titles exclusively distributed by the Philippine Statistics Authority (PSA). Indeed, PCED's assistance empowers not just the faculty and technical staff of the UPSE but also its students and the various sectors directly influenced by their research.

On behalf of the PCED, I would like to assure our stakeholders that we continue to strive for excellence in our pursuit of sustained and inclusive growth grounded on evidence-based research, and that our support to the UPSE and the economic growth agenda remains robust, steadfast, and true.

**Hon. Arsenio M. Balisacan**  
*Secretary of Socioeconomic Planning*  
PCED Chairman of the Board



I am honored to share with you the 2015 Annual Report of the Philippine Center for Economic Development (PCED). Since its inception, the PCED has been committed to its mandate of extending moral and financial support to the research, teaching, training and other programs of the UP School of Economics (UPSE).

In 2015, the PCED funded different research activities of the faculty and professional staff. This year, grants were provided for eight new studies, and a total of 20 PCED-funded research papers were completed. The research, which covers variety of topics as agriculture, finance, growth and development and foreign policy, have been disseminated in 17 discussion papers, one policy note and two working papers.

PCED also supported the conduct of lectures and seminars by faculty, students, and visitors from other universities and institutions. Such activities include 29 UPSE-PCED Seminars.

The PCED has also regularly supported the UPSE Library in acquiring books and journals, hiring of research assistants, and in maintaining the library building and facilities.

PCED will continue to support UPSE, especially in meeting the challenges of faculty recruitment and retention, sustaining academic research, and in raising graduates from the UPSE masters and doctoral programs.

The ability of PCED to meet its mandate and reach its goals surely depends on the support of its Board of Trustees, PCED officers and staff, and our partners. I take this opportunity to express my sincere gratitude to everyone who has contributed to what we have achieved. Thank you.

Sincerely,



**Orville Solon, PhD**  
*Executive Director*  
Philippine Center for Economic Development



## Message from the Executive Director

# PCED Supported Activities and Accomplishments in 2015

The UPSE faculty and professional staff regularly produce research studies as part of their academic function. In 2015, PCED supported 8 new studies by providing research grants. The grantees were given one year to complete their research projects. Table 1 provides the contract details for each study

Table 1. Independent Research

	AUTHOR	TITLE	CONTRACT	TOTAL CONTRACT PRICE
1	M. C. Pajaron	The role of gender and education in the intrahousehold allocation of remittances of Filipino migrant workers	5 Jan 2015 5 Jan 2016	347,097.60
2	R. M. T. Balanquit	Common belief revisited	5 Jan 2015 5 Jan 2016	347,097.60
3	S. L. A. Quimbo	Testing a method of assessing the reliability in monitoring the 4Ps'	5 Jan 2015 5 Jan 2016 Extended: May 2016	932,696.00
4	R. A. Danao	Introduction to Mathematica	5 Jan 2015 5 Jan 2016	200,000.00
5	J. J. Capuno	Contested jurisdictions, concomitant reforms and creeping centralization	5 Jan 2015 5 Jan 2016 Extended: May 2016	785,688.00
6	E. M. Pernia	Solar power's rise and promise	3 Jul 2015 3 Jul 2016	200,000.00
7	M. S. G. Bautista	Global liquidity and financial vulnerability	3 Jul 2015 3 Jul 2016	946,992.00
8	C. D. Magno	Examining the demand for prescription drugs: Physician prescribing behavior for diabetes medication	5 Nov 2015 5 Nov 2016	347,097.60

# Completed Research

Completed research studies are released as discussion papers, working papers, or policy notes. In 2015, 20 PCED-funded research papers were completed – 17 discussion papers, 1 policy note and 2 working papers. The abstracts of the completed research are presented below while Tables 2-4 provide a summary of all the titles and authors.

## A. Discussion Papers

### DP 2015-01

#### Why has Latin America sped up ahead of the Philippines in economic and political reform?

*Abstract:* This paper compares trends in key economic, political and social development outcomes in the Philippines with those of Latin America, particularly since the 1990s. To do so, it uses standard indicators of development, including measures of institutional quality and good governance. The paper finds that Latin America is not only at a higher level of development, but has also made faster progress in most areas than the Philippines. This is especially the case as regards GDP per capita, poverty, education, health, infrastructure, social protection, right to life and security of the person and corruption. The Philippines, however, performs significantly better as regards gender and race and in some “niche” areas of ICT, including high-tech exports, while posting slightly higher ratings in government effectiveness. Both regions

do well in the areas of macro-economic management and financial sector development. Overall performance as regards the quality of democracy is also roughly comparable. The paper argues that key policy drivers of the divergence include Latin America’s: a) higher and better public spending; b) greater transparency and integrity in both the public and private sectors; and c) freer and more competitive markets. *Rosa Alonso I. Terme*

households receive higher transfers from other domestic sources as a positive spillover from becoming CCT beneficiaries. Poor CCT households tend to lower their dissavings while non-poor beneficiaries become less indebted. We also find evidence of lower income, lower wages, and lower work-related expenses. *S. Quimbo, J. Capuno, A. Kraft, R. Molato, C. Tan*

