
TRIPLE SHOCK

— Romulo L. Neri —

"TRIPLE SHOCK"

1. Why do we need **"radical"** and **"unorthodox"** solutions to address this crisis?
2. What would be the **role of government** in addressing the crisis
3. **Proposals to Congress** to address the crisis

Unlike previous global crises

All three shocks are present at the same time.

Supply shock because people can't go to work

Demand collapsing

Financial markets facing bankruptcies

"Triple Shock"

More complex to analyze

Much more damaging in its effects

More difficult to resolve

"It's a perfect storm."

*(Homi Kharas, Director of the Global
Economy and Development Program,
Brookings Institution)*

"In unconventional times like these, conventional monetary and fiscal levers are painfully inadequate."

From: A Vaccine Against Social Collapse: A Case for the Economics of Radical Compassion, by Cesar Purisima, Laura Deal Lacey, Harvey Chua

Basic Advocacies:

1. Ensure food supply and support basic consumption: **do not let people go hungry**
2. Empower people and enterprises to cope with crisis, **strengthen their resilience** and remove obstacles (incl. govt. policies)
3. Improve the **national balance sheet** through productivity and equity enhancing investments
4. **Paradigm shifts** for pro-people and pro-nature economic development

"If this recovery is to be sustainable-- if our world is to become more resilient-- we must do everything in our power to promote a green recovery"

(Kristalina Georgieva, Managing Director, International Monetary Fund)

"Citizens need to reexamine our Capitalist assumptions and emerge from this terrible period with a new, more equitable form of Capitalism."

(Philip Kotler, The Consumer in the Age of Coronavirus)

"... models of economic recovery need to clearly articulate how they... redefine our economies' relationship with nature..."

(Nishan Degnarain, Forbes, April 22, 2020.)

"Ameliorating poverty, diminishing inequality, and protecting the environment could figure prominently in global and national agendas."

(McKinsey, April 19, 2020, Andres Cadena, Fernando Ferrari-Haines, senior partners)

Role of Government:

1. Support household consumption through **income transfers** (National ID w/ ATM)
2. **Remobilize unemployed** manpower through productivity enhancing **investments**
3. Add **new economic values** to compensate for GDP losses
4. Regenerate **natural resources** to ensure and sustain food security
5. Strengthen **people's capacity** to cope with the crisis

SUPPLY

Agriculture:

- Most **neglected** sector
- **Less damaged** by the pandemic
- High growth **potential**.

*"... Since most of our people are still **food hungry**, the increased **food production** will find a ready market. Investing in **agriculture**, therefore, is a form of **economic stimulus**."*

*Calixto Chikiamko
Business World
April 19, 2020*

Construction:

- Shift investments from **cities to countryside**, from malls and condos to upland infra, farm to market roads.
- Re-evaluate BBB and re-direct to **labor-intensive countryside projects**.

Mining:

- Environmentally **sustainable** mining
- Cancel permits of idle/degraded mines and transfer to **PMDC**
- Process ores for **value addition**
- **Restore** mining areas with agroforests (**PPP**)

Enhancing Agriculture and Ensuring Food Security:

Expand **agricultural areas**: upland agro-forestry

→ Water catchments and gabion dams

Improve farm **productivity** and **incomes**

→ Food preservation and **processing**

→ Use of farm **machinery**

→ **Water** and **soil** protection

Reduce **risk**

→ crop and farm activity **diversification**

Coconut **regeneration** and **intercropping**:

→ - Coco Levy and CIIF

Expand farmer **training** programs

→ DA, DTI, DOST, SUCs and LGUs, NGOs

Fisheries:

- **Mangrove**, coral rehabilitation, fish sanctuaries
- Solar power for **ice production** in off-grid areas
- Farm to market **roads** to reduce **transport costs** and losses

FACILITATE MARKETS

- **Internet** and e-commerce **access** for farmers and rural entrepreneurs
- **School nutrition** and LGU purchases as **steady market** for farmers' produce

Role of Private Sector

- Large corporations engage small farmers through **Inclusive Business (IB)**
- Corporate agricultural **nucleus estates** with small farmers linkages
- Private **malls** feature processed agricultural products from provinces (**OTOP**)

A strong and vigorous **agriculture** will ensure our people's survival and serve as a **platform for economic recovery**.

Industry:

Manufacturing:

- Food **processing** building on agriculture strength
- Increase **value added** through technology, design and packaging
- **DOST**, DTI and SUC's and TESDA assistance
- Machines and **tools** via rental/leasing
- **SUC** faculty and **business** groups **mentor** small entrepreneurs

Services:

- Malls and restaurants: Retrain and **redeploy**
- Transport: Drivers for **delivery** work
- Tourism: **Redesign** and redeployment, Online eco-tourism
- Professional services: **Online** accounting, medical transcription, legal research, market research, design, etc.
- Entertainment: **Zoom** for international clientele, Recreation for countryside projects
- Medical: Support, **upgrade**

Telecommunications:

- **Open Access** in Data Transmission Act: More players in broadband space, **reduce cost**
- **Efficient telecommunications**: Key to our people's **ability to cope with this crisis**
- **Internet access a basic human right**

Government:

"In times of crisis, the onus is on government to act as an anchor of stability... governments must be clear and coherent."

