RESEARCH NOTE

Inequality, Oligarchy, and Dynasty

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Although some scholars frame inequality as a necessary step towards economic growth, this paper highlights its double-edged nature by examining oligarchy and dynasty as elements of inequality in the Philippine context. The best way to ascertain whether inequality can be advantageous for development is to examine how it shapes the context that it works in. The presence of political dynasties is then evaluated based on their impact on patterns of leadership in the country, whereas business oligarchs are assessed by their influence over the structure of the economy. The paper concludes with a three-point agenda to address the root of inequality in the Philippines and enhance genuine competition in the political arena and the market economy.

Keywords: inequality, political dynasty, oligarchs, conflict of interest, rent-seeking

JEL: O15, P16

Let me begin by thanking the Ateneo de Manila University and the Ongpin family for the opportunity to deliver the 19th Jaime Ongpin Memorial Lecture.[1] I wish it were under more auspicious circumstances. As I speak to you today, the world is racked by a pandemic that has spread across over 200 countries and territories, a global economic slowdown that is likely the deepest since World War 2, and a populist wave that has challenged democratic principles and human rights in many countries. If crises offer an opportunity for deeper thought and deliberation, then I hope this lecture is a contribution in the direction of resilience and building back better.

My presentation today will draw on my research and professional work in the past two decades. The ideas herein benefited from many research and professional partnerships, too numerous to mention here. But let me at least acknowledge friends and colleagues in the Office of Development Studies at UNDP headquarters and the Social Policy and Economic Analysis Unit at UNICEF headquarters, both in New York City. And also the Rizalino Navarro Center for Competitiveness in AIM, and finally, the Ateneo Policy Center in the Ateneo School of Government. I am grateful for their camaraderie and collaboration.

I will begin this lecture with a discussion of economists' love-hate relationship with inequality. What we were taught in "Intro to Economics" is not necessarily what is reflected in the most recent literature, which exposes just how double-edged inequality can be.

I will then discuss how oligarchy and dynasty are related to each other as two elements of inequality in the Philippines. Here a similar schizophrenia emerges, as some people argue that there are good and bad of both. The best way to assess "good" or "bad" is by analyzing their influence over patterns of leadership for political dynasties, and over the structure of the economy for business oligarchies.

In my discussion, I suggest examining the development implications of the broad patterns of dynastic or oligarchic leadership rather than remaining fixated on individual oligarchs or dynasties. In both economic and political spheres, I argue that competition is the real answer to ending oligarchy and dynasty, promoting inclusive growth, and sustaining development.

Economics of Inequality

The pragmatic trade-off between inequality and development stems from Simon Kuznets' (1955) seminal paper on the inverted-U hypothesis. The economist and later Nobel Prize laureate observed that developing countries would first undergo income inequality before experiencing economic take-off. As the country achieves higher levels of economic development, inequality would later on diminish (see Figure 1.)

Kuznets curve has become generally accepted by economists and policymakers alike. Hence, the canonical choice for policymakers is often between equality and efficiency or growth and redistribution (Acemoglu & Robinson, 2002; Okun, 1975). Rising inequality is also tolerated, or even celebrated, by economists as "the price nations pay" for economic growth.

Professor Raul Fabella (2018), our national scientist in Economics, in his book, *Capitalism and Inclusion under Weak Institutions*, laid out the pragmatism that many Philippine economists have come to espouse. Fabella (2018) argued that the proliferation of billionaires in China, which he coined as the "Jack Ma phenomenon," is a fair exchange for poverty reduction in China.

Advances in the empirical literature, however, reveal a more nuanced application of the Kuznets curve in reality. In an attempt to establish whether and to what extent income inequality shapes long-run economic growth, Andrew Berg and Jonathan Ostry (2011) empirically examined 140 countries from the 1950's to the 2000's. Contrary to the Kuznets curve, they found that income inequality shortens the growth episodes of developing countries by triggering social unrest and barring the poor from capital accumulation (Berg & Ostry, 2011; also see Berg et al., 2014). This has become pathbreaking for the traditionally conservative International Monetary Fund.

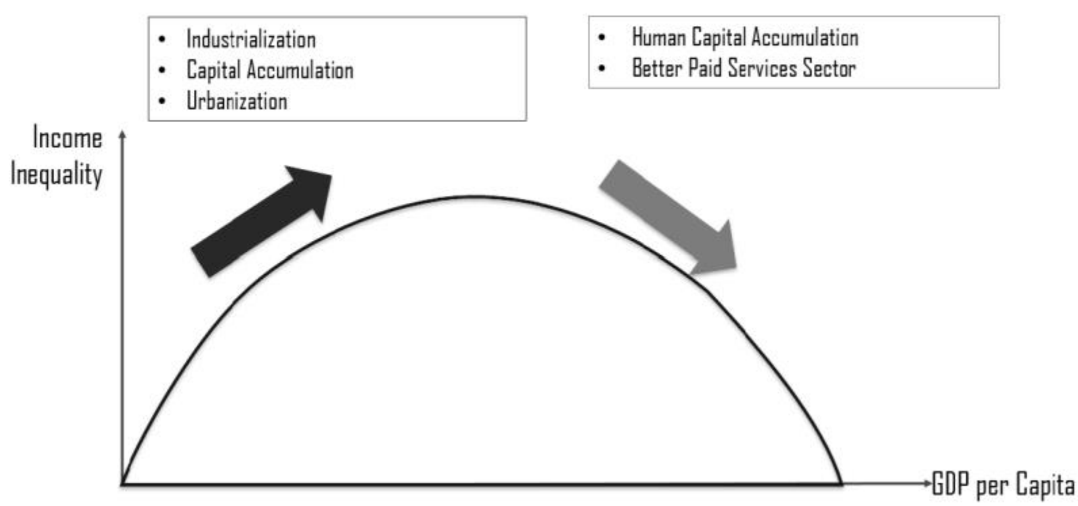


Figure 1. Kuznet's Hypothesis of Inequality and Development

Economists like Dani Rodrik (2014) have since argued that context matters for determining “good inequality” versus “bad inequality”—alluding to the types of activities that lead to inequality, yet have different implications on economic development (see also van der Weide & Milanovic, 2014). And it is this richness in the context that should probably convince us today to shed any rigid dogma on inequality.