### DP 2015-02

#### Where does the money go? Assessing the expenditure and income effects of the Philippines’ Conditional Cash Transfer Program

*Abstract:* Evaluation studies on conditional cash transfers (CCT) in the Philippines found small if not insignificantly different from zero effects on household consumption. We use propensity score matching to examine how recipients made use of the money they received, taking into account possible changes in recipient behavior. We find evidence of crowding in—CCT

### DP 2015-03

#### Completing Ostrom’s Table: A Note on the Taxonomy of Goods

*Abstract:* A framework is proposed to subsume public goods and common-pool resources, respectively, as specific cases of positive and negative externalities. A pure public good is a positive externality whose appropriable benefits are too small or too uncertain relative to the high private cost for anyone to produce it in any amount. The common-pool problem is a case where each agent’s action imposes a negative externality on everyone else. *Emmanuel S. de Dios*



**DP 2015-04****Differential delivery dates, retrievability and the incentives compatibility of contracts**

*Abstract:* Differential delivery dates (D3) of contract obligations characterize most contracts in real life. D3 puts the contractor who delivers last, in the words of David Hume (1769), in “a position of advantage” because reneging on his/her obligation can be profitable. Ex-ante remedies such as Coase’s “ownership”, Williamson’s “hostage”, Klein et al’s “vertical ownership”, Grossman and Hart’s “assignment of residual rights”, etc. have been proposed. The principal’s decision to appropriate the quasi-rent generated by the agent delivering effort first under possibly weak public ordering and non-zero retrievability of delivered effort is explicitly modeled. We give the sufficient conditions for the preservation of the incentives compatibility of the simple P-A effort-in-advance contract in the D3 environment.  
*Raul V. Fabella*

**DP 2015-05****N-poly viability and conglolistic competition in small emerging market**

*Abstract:* The economic catch-up of the East Asian region went hand-in-hand with the emergence and even dominance of large quasi-state or private conglomerates. Such for example were the Zaibatsus in the pre-WWII and the Keiretsus

of the post-WWII Japan and the Chaebols of South Korea which enjoyed extensive state sponsorship and the Taipan-led business empires of South and South East Asia which were largely autonomic. The trend continues to this day especially in the People’s Republic of China. This dominance was not just an accidental fixture but the natural result of the economic and social environments prevalent in emerging markets. After reviewing the literature on why a few large private conglomerates tended to dominate the landscape of less developed economies in a rapid catch-up mode, we attempt a game theoretic account for the spread of these firms across different markets. We first define the concept of “n-poly viability” or the number of firms that can profitably Cournot compete in a market of a given the size and fixed capital requirement. We then show that conglolistic competition (conglomerates competing in many markets) is a subgame perfect equilibrium of an entry game among initial monopolists and that this evolution is consumer welfare-improving. We identify the conditions under which only one firm or no firm benefits from the evolution.  
*Raul V. Fabella*

**DP 2015-06****Re-thinking market failure in the light of the imperfect state**

*Abstract:* We propose a formal re-definition of the concept market failure based on the idea of the imperfect state. In

the Neo-classical taxonomy, a decentralized regime of exchange is a market failure if its laissez faire equilibrium solution is welfare-dominated by a technically feasible alternative. If the state is perfect, that is, benevolent and its transactions cost of intervention is zero, every market failure can be remedied/ corrected with a welfare gain. If the state is imperfect, that is, either non-benevolent or with non-zero transactions cost, the state intervention to correct the market failure can be welfare-reducing. Extending the logic behind Williamson’s remedialness criterion and Stiglitz’ constrained Paretoness, we introduce a new taxonomy of failures: the concept “proto-failure” now denotes any failure which laissez faire interaction cannot remedy without a welfare gain. The label “market failure” now denotes a proto-failure which the relevant state can correct with a welfare gain. A proto-failure that the relevant state cannot correct with a welfare gain we call “RC efficient.” We use the net welfare metric which explicitly accounts for transactions cost of intervention as efficiency criterion. The new taxonomy is equivalent to the old if the state is perfect, that is, all proto failures are market failures. When the state is imperfect, the set of market failures is smaller than the set of proto-failures. A proto-failure is a necessary--but not a sufficient--condition for a welfare-improving government intervention. This paper follows the Williamson counsel to “push the logic of positive transactions cost to completion.”  
*Raul V. Fabella, Vigile Marie Fabella*

