

The Federalism Proposal and the Philippine Economy

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President Duterte's SONA: a shift to federalism

“Nothing short of federalism will bring peace to Mindanao.”

Important to implement 10-point agenda, and to promote lagging regions.

How would this be implemented?

Does the 1991 LGC need to be modified?

What is the received wisdom on this subject?

The Economic Theory of Federalism

“Assign policy responsibility to the smallest level of govt that can accomplish the task.”

Need to consider decisions related to partition, representation and assignment.

Three broad alternatives: economic federalism, cooperative federalism, democratic federalism.

Implications for assignment of functions.

The Importance of Political Institutions

Need structures that ensure 'market-preserving' federalism, involving:

- a hierarchy of govts, with delineated scope for authority and autonomy;
- the institutionalization of this autonomy.

Includes also a 'common market', free movement of goods, capital, people.

The 1991 LGC and the Federalism Option

Key question: why not implement LGC more effectively, rather than adopt a federal model?

Cites Capuno (2016): should first decide functions going to LGU's and transfer the required finance & capacity. But current system tends to be the reverse, ie, functions follow finance.

Simply forming new 'states' will not resolve this issue, and also the more general problems of lagging regions.

Increasing Infrastructure Spending

Cites Monsod (2016) on significant infrastructure underspending. Owing to:

- structural weaknesses in execution,
- low absorptive capacity,
- ‘exogenous factors’ (weather etc),
- ‘locus of control’ issues.

Desirable to rebalance revenue and spending between national and local govts.

But don't need federalism for this.