Despite the mixed evidence, many economic development plans remain primarily focused on economic growth and poverty reduction, with very little messaging on inequality. Perhaps this belies an abiding anticipation of the self-correcting half of the Kuznets curve once some level of economic development is achieved. Candidly, it is also a far more controversial goal to reduce inequality than to merely reduce poverty.

Historically, the Philippine case suffers from both drawbacks with a failure to effectively reduce poverty despite persistent inequality. The official poverty figure prior to COVID-19 was around 17% of the population (Figure 2). Early studies of the impact of COVID-19 predict that the pandemic could push at least 1.5 million Filipinos into poverty (Abad, 2020).

Self-rated poverty data collected by Social Weather Stations (SWS) showed that this was well over 70% during the tail-end of the Marcos administration, and this has declined over time to about 50% (Figure 3). During the pandemic in 2020, it is likely that this figure has spiked again; but SWS has so far not released an update that includes the lockdown period.

Meanwhile, self-reported hunger has experienced historical high levels during the COVID-19 lockdown if we are to append the data from mobile-phone surveys

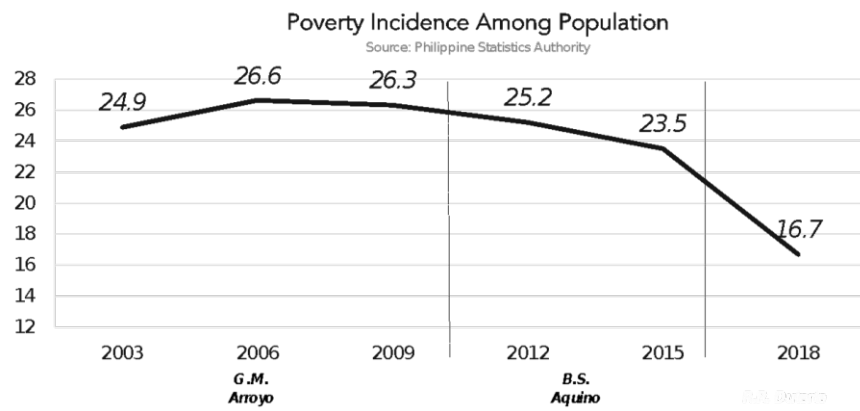


Figure 2. Pre-COVID19 Official Poverty on the Decline

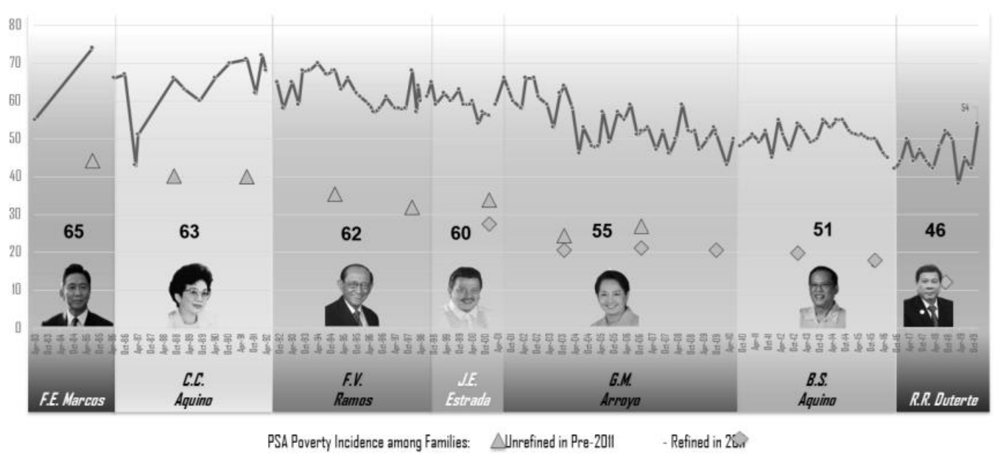


Figure 3. Self-Rated Poverty (Pre-COVID19)

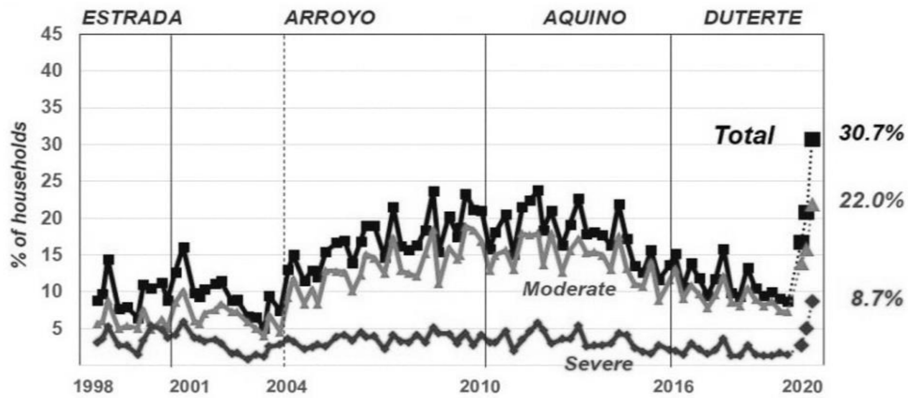
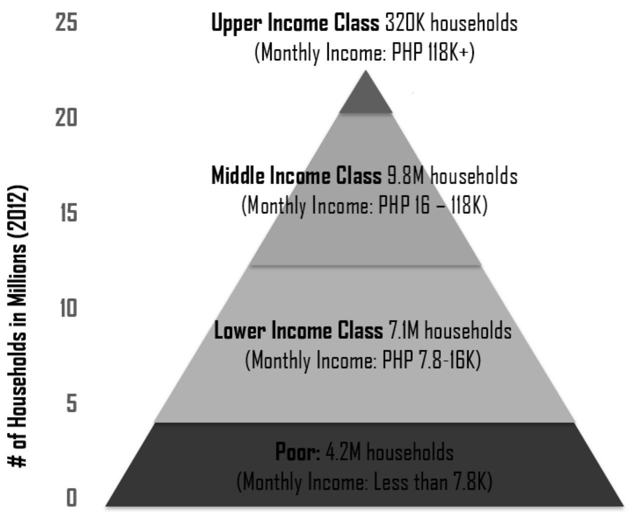