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**DP 2015-07**

## From commodity booms to economic miracles: Why Southeast Asian industry lagged behind

*Abstract:* Except for the Philippines between 1896 and 1939, Southeast Asia was never part of the century-long East Asian industrial catching up until after World War II. Before the 1950s, Southeast Asian manufacturing hardly grew at all: while commodity export processing did grow fast, import-competing manufacturing and manufacturing for local consumption did not. Singapore and Thailand started recording catching up growth rates on the western leaders only from the 1950s onwards, and Indonesia and Malaysia joined the club only after 1973. Even then, Southeast Asia did not record catching up growth rates on Japan or Taiwan until after 1973 and 1990, respectively. The only Southeast Asian country that appeared to have joined the fast industrial growth club before World War II – the Philippines -- had its industrial growth collapse after the ISI years. What explains this dismal industrial performance before the 1960s? Why did Southeast Asia become a rapid export-led manufacturing growth success story after the 1960s while it did not in Latin America, the Middle East, or South Asia? In seeking answers, we distinguish four periods: de-industrialization and commodity export growth before 1913; a modest diversification into manufacturing during

WWI and the interwar years; the development of consumer goods production under import substitution policies between the 1940s and the 1960s; and finally the high speed export-led industrialization since. We show how factor endowments, demography, schooling, second-best institutions, foreign markets, and, especially, good luck mattered. *Jean-Pascal Bassino, Jeffrey G. Williamson*

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**DP 2015-08**

## Solar power's rise and promise

*Abstract:* Time was when solar energy was facetiously dismissed as impractical, inefficient, and pricey. In recent years, however, innovations in technology, regulation, and financing have resulted in remarkable efficiency improvements and price reductions, thereby reversing the skepticism about this renewable energy (RE) source. In this paper, we explore how this has happened, to what extent photovoltaic solar technology has been accepted around the world, and what might be its potential for inclusive green growth. We find that adoption of both on-grid and off-grid solar systems has been widespread and rapidly increasing. Particularly noteworthy is the utilization of small-scale individual or distributed off-grid solar home systems (SHS) in remote and underserved areas in the developing world, including East Africa and South Asia. It appears that the Philippines has been a relative latecomer. Data show

that solar power's "installed" capacity remains a tiny fraction of all RE sources (that also include hydro, geothermal, wind, biomass, and ocean). Moreover, such capacity is for on-grid only; there seems none as yet installed for off-grid SHS. We conclude with the paper's main points and possible implications for policy and research. *Ernesto M. Pernia, Maria Janela M. Generoso*

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**DP 2015-09**

## How we measure poverty understates its extent and depth: Some results

*Abstract:* The paper examined the methodology used for measuring the country's poverty line and poverty rate. It finds that the poverty line was not based on the cost of meeting an acceptable or minimum standard of living or of meeting basic needs by which to classify families as poor as is customarily done in other countries. The measure uses a simple construct referred to as subsistence poverty line to establish the overall poverty line. The subsistence poverty line is estimated to be the cost of food consumption of low-income families that meets their nutritional requirements. Thirty per cent of the subsistence poverty line is added to it to account for all non-food needs. The allotted budget for non-food needs is too low and not sufficient to meet the cost of all non-food basic needs. Consequently, the poverty line as measured does not meet all basic needs including food and underestimates the country's poverty rate. The

underestimation of the poverty rate is seen in the higher rate of deprivation in particular basic needs such as housing, food consumption and education than the official poverty line. The paper concludes by recommending that the government gives high priority to slum clearance and housing program as a strategy for social and economic development. Housing for the poor has not been a priority of the government. So far only about 1% of the national budget goes to housing. At this time, the government has the resources to launch a massive housing program to eradicate the slums in five to ten years time. The paper cites existing and potential sources to finance a massive housing program. It cites the very successful housing program of Singapore and how it contributed to its sustained high rate of economic development.

*Edita A. Tan*

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### DP 2015-10 Gearing the Philippines for ASEAN Economic Community

*Abstract:* This paper argues that the way for the Philippines to the ASEAN Economic Community (AEC) is not through ASEAN but through the world. Being good neighbors will define the AEC and how the Philippines fits into it—not necessarily in the way it was planned. Of the 4 pillars underlying the AEC, the paper focuses on Pillar 1—Single Market and Production Base—and within this, trade in goods. During the period of AFTA implementation

the Philippines did not only aggressively pursue a program of preferential tariff reduction but a concomitant reduction of MFN tariff rates. Between 1993 and 1999 the margins between Philippine AFTA rates and its MFN rates sharply declined, so that the initial preferential bias in terms of both exports to and imports from ASEAN diminished and trade shares with the region remained stable. In a sense the country's readiness for AEC was already laid down at the start of AFTA and fortified when it unilaterally liberalized on an MFN basis. But this is only one, albeit critical, part, of the AEC package. The other pillars and the other parts of Pillar 1 are still beset by barriers to effective regional trade – mostly homegrown and putting the domestic house in order is necessary not only for the AEC but for firmer integration with the world economy. Even with the current progress in trade-in-goods, sustaining this requires a readiness that needs to be attended—with or without the AEC. Of the original 5 ASEAN members, most have successfully overcome barriers to integration into the regional and global trade and investment systems. Thus, for some of these countries, aggressive pursuit of the AEC is marginal and a by-product of global readiness. Their institutional machineries have been built around the global trading arena, their economic actors exploit their borders' opportunities, their governments bold in forging agreements that open markets. The Philippines has yet to fully be ready for the global markets, its economic actors still have

to appreciate borders and their potential for expanding markets, and its government carries out audacious reforms that realize its nearby neighbors can be exploited as part of the larger world economy. *Florian A. Alburo*