*From: A Vaccine Against Social Collapse: A Case for the Economics of Radical Compassion
by Cesar Purisima, Laura Deal Lacey, Harvey Chua*

Government:

- **Redesign** government to better respond to current and post-pandemic scenario.
- **LGUs** play a key role to **speedily respond** to people's needs in a **dynamic** environment.
- Countryside **LGUs** activate agricultural **extension programs** with **DA**
- **Mobilize military** personnel for reforestation and upland development

Imports:

- Reduce dependence on **rice** imports by diversifying food staple
- Import **heavy earthmoving** and road building equipment, use long term suppliers' credits
- **Oil price drop** can reduce cost of upland infrastructure projects

INFUSING MONEY TO RURAL AREAS:

Pay upland farmers:

Terracing to prevent soil erosion, plant hedge crops, forage and fruit trees, construction of gabion dams and water catchment projects.

Pay fisherfolks:

Plant mangroves, restore the coral reefs, protect fish sanctuaries and patrol fishing grounds

**Productive countryside will reduce rural migration to cities.
Urban poor can find livelihood in the countryside.**

"... rural support spending is another high-value policy item"

(Stiglitz et al.) Will COVID-19 Fiscal Recovery Packages Accelerate or Retard Progress on Climate Change?

FINANCING SOURCES (Target: P2 Trillion):

- Economic Recovery Bond: **Shore up fiscal** resources for income transfers
- Economic Reconstruction Bond: **Countryside** development
- Private sector funds through **PPP**
- **LGU** funds to help finance income transfers, **food entitlements**
- Coco levy funds, ClIF for **coconut** areas
- BSP **liquidity** window for banks
- World Bank, ADB, JICA, US Eximbank, etc.

Foreign Direct Equity Investments:

- **Remove disincentives** to foreign investments:
 - Lift foreign **ownership** restrictions
 - Amend the **Public Service Act**
 - Reduce **labor rigidities**
 - Labor intensive ecozones **exempt** from minimum wages
 - Pass the **Apprenticeship Law**
- **LGU cooperation** on foreign investments.

Financial Resources for Government from Property Rights:

- **Expand agricultural area:** upland development (15 million hectares total)
- **Convert to A&D,** once developed and planted as prescribed
- **Pass the Sustainable Forest Management Act**
- **Revise the Agrarian Reform Law:** Free rural land market for agribusiness
- **Fast track land titles** for agricultural properties
- **Farm to market roads** add to countryside **property values**

PARADIGMS SHIFTS FOR POST COVID 19 ECONOMIC RECOVERY AND RECONSTRUCTION

FROM:

"Unbridled Consumerism"

**Private spending
for private wealth**

Shopping Malls

Malnourished children

TO:

Environmentally nurturing economics

**Public spending
for common entitlements**

Public parks

Universal school feeding

Pope Francis: "Unbridled Consumerism is destroying our planet."

(Letter to G20, 12 November, 2014)

NATURAL RESOURCES AND FOOD SECURITY

FROM:

Denuded mountains

Flooded lowlands

Barren seas and bays

TO:

Agroforests, water catchments

Preserved wetlands, clean rivers

Thriving marine life

MANPOWER REMOBILIZATION

FROM:

Low income urban services

Military vs. NPA

Drug addicts

TO:

Upland and coastal projects

AFP for upland development

Plant forests and mangroves

URBAN CONGESTION AND POLLUTION:

FROM:

Urban jungle, polluted air

Congested Metro Manila

Baguio

TO:

Green buildings, Rooftop gardens, Walkable roads

National Capital to Lucena-Pagbilao

Mount Irid with pine trees

**"The pandemic could give rise to a *new era of human development*.
Otherwise, economic and social development may *falter for decades*."**

(McKinsey, April 19, 2029, Andres Cadena, Fernando Ferrari-Haines, senior partners)

**The *scope and ingenuity* of our... policy responses... will define how
succeeding generations will live in a *profoundly altered world*."**

*(Cesar Purisima et al.) Views From An Expanding Overton Window: Tools to Reimagine A More
Compassionate Economy-In-Crisis*

**"Practicing radical *economic compassion*... and addressing
inequalities... not just in our post-recession recovery, but here and
now..."**

"Social unrest and collapse await as the *alternative*."

*(From: A Vaccine Against Social Collapse: A Case for the Economics of Radical Compassion, by
Cesar Purisima, Laura Deal Lacey, Harvey Chua)*

McKinsey:

In January 2020, the Edelman Trust Barometer found that more than half (56%) of respondents in 28 markets agreed that "capitalism as it exists today does more harm than good in the world".

Almost three-quarters said CEOs should take the lead on change, rather than waiting for government. Pressure on business to serve their communities will only build. Business must step up.

Imagination, leadership, and a dash of inspiration will be required to figure out the right policies for the 21st century

(From: "And Now Win the Peace": Ten Lessons from History for the Next Normal)