Figure 4. Self-Rated Hunger From July 1998 to September 2020



Source: Albert et al (2015; 2018).

Figure 5. Looming Social Divide

of SWS, conducted in 2020 so far. In late September 2020, SWS reported that self-reported hunger further increased under lockdown, reaching 30.7% at the national level. That is approximately 7.6 million Filipino households that experienced involuntary hunger in the previous three months (Figure 4). Visayas and Mindanao experienced more hunger during this period—with around 41% and 38% hunger incidence, respectively—despite COVID-19 cases being concentrated mostly in urban areas in Luzon.

In terms of inequality, in the 1980s, the Philippines was ranked in the bottom half of the most unequal countries. However, as of 2018, the country ranked in the top third of countries worldwide in terms of inequality (Mendoza, 2019). Unlike some of its ASEAN neighbors that reduced both inequality and poverty in the past five decades, in the Philippines, inequality remained high, whereas poverty reduction has been painstakingly slow.

The result is a highly skewed income pyramid and a highly unequal society. According to analysis led by Dr. Jose Ramon "Toots" Albert (Albert et al 2015; Albert et al 2018) of the Philippine Institute for Development Studies, around half of Filipino households can be classified as poor and low-income, living on less than PhP16,000 a month. Meanwhile, only around 320,000 Filipino families live on PhP118,000 per month or more (Figure 5).

Although the rising tide also lifted the incomes of poor and low-income households, the brunt of the increase was skewed in favor of the upper-income households and the already well-developed regions.

Taken together, this provides the gist of the country's imbalanced growth.

This is clear when examining geo-spatial disparities in Philippine income growth. In its recent analysis of economic growth across regions, the National Economic and Development Authority (see Domingo 2019) found evidence of divergence across regions, across time. Already richer regions grew faster than poorer regions, signaling a growing development gap with strong geographic features. The National Capital Region and provinces like Benguet and Rizal actually achieved human development levels roughly comparable with fast-growing East Asian economies like Brunei and Malaysia. Nevertheless, other parts of the country—notably in Mindanao—lagged in human development (Figure 6).

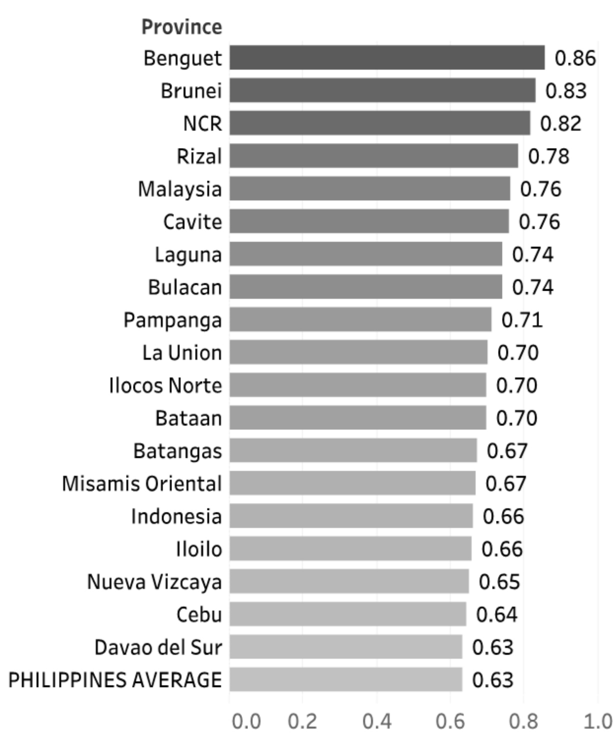
Human development indicators in Saranggani and Maguindanao are roughly at par with the conflict-prone Central African Republic. As shown in Figure 7, a Filipino child born in Tawi-Tawi can expect to live up to 54 years of age—a full 19 years shorter than the national average and 24 years shorter compared to children living in La Union province (Banaag et al., 2019).

If Americans have a saying that some are born on the "wrong side of the tracks," perhaps we Filipinos will soon have a saying that millions are born on the "wrong island": Luzon being the best place to be born in terms of human development prospects, and Mindanao the complete opposite.