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### DP 2015-11

### Current structure and future challenges of the agricultural sector

*Abstract:* This chapter provides an overview of the patterns, composition, policies and institutional environment that have influenced the performance of the agriculture sector in recent years. The focus is on the changing dynamics of supply and demand for agriculture as a whole and for key commodity groups and livestock in the context of a growing economy, urbanization, and regional market integration. It concludes with a discussion of the policy and institutional challenges to making agriculture a key pillar in the country's pursuit of inclusive growth, poverty reduction, and sustainable development. *Majah-Leah V. Ravago, Arsenio M. Balisacan*

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### DP 2015-12

### The mining for development framework for the Philippines

*Abstract:* Mineral extraction alone is not sufficient to trigger sustainable development in developing countries. The mainstream paradigm on mining

for development suggests that mineral-rich developing countries need to formulate a fiscal policy that can balance the need to maximize fiscal revenue while ensuring that the country has an attractive investment climate. The presence of mining companies in poor remote communities is sufficient to initiate development. In this discussion, it is suggested that the fiscal policy should take into account the state of governance where mining is being conducted, the extent of linkages mining creates in the local economy and whether the Regalian doctrine applies to ownership of minerals. The race-to-the-bottom approach in designing fiscal policies does not necessarily benefit mineral-rich developing countries. In the case of the Philippines, a more comprehensive development framework is necessary to ensure that mining contribute to the sustainable development of the Philippines. The framework should include: (1) good governance of the public and extractive sectors which entails institutionalization of transparency and accountability mechanisms, implementation of the United Nations guiding principles on business and human rights and strengthening of government's regulatory capacity; (2) effective allocative capacity and capacity to effectively manage the returns from the sector by the government so that the proceeds from mining contribute to sustainable development and ensure intergenerational equity; (3) establishment of linkages between the extractive sector and the rest of the economy

to maximize the benefit of the extractive activity; and (4) fiscal policy that reflects fair share in the extraction of resources, the state of mining governance and the environment where extraction is conducted. Fair share in mining includes payment for the minerals owned by the government on top of the regular taxes the government imposes to all industries. *Cielo Magno*

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### DP 2015-13 Helping cost, assortative matching and production cycles in the dynamic Humean farmer game

*Abstract:* We reformulate the Humean farmer game on the basis of random assignment of advantage and the cost ( $e$ ) of helping in another's harvest. The result is a game that is a coordination game if  $e < 1/2$  or a dominant strategy Prisoner's Dilemma Game if  $e > 1/2$  which allows a joint treatment of the two interpretations of the Humean farmer game. We employ two behavioral types initially: the conditionally cooperative (H-type) and the free riding (NH-type). We employ replication dynamics with assortative matching and multiple production cycles to investigate which evolutionarily stable (EE) monomorphic population it engenders. We show that the ceiling for effort cost  $e$  to support an EE monomorphic H-type population in the Stag-Hunt game rises to  $(1 + b)/2$  from  $1/2$  in pure random matching case. As the assortative index  $b$  rises, the basin of attraction

of the EE H-type solution rises. When the assortative matching is perfect ( $b = 1$ ), in the Stag-Hunt game version ( $0 < e < 1/2$ ), the monomorphic NH-type population ( $s^* = 0$ ) is no longer EE while the monomorphic H-type solution ( $s^{**} = 1$ ) is EE; in the Dominant Strategy game version ( $e > 1/2$ ),  $s^* = 0$  is EE iff  $e > (3/4)$  while  $s^{**} = 1$  is EE. *Raul V. Fabella*

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### DP 2015-14 Development dynamics in the Philippines historical perspectives: 1950-2010

*Abstract:* This paper attempts to explore the use of an OECD Multi-Dimensional Country Review (MDCR) framework in understanding the long-term development history of the Philippines. The MDCR recognizes the multiplicity of development objectives countries usually pursue and therefore the associated multiplicity of challenges and opportunities. Following a conventional dichotomy of explaining the country's development dynamics into economic and non-economic factors, the paper reviews the historical economic record and examines more recent non-economic hypotheses. While the latter is mostly political explanations it tries to link them to economic outcomes yet it is weak in tracing the mechanisms of the linkage despite using more rigorous methodologies. The paper then proceeds with hypothesizing that the long-term (political) behavior of breaking the country into finer geographical (and



political) entities has been inimical to its sustainable long-term (economic) growth. The splitting of provinces, creation of new ones, of legislating more congressional districts, and further break-up of even the lowest government levels clearly fragment markets, raise real financial and transactions costs, bloat government budgets and the bureaucracy, and add burden to the private sector environment. Partial evidence is explored showing this behavior along the country's long-term development history and some policy directions are suggested. *Florian A. Alburo*

