

Population: Does It Matter? *Revisiting an Old Issue*

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To this day, the issue of why and how population matters remains crucial for this country. Given its *soft state* and *hard church*, the Philippines has neglected the population problematique, practically just sweeping it under the rug. Consequently, it now finds itself virtually alone among middle-income developing countries as not having made any significant demographic transition. And it finds itself having to debate an issue that is passé for most Asian developing countries including such less developed countries as Bangladesh and India.

The demographic factor and the poverty challenge

The single most important challenge for the Philippines has been and continues to be high poverty incidence. Meeting

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¹Balisacan, Pernia and Asra (2002) for Indonesia; Balisacan and Pernia (2002), and Pernia and Quising (2002) for the Philippines; and Balisacan, Pernia and Estrada (2003) for Vietnam.

this challenge has been a tall order, given the low and erratic growth rates of the economy for the past two to three decades. In the other East and Southeast Asian economies, sharp reductions in poverty have occurred as a consequence of rapid and sustained growth, attributable to sound economic policies coupled with strong population policy. These countries have been benefiting from a “demographic bonus” resulting from an increasing share of workers (population aged 15-64) relative to young dependents (ages 0-14), while the Philippines continues to be burdened by a “demographic onus” (large share of young dependents relative to workers).

Analysis of cross-country data (involving around 123 countries) shows a one-to-one relationship between economic growth and income increase for the poorest quintile of the population (Dollar and Kraay 2001). Our own more recent research, meanwhile, that examined subnational (provincial- or district-level) data finds that the growth-poverty nexus is less than a one-to-one correspondence for individual countries like Indonesia (0.7) and the Philippines (0.55), though higher than 1.0 for Vietnam.¹ Altogether, these results provide robust empirical evidence on the common observation that economic growth is key to poverty reduction. The less-than-one coefficients indicate that poverty reduction could be further hastened or reinforced by addressing other factors that improve the well-being of the poor via income dis-

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tribution. Among the critical ones are rural infrastructure, human capital investment, agricultural price incentives, and agrarian reform.

In the Philippine case, which has among the highest fertility in all of Asia, it can be further argued that dealing with the demographic factor will have a direct positive effect on the poor's welfare apart from the indirect effect via economic growth. The lack of a clear and consistent population policy starkly sets the Philippines apart from the rest of East and Southeast Asia and partly explains its anemic economic growth and persistent mass poverty. Some observers would, of course, point to problems of poor governance, corruption and political economy, or to exogenous shocks brought about by trade liberalization and WTO rules as the culprit. The counterargument, however, is that these problems or circumstances have also beset or affected the other Asian economies. And so the question remains—why have they consistently performed better than the Philippines?

Towards an effective population policy

What are the key proximate objectives and instruments of an effective population policy for the Philippines? Research (Herrin and Pernia 2003) suggests three. The *first* is to reduce unwanted fertility (or meet unmet needs for contraception) through a strong national family planning program, i.e., one that includes *both* traditional (“natural”) and modern (“artificial”) methods of contraception. The *second* is to change the preference for large family size through an incentive structure that raises the investment per child and lowers the demand for children (e.g., through compulsory quality basic education, gender equality, and employment opportunities for women). And the *third* is to reduce population momentum through promoting later age at marriage, later childbearing, and wider birth spacing, made possible by a responsive family planning program. These measures would need to be backed up by appropriate policy reforms in the economic and social sectors.

Further measures to help improve the welfare of the poor, as indicated by our research, include investments in infrastructure and human capital that directly benefit the poor, and agricultural price incentives and other food productivity-enhancing programs that are likely to favor poor households.

Concluding note

The country's average per capita income and labor productivity (average output per worker) today are at the same levels as in the early 1980s. Why is this so? Population does matter. It matters to the question whether we will remain in a low-level equilibrium trap or get out of it. A low-level equilibrium trap simply means a chain of low economic growth, high unemployment, low productivity, persistent poverty, declining human capital, and high fertility feeding back into low economic growth, high unemployment, low productivity and so on and so forth. A clear and consistent population policy, matched by an adequately funded action program, is needed to break this vicious chain. ■

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