Crises as "Inequality Machines"

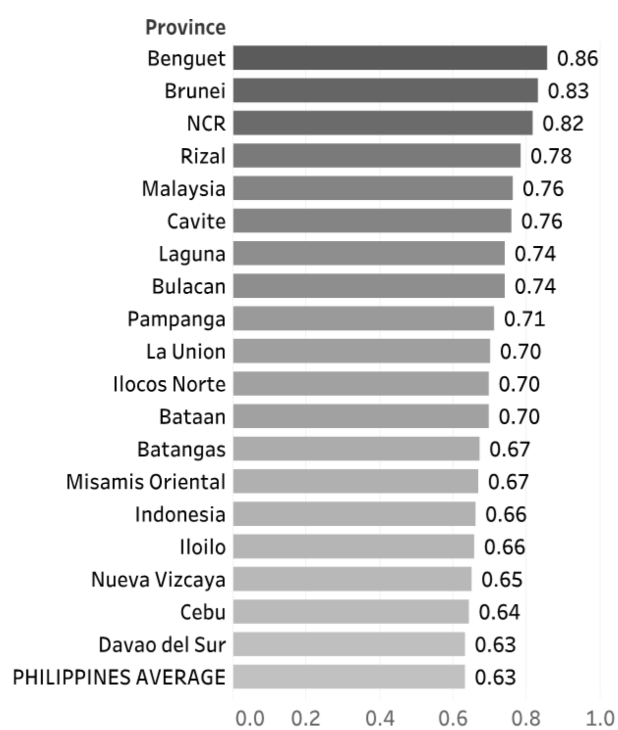
What accounts for the divergence in income growth paths across regions and across socio-economic groups in the Philippines? What could be behind the "bad inequality" in the country? Structurally, there are many possible drivers of inequality because it could take shape in any number of ways. As Rodrik (2014) reminded us of whether inequality is good or bad, he predictably said, "it depends." I will focus on three main structural features that appear most relevant to the Philippine context:

1. The disaster-prone nature of the Philippines and the propensity for non-inclusive recovery;
2. The worsening concentration of political power in the hands of a few political clans and the



Source: Human Development Network (2019).

Figure 6. HDI in Rich Regions in the Philippines



Source: Human Development Network (2019).

Figure 7. HDI in Poor Regions in the Philippines

resulting conflict of interest in dramatically changing the status quo; and

3. The prevailing economic structures where some sectors are still dominated by rent-seeking rather than competition, in turn resulting in an economy more known for exporting labor rather than generating jobs.

Beginning with the first question, and highly relevant in the present pandemic and economic slowdown, analysts rank the Philippines among the most disaster-prone countries in the world. It ranked 9th in the World Risk Index in 2019, which ranks 180 countries in terms of vulnerability to disaster risk; and in terms of man-made factors that either build or weaken resilience to shocks. This is only a slight improvement from ranking second most disaster-prone in 2014 and third in 2015, 2016, 2017, and 2018 (Radtke, 2019).

There is considerable evidence by now of the unequalizing nature of disasters and crises, particularly when relatively richer sectors and communities have greater means for resilience, whereas already vulnerable communities and sectors tend to suffer the full brunt of these aggregate shocks. Geographically, there is also evidence that better governed and managed jurisdictions are also more resilient to crises.

In my work with the United Nations over a decade ago, our research exposed how crises could exacerbate already existing poverty and inequality. In the three Fs (food, fuel, and financial) crises of 2008-2010, many of the less developed and heavily-indebted countries, and poor and low-income communities, bore the brunt of these aggregate shocks. During the period of austerity that soon followed, social spending and investments for the worst-hit communities and sectors were often the first to be slashed as part of austerity measures. Yet budgets for military spending and infrastructure are less so (Mendoza, 2009).

Weak and non-inclusive recovery periods were, in many cases, characterized by (a) children and young people dropping out of school, never to return; (b) undernourished infants and children whose cognitive abilities would be permanently constrained throughout the rest of their lives; and (c) countries whose taxpayers would be saddled with debt, having socialized the bail-out of excesses generated by the financial sector, or the corrupt, or both (Mendoza, 2011).

There are troubling signs that history is repeating itself under the present pandemic and economic slowdown.

As I have argued in other forums, under lockdown, there is a deep divide between the technology "haves" and "have-nots," creating a demarcation in resilience and crisis coping across students, workers, firms, and communities. Just to illustrate, several million students may be unable to enroll during the lockdown due to factors such as lack of connectivity. As Damien Barr (2020), a columnist for the Guardian, amply noted: "We are not all in the same boat. We are all in the same storm. Some are on super yachts. Some have just the one oar."

Crisis responses that strengthen systems, such as those that provide adequate social protection, education, and health services, also preserve the economy's main ingredients for inclusive and robust growth for the longer haul. Otherwise, crises are accompanied by non-inclusive recovery, which then feeds the "bad inequality" that weakens some of the key factors behind long-run growth.

If society fails to protect the vulnerable, crises can turn into "inequality machines." A powerful study by Dr. Celia Reyes of the Philippine Institute for Development Studies (PIDS) provides further evidence to back this up – the bottom 40% of the population are very vulnerable to shocks, and many fall into and out of poverty. Millions of low-income households can easily slide into poverty if the main breadwinners lose their jobs, if someone gets seriously ill in the family, or with a bad harvest and natural disaster affects them (Reyes et al, 2010).

The emerging science on natural disasters, economic crises, and health pandemics suggests that one cannot relegate this to bad luck. Crises are recurrent, and nations can and must prepare for them. Ultimately, these issues relate to the governance environment and people's agency—on whether and to what extent policymakers and decision-makers remain accountable to citizens. Unfortunately, such accountability is not always strong, as is illustrated by growing empirical literature on the concentration of political power in the hands of political clans in the Philippines. This is the political side of inequality.

Political Dynasties

My work on political dynasties began around 2011 when I repatriated and joined AIM Policy Center.