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#### DP 2015-15

### Risk management and coping strategies: Climate change and agriculture in the Philippines

*Abstract:* We provide an initial framework regarding priorities for government programs to reduce the natural-disaster vulnerability of farm households in the Philippines. We begin with the likelihood that climate change will increase the probability of flooding, since rainfall is expected to both increase and be more concentrated (more storms). We then turn to a conceptual framework for understanding resilience at the household level and evidence from the PCED Social Protection Survey about coping strategies of farm households. The framework can be used to shed light on pros and cons of alternative public

policies to reduce household vulnerability, including the role of discounting. In particular, we highlight the limited coping tools available to low-income households. This helps to strengthen the case for preventative policies that lower the probability and/or severity of damages. The inability of poor households to cope with increased exposure to risks, however, does not necessarily imply that social insurance programs should be expanded. Inasmuch as disaster risk management policies at the national level are typically without coherent foundations, we provide tentative indications of how the farm level risk-management framework can be expanded to the national level. *Majah-Leah V. Ravago, James Roumasset, Karl Jandoc*

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#### DP 2015-16

### Household coping and recovery from nature's wrath: Rising from the ruins of Yolanda

*Abstract:* Typhoon Yolanda (Haiyan), one of the strongest storms ever recorded, hurled massive destruction across the central part of the Philippines in Nov 2013. The question foremost in everybody's mind is whether the Yolanda-affected families have already recovered. Using the PCED Social Protection Survey conducted 6 months after the disaster, we find that 36% of the households have yet to experience even partial recovery. We investigate the various coping

mechanisms that the Yolanda-affected families have employed to aid in their recovery using logit-regression analysis. We find that the most prominent coping activity is taking precautionary measures and asset disposal. Government assistance positively aided in the recovery but only of the poor. Further, the probability of recovery is lower for those that are located in the badly-hit Leyte relative to the other provinces. *Majah-Leah V. Ravago, Dennis S. Mapa*

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#### DP 2015-17

### Political intervention in the Philippine bureaucracy, 1987 to 2010: How, where and to what effect

*Abstract:* The act of increasing the number and penetration of presidential appointees in the bureaucracy is referred to as politicization. While politicization can be a short-term strategy for improving agency performance, it has been argued that politicization erodes the civil service corps in fundamental ways even when selected appointees are of consistently high quality [Lewis 2008]. Motivated by the continuing discussion on "good governance" and how it can or should be pursued in the Philippines, this essay revisits the theme of political intervention in the bureaucracy by using updated sources of data to understand how politicization occurs, where it occurs and to what effect across five presidential terms from 1987 to 2010. *T.C. Monsod*



## B. Policy Notes

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### PN 2015-01

#### Solar power's dawning and promise for inclusive green growth

*Abstract:* Not too long ago, solar power was casually poohpoohed as a non-starter. It was facetiously dismissed as impractical, space-intensive, inefficient and expensive. In terms of social desirability, it was generally regarded a cellar-dweller among the various renewable sources.

*Ernesto M. Pernia*

## C. Working Paper

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### WP 2015-01

#### Piketty inequality, meta-market failures and the role of the state in properly functioning markets

*Abstract:* This paper argues that the celebrated Piketty thesis that thriving markets in advanced economies generate an ever increasing income inequality restores policy relevance to the Second Fundamental Theorem of Welfare and restores role of the

state in Economics. More telling for this paper is Piketty's claim that this is not due to some market imperfection but is due to the very dynamic that drives market prosperity, namely, the return to capital exceeding the rate of growth of the economy ( $r > g$ ). If market imperfections are eschewed ab initio, the state has no role in Microeconomics as the First Fundamental Theorem of Welfare shows. The Second Fundamental Theorem of Welfare in showing how an equity-deficit in the market allocation may be remedied by an initial asset redistribution does suggest a possible role for the state in properly functioning markets but the Kuznets Hypothesis says that this equity-deficit is a temporary inconvenience which will of itself dissipate as income grows. Policies that enhance growth but which are politically less costly may then replace initial asset redistribution in the pursuit of equity. By contrast, in the Picketty economy the progressively rising equity-deficit threatens Capitalism and democracy and must be pushed back directly, that is, by rejiggering initial assets. In properly functioning capitalist markets, the role of the state is to save Capitalism.

