

As read by BSP Monetary Board Member Valentin A. Araneta:

WELCOME REMARKS*

Good morning, ladies and gentlemen. It is my pleasure to welcome you to the 28th East Asian Seminar on Economics. To our foreign participants, welcome to Manila, and *mabuhay*!

It was in 2005 when the Philippines last hosted the East Asian Seminar on Economics. Organized by the Philippine Institute for Development Studies (PIDS), the seminar provided a closer look at various aspects of fiscal policy and management, including issues on taxation, the role of government intervention, as well as the sustainability of public expenditure programs across the globe.

Nearly twelve years later, the East Asian Seminar on Economics returns to the Philippines, this time focusing on the various dimensions of inequality. It is the BSP's honor and privilege to be co-hosting this event for the first time with the National Bureau of Economic Research, Inc. (NBER).

Inequality has become a key research area in recent years, fueled in part by gnawing concerns over widening economic divides within and across countries. French economist Thomas Piketty famously documented and dissected evidence of increasing inequality in his best-selling 2013 book, *Capital in the 21st Century*. While Piketty's prescriptions for policy have subsequently attracted plenty of criticism and controversy, his ideas have nevertheless spurred lively debate across the globe on inequality and how to address it.

Here in the Philippines, inequality continues to be a pressing national concern, even as poverty incidence and income inequality among Filipinos have appreciably declined over the past three decades.¹ Much of the improvement could be attributed to years of structural reform, which has allowed the National Government to invest in strategies that generate opportunities for employment and encourage investments in infrastructure and human capital.

* Opening remarks delivered by Governor Amando M. Tetangco, Jr. at the 28th East Asian Seminar on Economics of the National Bureau of Economic Research (NBER), Inc. at the Conrad Manila Hotel on 29 June 2017.

¹ Data from the Philippine Statistics Authority show that the Gini coefficient has fallen from 0.49 in 1997 to 0.44 in 2015. Poverty incidence has likewise fallen from 49.5 percent in 1998 to 21.6 percent in 2015. The new Philippine Development Plan by the Duterte administration aims for this to fall further to 14.0 percent by 2022.

Indeed, the government has laid down the groundwork for making growth more sustainable and more inclusive. Nonetheless, there remains much to be done to ensure that every Filipino gets to share in the dividends of development, especially in the areas of tax reform, infrastructure investment, and human capital development.

On the part of the BSP, persistent inequality has spurred our continuing efforts to promote financial inclusion. To help alleviate poverty in the country, we have put in place a solid regulatory framework that facilitates access to credit and other financial services for the unbanked while ensuring the stability of the financial system as a whole. In recent years, we have allowed the establishment of micro-banking offices and alternative financial service providers in underserved markets in the country. We are proud to say that, by the end of 2016, close to 90 percent of municipalities and cities in the Philippines already have some form of access to financial services.²

At the same time, the BSP actively promotes thought leadership in international forums to ensure that financial inclusion remains at the forefront of global discussions. In June last year, the BSP, together with the Bank for International Settlements, hosted the Research Conference on Financial Inclusion and Central Banks³ in recognition of the emergence of financial inclusion as an important global policy agenda.

The excellent body of work that we received during that conference gave us a broader understanding of the myriad of issues surrounding financial inclusion and its macroeconomic implications. We found validation that improving access to payment facilities and formal credit lines could make a positive difference in people's lives, especially for the poor. Research findings have also bolstered the emerging consensus that greater financial inclusion generally contributes to achieving inclusive and durable growth and to promoting financial stability. All of these insights have strengthened the BSP's conviction that our financial inclusion initiatives are a worthwhile endeavor, allowing us to deliver on our mission to help bring about a higher quality of life for all Filipinos.

Ladies and gentlemen, I am confident that the research that will be discussed in this NBER seminar will similarly enrich the evolving discourse on inequality. We believe that our continuing conversations on the causes and consequences of inequality will ultimately lead us closer to finding a lasting cure.

² *BSP Financial Inclusion Initiatives 2016*.

³ The Conference was held in Mactan, Cebu on 2-4 June 2016.

At the same time, we do recognize that the drivers of inequality cut across different social and economic dimensions. As the papers we have gathered for this seminar illustrate, factors such as advances in technology, trade liberalization, as well as the chronic lack of access to labor markets, education, health services, and finance all contribute to inequality in varying degrees. The organizers, led by Professors Takatoshi Ito and Andrew Rose of the National Bureau of Economic Research, have designed each of our sessions to touch upon these different facets of inequality over the next two days. In particular, we will have opportunity to look closer into how policies on trade and taxation shape inequality in terms of employment and wages. Of particular interest to me, personally, is the question on the possible distributional effects of monetary policy, and whether it does have an impact on tempering social inequality. This is an issue that has been gaining attention in central-banking circles lately, and it will be interesting to learn what possible directions the academic research might take on the matter.

From a broader standpoint, what the vast body of literature shows us is that there is no one-size-fits-all prescription to tackling inequality. The nature and scope of the response will naturally depend on the underlying causes of the problem as well as on country-specific institutional settings. Fortunately, research has also provided us ample evidence that well-designed government policies often have a vital role in alleviating inequality and its consequences. The flipside of this, of course, is that poorly informed policies can just as likely exacerbate the problem.

Shortly, we will hear from our distinguished panel of speakers who can offer a broad range of prescriptions based on their understanding of economic theory and their appreciation of real-life trends and developments. I hope that the discussions that will take place here will inform our work in our respective fields and inspire further research that will keep the important conversations on inequality going.

Let me now end my remarks on a personal note. This event is one of my last official public engagements as BSP Governor. I will leave my office a few days from now with fond memories of a rewarding career and secure confidence in leaving a vital institution in highly capable hands. Hosting this seminar today feels like a proper bookend to my career as an economist and central banker, which began—quite fittingly—in the economic statistics and research department. I hope that the BSP will continue to engage with the academic community in fostering research on the relevant economic issues of our time.

Let me also extend my sincere thanks to the many people at the BSP and to the NBER who have organized this conference together. Thank you all for coming here to be a part of it.

Good morning, and have a pleasant day ahead.