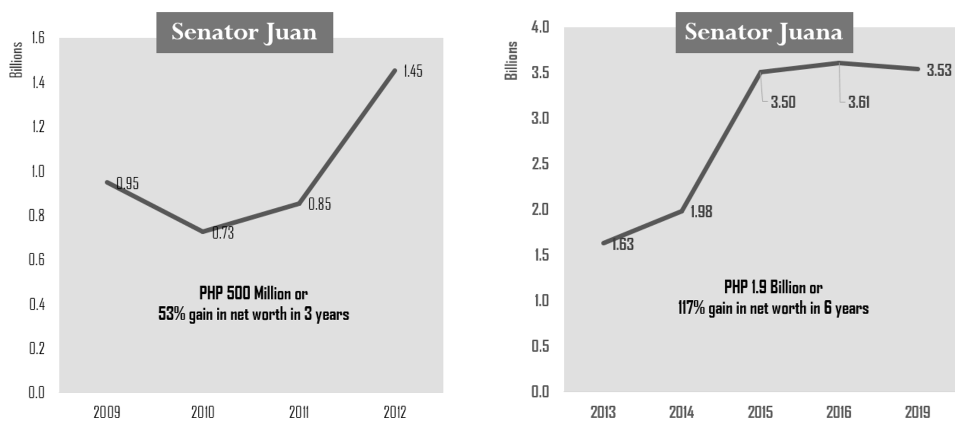
Even back then, dynasties were already well studied in the political science and sociology literature—for instance, classic works include *Power in a Philippine Municipality* by Mary Hollnsteiner (1963), *Anarchy of Families* by Al McCoy (1994), and *Landlords and Capitalists* by Temy Rivera (1994). This was followed by pathbreaking empirical work by Balisacan and Fuwa (2004), Querrubin (2016), and Teehankee (2001).

So some folks were surprised in 2010 why our small team of economists wanted to empirically examine them. It turned out that we were among the first to actually define and count dynasties, and from there, empirically assess their socio-economic impact in the countryside.

We found very sobering evidence of what political inequality in the Philippine countryside looks like. Our data-intensive 2012 study of political dynasties in the House of Representatives suggests that about 80% of dynastic legislators increased their net worth from 2003 to 2007. This increase was so remarkable that half of the sample's asset growth beat the returns from investing in the Philippines Stock Exchange (Mendoza et al., 2012).

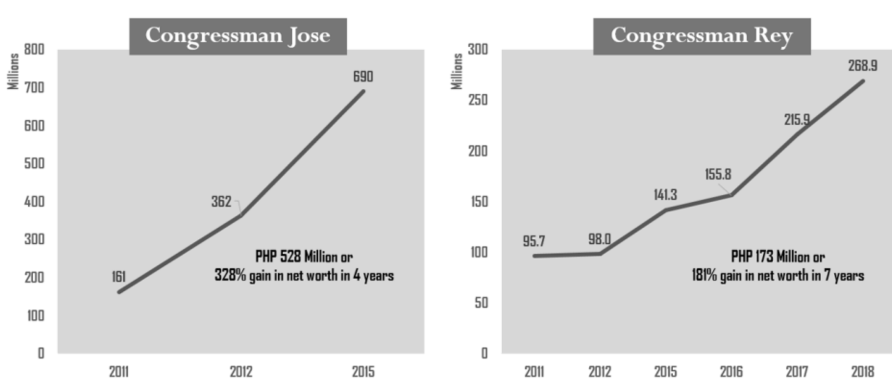
Updated figures reinforce this picture of privilege and power. Based on their self-declared statement of assets, liabilities, and net worth, some dynastic legislators in both the lower and upper houses of Congress have experienced phenomenal growth in their wealth while in office. A certain dynastic Senator had a reported wealth increase of over PhP500 million in three years, while another saw her wealth grow by PhP1.9 billion in a span of just six years. Would it surprise you that these Senators were husband and wife? (See Figure 8.)

The Statement of Assets, Liabilities, and Net Worth (SALN) of selected dynastic Congressmen revealed an even more impressive buildup of wealth. In just one term (three years), their wealth grew by



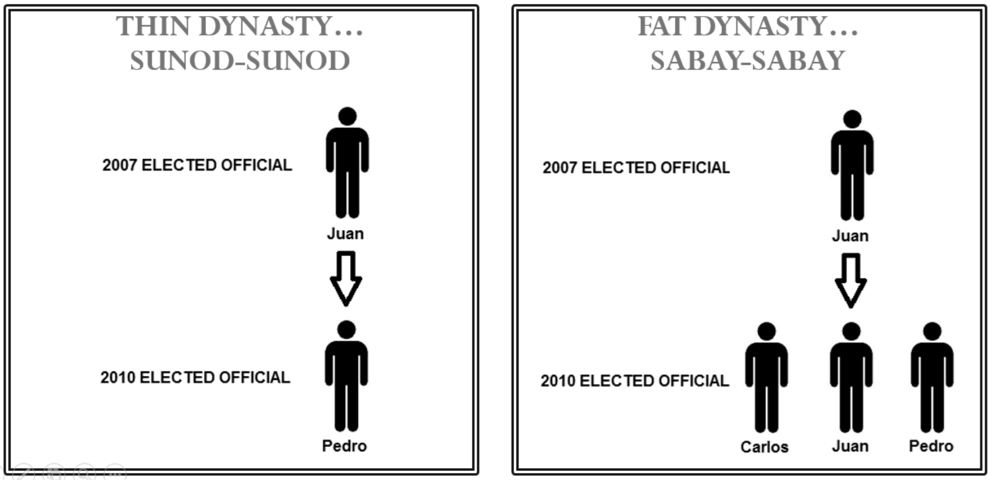
Source: Author's compilation based on data from SALN reports.

Figure 8. Selected Senators' SALN



Source: Author's compilation based on data from SALN reports.

Figure 9. Selected Congressmen's SALN



Source: Author's elaboration.