*Raul V Fabella*

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### WP 2015-02

#### The roles of gender and education on the intra-household allocations of remittances of Filipino migrant workers

*Abstract:* This paper shows that the individual's bargaining power within the household, proxied by gender and educational attainment of the household head, affects how remittances sent by Overseas Filipino Workers are spent in the Philippines. Gender of the household head, not of the remitter, matters in the allocation of remittances due to moral hazard problem. Female heads with absent spouse spend less on alcohol and tobacco while male heads with migrant spouse spend more on these goods. However, household heads, regardless of their gender, allot more on education. In fact, it is the less-formally educated heads that allocate more on education.

*Marjorie Pajaron*

Table 2. 2015 UPSE DISCUSSION PAPERS

NUMBER	TITLE	AUTHOR/S
1501	Why has Latin America sped up ahead of the Philippines in economic and political reform?	Rosa Alonso I Terme
1502	Where does the money go? Assessing the expenditure and income effects of the Philippines' Conditional Cash Transfer Program	Stella Luz A. Quimbo, Joseph J. Capuno, Aleli D. Kraft, Rhea Molato, and Carlos Tan
1503	Completing Ostrom's Table: A Note on the Taxonomy of Goods	Emmanuel S. de Dios
1504	Differential delivery dates, retrievability and the incentives compatibility of contracts	Raul V. Fabella
1505	N-poly viability and congopolistic competition in small emerging market	Raul V. Fabella
1506	Re-thinking market failure in the light of the imperfect state	Raul V. Fabella and Vigile Marie Fabella
1507	From commodity booms to economic miracles: Why Southeast Asian industry lagged behind	Jean-Pascal Bassino & Jeffrey G. Williamson
1508	Solar Power's Rise and Promise	Ernesto M. Pernia and Maria Janela M. Generoso
1509	How we measure poverty understates its extent and depth: Some results	Edita A. Tan
1510	Gearing the Philippines for ASEAN Economic Community	Florian A. Alburo
1511	Current structure and future challenges of the agricultural sector	Majah-Leah V. Ravago and Arsenio M. Balisacan
1512	The mining for development framework for the Philippines	Cielo D. Magno
1513	Helping cost, assortative matching and production cycles in the dynamic Humean farmer game	Raul V. Fabella
1514	Development dynamics in the Philippines historical perspectives: 1950-2010	Florián A. Alburo
1515	Risk management and coping strategies: Climate change and agriculture in the Philippines	Majah-Leah V. Ravago, James Roumasset, and Karl Jandoc
1516	Household coping and recovery from nature's wrath: Rising from the ruins of Yolanda	Majah-Leah V. Ravago and Dennis S. Mapa
1517	Political intervention in the Philippine bureaucracy: Patterns of politicization from 1987 to 2010	Toby C. Monsod

Table 3. 2015 WORKING PAPERS

NUMBER	TITLE	AUTHOR/S
1501	Piketty inequality, meta-market failures and the role of the state in properly functioning markets	Raul V. Fabella
1502	The roles of gender and education on the intrahousehold allocations of remittances of Filipino migrant workers	Marjorie Pajaron

Table 4. 2015 POLICY NOTES

NUMBER	TITLE	AUTHOR/S
2015-01	Solar power's dawning and promise for inclusive green growth	Ernesto M. Pernia

# Dissemination

PCED organizes regular seminars every Friday under the UPSE-PCED seminar series. In 2015, 29 seminars were conducted (Table 5)

## Seminar Series





Table 7. UPSE – PCED Seminar Series 2015

DATE	TITLE	AUTHOR/S
6-Feb	Long-term effects of a randomized policy experiment on quality improvement in the Philippines	Stella Luz A. Quimbo
20-Feb	Revisiting the electric industry power reforms of 2001	Raphael Perpetuo M. Lotilla
27-Feb	Intergenerational fairness and updating of schedule of penalties and damage under the Revised Penal	Emmanuel de Dios, Raul V. Fabella & Ruperto P. Alonzo
9-Mar	Using randomized evaluations to test innovative ideas	Aniceto Orbeta, Emily Beam & Peter Srouji
10-Apr	The impact and diffusion of community based health programs in developing countries: Field experimental evidence from the Philippines	Roman Hoffman
6-May	Who is buying? Fuel wood collection in Rural India	Ujjayant Chakravorty
8-May	Macroeconomic reforms and inflation	Cayetano W. Paderanga, Jr.
15-May	Technological innovations, downside risk, and the modernization of agriculture	Kyle Emerick
20-May	Mathematica Basics	Rolando A. Danao
28-Aug	Groups, markets and identities	Raul V. Fabella
4-Sep	How we measure poverty understates its extent and depth: Some results	Edita A. Tan
11-Sep	Assessing the mining for development framework for the Philippines	Cielo D. Magno
16-Sep	School progression and risky sexual behavior among children who were left behind by migrant fathers: Evidence from Metro Cebu, Philippines	Ruth Francisco
18-Sep	Essays in province creation in the Philippines	Prince Christian Cruz
23-Sep	Siyam Pa	Stella Luz A. Quimbo, Aleli D. Kraft, Joseph J. Capuno & Carlos Tan
30-Sep	Overeducation among college graduates in the Philippine labor market	Ma. Christina F. Epetia
2-Oct	Pikkety inequality, meta-market failures and the role of the State in properly functioning markets	Raul V. Fabella