Figure 10. Comparison Between Thin Dynasty and Fat Dynasty

Position	2004	2007	2010	2013	2016	2019
Governor	56.96% *8.86 pp*	55.00% *-1.96 pp*	71.79% *16.79 pp*	82.50% *10.71 pp*	76.25% *-6.25 pp*	80.25% *4.00 pp*
Vice Governor	53.85% *7.10 pp*	48.10% *-5.75 pp*	52.56% *4.46 pp*	65.00% *12.44 pp*	53.16% *-11.84 pp*	67.90% *14.74 pp*
Prov'l Board Member	39.78% *-0.25 pp*	37.73% *-2.05 pp*	42.90% *5.17 pp*	41.95% *-0.95 pp*	45.77% *3.82 pp*	45.20% *-0.57 pp*
HoR Congress	48.11% *6.48 pp*	50.00% *1.89 pp*	55.56% *5.56 pp*	56.84% *1.28 pp*	55.60% *-1.24 pp*	66.67% *11.07 pp*
Mayor	39.56% *1.83 pp*	41.15% *1.59 pp*	47.84% *6.69 pp*	48.87% *1.03 pp*	50.81% *1.94 pp*	53.38% *2.57 pp*
Vice Mayor	27.84% *1.03 pp*	29.10% *1.26 pp*	34.06% *4.96 pp*	36.17% *2.11 pp*	38.99% *2.82 pp*	38.91% *-0.08 pp*
Councilor	20.85% *0.10 pp*	20.22% *-0.63 pp*	22.51% *2.29 pp*	22.63% *0.12 pp*	22.71% *0.08 pp*	23.15% *0.44 pp*

Source: Ateneo Policy Center (2020).

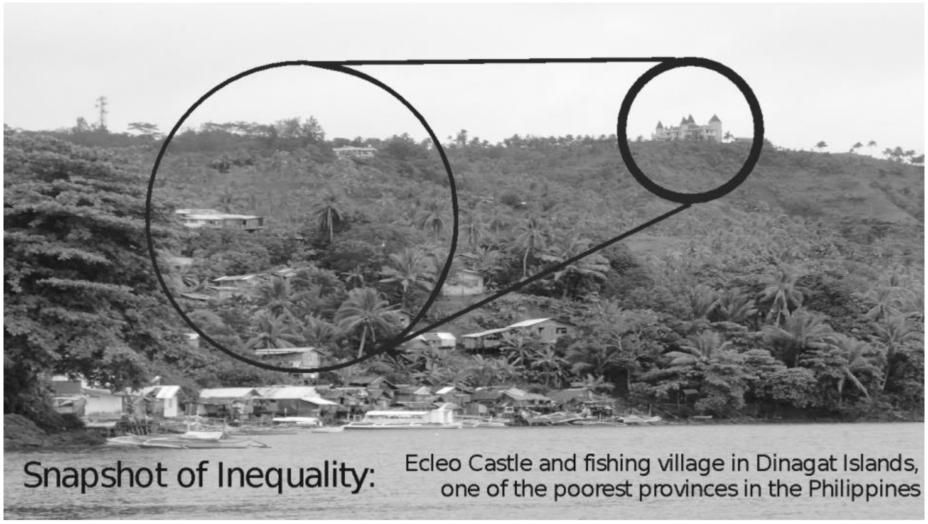
Figure 11. Fat Dynasties in the Philippines from 2004 to 2019

almost 200% to over 300%. If these Congressmen were listed in the Philippine stock exchange, then they would put most blue-chip stocks to shame! (See Figure 9.)

It is not necessarily bad for the already wealthy to run for office and try to serve. On the other hand, if you become even more wealthy while in public office, that is another thing altogether. There is then a need for meaningful checks and balances to avoid possible conflicts of interest and prevent positions of power from being abused. The benefits of public availability of SALN data probably outweigh any negative effects as it allows for proper evaluation of wealth growth through independent and fair reviews.

Our studies tracking political dynasties also show that they win elections by much larger margins of victory, probably owing to distinct advantages due to incumbency and, in some cases, the sheer number of family members already serving in office. In our research, as shown in Figure 10, we have begun to track "thin dynasties" (sunod-sunod) and "fat dynasties" (sabay-sabay tumatakbo at nanunungkulan).

If we define "fat dynasties" as those political clans with at least two elected members in office, then fat dynasties already dominate most of the local government. As shown in Figure 11, 80% of governors, 67% of congressmen, 53% of mayors, and 40% of vice mayors are from fat dynasties.



Source: Author's image taken while on vacation in Dinagat Islands in May 2014.

Figure 12. Snapshot of Inequality

A concerning development, which could link political dynasties to income inequality, is that Philippine political dynasties are more prevalent in regions with relatively higher levels of poverty (Mendoza et al 2016). The image you will see in Figure 12, for example, is the house of the resident fat dynastic political clan in Dinagat Islands, one of the poorest provinces in the country. It is often referred to by the residents as the "White Castle."

Do poor people vote for dynasties, or do dynasties fail to reduce (or even worsen) poverty? Recent empirical evidence both in the Philippines and abroad suggests that the balance of causality flows from dynastic leadership to higher poverty, yet context here matters significantly. The dynasties to poverty link is likely significant in places where few checks and balances are left to temper the concentration of political power. Our ongoing study suggests that the negative impact of dynasties is strongest in Visayas and Mindanao (Mendoza et al 2016).