(Table 2. UPSE – PCED Seminar Series 2015, continued)

DATE	SPEAKER	TOPIC
9-Oct	Correlation neglect and act separability in asset valuation: An experiment	Benjamin Radoc
16-Oct	Solar power's rise and promise for inclusive green growth	Ernesto M. Pernia
23-Oct	Europe and the Euro	Mario Sander
27-Oct	The Chinese economy: imbalances, misalignment, and debt	Calla Wiemer
6-Nov	Informal land markets and inequality in Maguindanao	Judy T. Gulane
11-Nov	Strengthening strategic purchasing for health in the Philippines: Do we need to strengthen implementation or alter direction?	Sarah Bales
13-Nov	A suggested operationalization of `inclusive growth' and an examination of the inclusiveness of Philippine growth in the past two decades	Geoffrey M. Ducanes
25-Nov	The role of gender and education in the intrahousehold allocation of remittances of Filipino migrant workers	Marjorie C. Pajaron
26-Nov	Political intervention in the Philippine bureaucracy: Patterns of politization from 1987 to 2010	Toby Melissa C. Monsod
27-Nov	Interbank funding as insurance mechanism for (persistent) liquidity shocks	Marcel Bluhm
9-Dec	`Policies for industrial Progress', not `Industry Policy': Lessons from Southeast Asia	Hal Hill
10-Dec	Firm export survival: The case of the Philippines	Jean-Marie Viaene

For more information and updates, please visit our official websites, like our Facebook page (<https://www.facebook.com/dilimanupse>) and follow us in twitter(<https://www.twitter.com/dilimanupse>).

The screenshot displays the website for the University of the Philippines School of Economics, featuring a 50th anniversary logo. The main content area is titled "UPSE-PCED Seminars" and includes a photograph of a seminar in progress. Below the photo, there is a text box with contact information for Ms. Gloria Lambino and a sign-up form for email notifications. A table titled "UPCOMING SEMINARS" lists a seminar on March 11, 2016, by Jeffrey G. Williamson, titled "A Century of Philippine Spatial Inequality (Abstract | Presentation)".

**UPSE-PCED Seminars**

Our seminars are open to the public and are brought to you by UPSE and PCED. For more info, please contact Ms. Gloria Lambino, UPSE Economics Research Center, at telephone No. 520-5465. For group attendance, please email [gdambino@econ.upd.edu.ph](mailto:gdambino@econ.upd.edu.ph).

Would you like to be notified of upcoming seminars and workshops by e-mail? Send an e-mail to [pced\\_research@econ.upd.edu.ph](mailto:pced_research@econ.upd.edu.ph). Leave the subject line blank, and type "subscribe econ-seminar-announce" (without the quotation marks) with your first name and last name in the body.

Date	Speakers	Title
<b>UPCOMING SEMINARS</b>		
<b>2016</b>		
11 Mar 2016	Jeffrey G. Williamson Laird Bell Professor of	A Century of Philippine Spatial Inequality (Abstract   Presentation)

# PCED Board Meeting



## Library Acquisition

PCED has assisted the Library's subscription renewal to twelve (12) print and non-print periodicals and 32 local book titles exclusively distributed by the Philippine Statistical Authority. The titles and periodicals were part of the increased number of library holdings which reached a total of 104,912 volumes at the end of the year.

PCED also assisted the Library in the funding of student assistants from February to July 2015.

The hiring of student assistants enabled the Library to go on with the regular service especially on Saturdays and in the conduct of inventory of library materials.

Office supplies were also provided to the Library when requested and available. PCED has greatly helped in maintaining the Library's facilities and securing premises of the building. PCED replaced the old irreparable Library's entrance door with a new frameless swinging doors in November 2015.



# Resources

## Personnel

As of December 2015, PCED staff totaled 9.

Table 3. PCED Staff as of December 2015

NAME OF INCUMBENT	POSITION TITLE
Rowena V. Alvarez	Adm. Asst. III
<b>Research Division</b>	
Gil S. Mallari	Adm. Asst. II
<b>Special Projects Division</b>	
Juliet R. Gordulan-Caparas	Adm. Asst. II
<b>Finance and Adm. Division</b>	
Nerissa L. Deleña	Accountant III
Ma. Teresa B. Tueres	Adm. Officer III
Judy Vi V. Avila	Adm. Asst. II
Robert T. Barcelo	Adm. Aide IV
Larry M. Sagcal	Adm. Aide IV
Alberto M. Calaguas	Adm. Aide III

# Fiscal Resources and General Allocation

Table 4. PCED Income Statement  
For the Years Ended December 31, 2015 and 2014

	2015	2016
<b>Income</b>		
Rent Income	4,981,221.84	4,327,077.67
Interest Income	4,244,850.85	4,350,187.33
Miscellaneous Income	4,000,000.00	360,250.00
<b>TOTAL INCOME</b>	<b>9,226,072.69</b>	<b>9,037,515.00</b>
<b>EXPENSES</b>		
<i>Personnel Services</i>		
Salaries and Wages – Regular	1,675,264.31	1,450,360.54
Personnel Economic Relief Allowance (PERA)	192,000.00	170,000.00
Clothing/Uniform Allowance	40,000.00	30,000.00
Productivity Incentive Allowance	152,175.33	55,000.00
Other Bonuses and Allowances		47,000.00
Cash Gift	40,000.00	35,000.00
Year End Bonus	134,467.00	113,201.00
Life and Retirement Insurance Contributions	193,632.48	164,351.16
PAG-IBIG Contributions	9,600.00	8,500.00
PHILHEALTH Contributions	19,650.00	16,637.50
ECC Contributions	9,600.00	8,500.00
Other Personnel Benefits	718,249.26	770,852.00
<i>Total Personnel Services</i>	<u>3,184,638.38</u>	<u>2,869,402.20</u>



(Table 4. PCED Income Statement, continued)

	2015	2014
<b><i>Maintenance and Other Operating Expenses</i></b>		
Traveling Expenses - Local	22,856.56	17,529.00
Training Expenses	138,399.22	213,521.65
Office Supplies Expenses	1,170,138.01	533,849.97
Accountable Forms Expenses	2,210.00	2,050.00
Gasoline, Oil and Lubricants Expenses	8,064.97	2,022.40
Other Supplies Expenses	27,923.26	125,880.71
Postage and Deliveries	33,998.00	28,425.00
Printing and Binding Expenses	248,063.50	98,173.75
Representation Expenses	100,984.45	259,912.12
Subscription Expenses	176,156.84	13,519.00
Auditing Services Total Current Assets	419,463.50	860,977.00
Consultancy Services	84,252.68	174,888.97
Other Professional Services	412,706.00	2,661,534.77
Repairs and Maintenance - Gov't Property	948,106.96	1,784,613.89
Donations		10,200,520.68
Other MOOE - Research and Development	4,169,620.41	
Other MOOE - Support to UPSE	1,766,580.98	
Miscellaneous Expenses	7,600.00	41,409.79
Insurance Expenses	23,906.25	21,000.00
Depreciation	3,037,182.66	2,518,481.43
Other Maintenance and Operating Expenses		4,000.00
<b><i>Total Maintenance and Other Operating Expenses</i></b>	<b>12,798,214.25</b>	<b>19,562,310.13</b>
TOTAL EXPENSES	15,982,852.63	22,431,712.33
NET (LOSS) INCOME BEFORE SUBSIDY	(6,756,779.94)	(13,394,197.33)
SUBSIDY FROM NATIONAL GOVERNMENT	13,000,000.00	21,000,000.00
NET (LOSS) INCOME AFTER SUBSIDY	6,243,220.06	7,605,802.67

**Table 5. PCED Balance Sheet**  
(with corresponding figures for 2014, in pesos)

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and Equivalent	42,021,031.30	33,614,345.97
Financial Assets	30,700,673.03	32,787,470.50
Receivables - net	15,887,536.77	17,398,983.81
Prepaid Expenses	58,668.02	102,407.60
Inventories	567,106.28	707,490.27
<b>Total Current Assets</b>	<b>89,235,015.40</b>	<b>84,610,698.1</b>
<b>Non Current Financial Assets</b>	<b>52,075,313.80</b>	<b>52,293,378.98</b>
<b>Property, Plant and Equipment - NET</b>	<b>17,653,225.26</b>	<b>17,705,545.07</b>
<b>TOTAL ASSETS</b>	<b>158,963,554.46</b>	<b>154,609,622.20</b>

<b>LIABILITIES</b>	<b>2015</b>	<b>2014</b>
<b>Liabilities</b>		
Accounts Payable	5,662,909.57	8,390,982.55
Trust liabilities	636,900.03	386,614.70
<b>TOTAL LIABILITIES</b>	<b>6,299,809.60</b>	<b>8,777,597.25</b>

<b>EQUITY</b>	<b>2015</b>	<b>2014</b>
<b>Equity</b>		
Donated Capital	14,890,128.99	14,890,128.99
Miscellaneous	23,677,892.62	23,677,892.62
Retained earnings	114,095,723.25	107,264,003.34
<b>TOTAL EQUITY</b>	<b>152,663,744.86</b>	<b>145,832,024.95</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>158,963,554.46</b>	<b>154,609,622.20</b>

# Directory of Key Officials

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## 2015 and Current

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