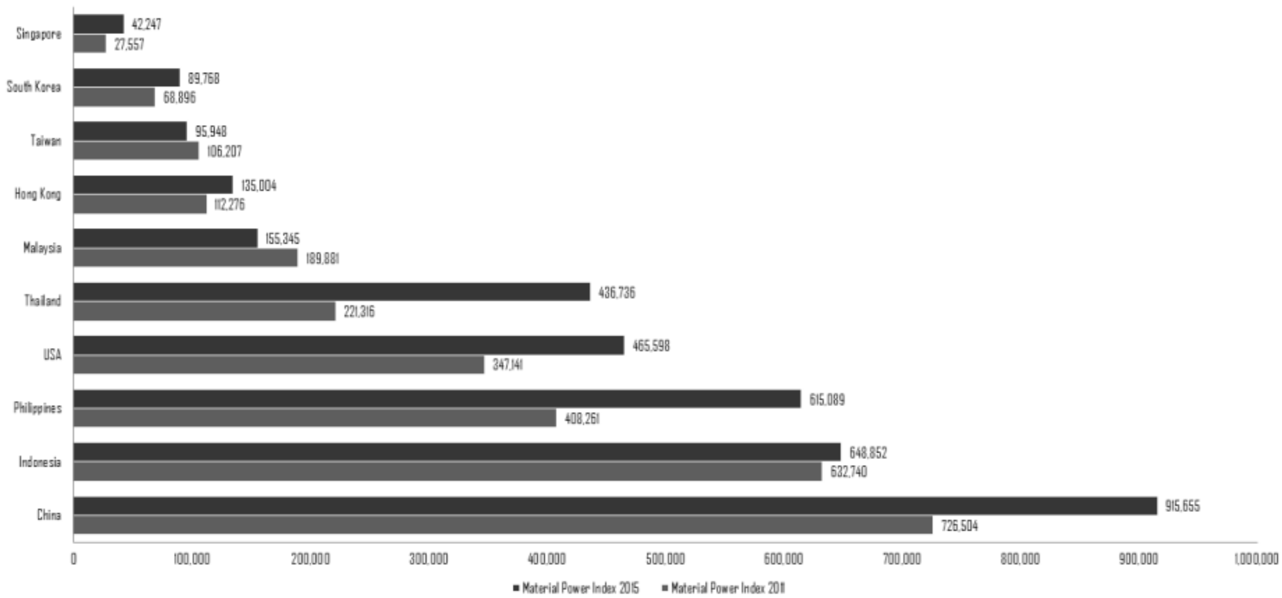
We hypothesize that some form of competition, either in elections or through democratic checks-and-balances by stakeholders (for instance, business, media, academe, CSOs), could probably temper this negative relationship.

Business Oligarchs

After the crisis and political elements of inequality, the final aspect I would like to discuss relates to big business, notably the concentration of wealth that is associated with weaker competition in the market economy and the high risk of rent-seeking.

An oligarchy is generally understood as a government run by a few powerful individuals—a nation where a small ruling class consolidates power and pursues their own interests over the common good while the majority remains poor and disempowered. Recent studies have referred to oligarchs as a wealthy class that exercises influence over government and the economy. Possible examples are Russia's Magnificent 7 (Guriev & Rachinsky, 2015), who held considerable influence over Russia's banking system in the post-Soviet Union transition period; and China's princelings (Bo, 2015), who are the descendants of original high-ranking Communist officials during the country's cultural revolution. From hereon, and just for clarity, I will refer to the group of potential "business oligarchs" because I am convinced that political dynasties can also fit the "oligarchic bill."

How much do business oligarchs dominate their respective economies? Without condemning all wealthy people to the term, let us at least take a look at a few indicators of the potential concentration of economic wealth and power. Winters and Page (2009) developed a "material power index." This is the ratio of the average wealth of the top 40 richest individuals to the country's GDP per capita. Using this indicator, China, Indonesia, and the Philippines stand out in this small sample of countries shown in Figure 13.



Source: Author's elaboration using data from Forbes (2020).

Figure 13. Material Power Index from 2011 to 2015

The extreme wealth of such a small group is not necessarily detrimental to development goals. The key issues here lie in the behavior of these businesses as regards competition, the structures that generated this wealth and the resulting disparity, and how this disparity affects the citizenry. Here, context really matters.

International studies on business oligarchs show a very complex picture of their relationship with national development. Scholars such as Daron Acemoglu (2008) have contended that democratic systems eventually outperform oligarchies despite the latter's initially aggressive growth. In the long run, oligarchies create institutions that inhibit innovation and competition.

This is why I have come to emphasize identifying "oligarchic behavior" rather than any particular business oligarch. Stifling competition is the key oligarchic behavior to stamp out. However, a firm being large, per se, is not necessarily detrimental to inclusive development, as evidenced by the developmental role of big business among the Asian tiger economies (Stiglitz, 1996; World Bank, 1993).

In the Philippines, oligarchic behaviors include: securing government contracts through personal connections, illegal activities like insider trading, and capturing regulatory institutions in order to extract "sweetheart deals." This has been referred to as "booty capitalism" and "crony capitalism" (Hutchcroft, 1998; Krueger, 2002).

In literature on the Philippines, it was clear that political leaders gave advantages to business cronies in ways that also helped to consolidate political power (Manapat, 2020; De Dios et al., 2021). Ric Manapat's (2020) Some are Smarter than Others, for example, detailed how Marcos's relatives and cronies benefited immensely, even as the country failed to industrialize and was eventually plunged into debt and economic crises in the mid-1980s. The corruption-tainted Bataan Nuclear Power Plant still stands to this day as a testament to how debt-financed white-elephant projects burdened millions of Filipinos and future generations while a few cronies and their political patrons benefited.

Yet, not all cronies have graduated to becoming full-fledged business oligarchs. Many cronies come and go with political administrations, yet some big business players have demonstrated staying power across multiple political cycles. Their importance in the economy and their influence in politics have prompted some to suggest that they could be the real kingmakers.

Just as my analysis of political dynasties focused on the effect of this leadership pattern—rather than on specific families—my thinking on the presence

ECONOMIC SECTORS	PHILIPPINES 1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Agriculture										
Airports/ Airlines/ Jet			●			●				
Banking	●		●		●	●			●	
Casinos/Gaming				●						●
Cement, Concrete, Etc.										
Coal										
Construction	●									
Defence										
Gas										
Hotels			●							
Infrastructure					●			●		
Media										
Mining										
Palm Oil										
Pharma / Health Care/ Hospitals					●					
Ports / Shipping				●						
Power			●		●			●	●	
Oil								●		
Real Estate / Property Dev't	●	●	●		●	●	●	●	●	●
Telecoms			●		●					
Timber										
Water					●					
Auto Industry / Transport					●				●	
Consumer Products										
Education / E-Learning					●					
Food / Fast Food / F&B		●	●			●	●	●		●
Forestry										
Insurance								●	●	
I.T.										
Rail										
Retail / E-Comm / Dist'n		●	●							
Tobacco						●				
Tech / Software/ Elec								●		
Others			●			●		●		

Source: Ateneo Policy Center mapping based on information from Forbes (2020).

Figure 14. Top 10 Billionaires in the Philippines

and impact of business oligarchy is also focused on economic structure and anti-competitive behavior. To help illustrate this, I provide a snapshot of the possible link between big business and economic structure.

Figure 14 shows the top 10 wealthiest individuals in the Philippines and the key economic sectors where they have invested in. (Their names are not shown here, only their wealth ranking from 1st to 10th.) The economic sectors are categorized into two broad groups, drawing on the extensive literature on rent-rich (marked as red) versus more competitive sectors (marked as blue). Banking, construction, and real estate are among the rent-rich sectors. Automotive manufacturing, education, and electronics are among the competition-rich sectors.

A visual map of the top billionaires in the Philippines, now compared to those in Malaysia, Indonesia, and Thailand, suggests that many of these nations' billionaires still have a stake in rent-rich sectors. Thailand stands out, perhaps with less "red" and more "blue" in terms of its billionaires' economic footprint (Figure 15).

A snapshot of how the billionaires in the Philippines compared to industrialized countries like the United States of America and South Korea shows a very different picture. The advanced countries on the map have wealthy individuals that are now largely focused on sectors with more competition and driven by innovation (Figure 16). Some of the wealthiest in the Philippines are engaged in banking, casino operations and gaming, and real estate and property development. Very few of the wealthiest in the United States and South Korea have a stake in these sectors.

This is evidence of how the source of wealth could differentiate the kind of wealth creation and subsequent inequality in a country. One is based on innovation and productivity, whereas the other type of wealth creation is based on political connections, rent-seeking, and protectionism. This is probably a useful way of describing "good inequality" versus "bad inequality."

ECONOMIC SECTORS	PHILIPPINES									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Agriculture										
Airports/ Airlines/ Jet			●			●				
Banking	●		●		●	●			●	
Casinos/Gaming				●						●
Cement, Concrete, Etc.										
Coal										
Construction	●									
Defence										
Gas										
Hotels			●							
Infrastructure					●			●		
Media										
Mining										
Palm Oil										
Pharma / Health Care/ Hospitals					●					
Ports / Shipping				●						
Power			●		●			●	●	
Oil								●		
Real Estate / Property Dev't	●	●	●		●	●	●	●	●	●
Telecoms			●		●					
Timber										
Water					●					
Auto Industry / Transport					●				●	
Consumer Products										
Education / E-Learning					●					
Food / Fast Food / F&B		●	●			●	●	●		●
Forestry										
Insurance								●	●	
I.T.										
Rail										
Retail / E-Comm / Dist'n		●	●							
Tobacco						●				
Tech / Software/ Elec								●		
Others			●			●		●		

ECONOMIC SECTORS	MALAYSIA									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Agriculture	●				●		●	●		
Airports/ Airlines/ Jet										
Banking		●	●					●		
Casinos/Gaming						●	●			
Cement, Concrete, Etc.		●						●		
Coal										
Construction					●					
Defence										
Gas				●	●		●			
Hotels	●	●				●	●			
Infrastructure										
Media	●			●						
Mining									●	
Palm Oil					●		●	●		
Pharma / Health Care/ Hospitals							●			
Ports / Shipping	●									
Power							●			
Oil				●			●			
Real Estate / Property Dev't	●	●		●	●		●	●		
Telecoms				●						
Timber										
Water										
Auto Industry / Transport	●	●						●	●	
Consumer Products		●				●				
Education / E-Learning										
Food / Fast Food / F&B	●	●	●			●				
Forestry										
Insurance										
I.T.										
Rail										
Retail / E-Comm / Dist'n						●				
Tobacco										
Tech / Software/ Elec		●				●				
Others						●	●			●

ECONOMIC SECTORS	INDONESIA									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Agriculture		●		●	●					
Airports/ Airlines/ Jet										
Banking	●	●				●	●		●	
Casinos/Gaming										
Cement, Concrete, Etc.										
Coal		●	●							
Construction										
Defence										
Gas			●							
Hotels							●			
Infrastructure		●								
Media		●					●		●	
Mining		●	●				●			
Palm Oil		●								
Pharma / Health Care/ Hospitals							●	●		
Ports / Shipping										
Power		●	●							
Oil			●							
Real Estate / Property Dev't		●	●				●			
Telecoms	●	●				●				
Timber										
Water										
Auto Industry / Transport		●	●		●					
Consumer Products				●					●	
Education / E-Learning										
Food / Fast Food / F&B		●				●			●	●
Forestry		●	●							
Insurance		●					●		●	
I.T.										
Rail										
Retail / E-Comm / Dist'n							●		●	
Tobacco	●			●						
Tech / Software/ Elec										
Others										

ECONOMIC SECTORS	THAILAND									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Agriculture	●									
Airports/ Airlines/ Jet							●			
Banking	●									
Casinos/Gaming										
Cement, Concrete, Etc.										
Coal										
Construction										
Defence										
Gas					●					●
Hotels		●		●						
Infrastructure										
Media			●							
Mining										
Palm Oil										
Pharma / Health Care/ Hospitals	●						●	●		
Ports / Shipping										
Power					●					●
Oil					●					●
Real Estate / Property Dev't	●	●		●						
Telecoms	●									
Timber										
Water					●					
Auto Industry / Transport	●					●				
Consumer Products			●			●		●		
Education / E-Learning										
Food / Fast Food / F&B	●	●	●	●				●	●	
Forestry										
Insurance	●								●	
I.T.										
Rail										
Retail / E-Comm / Dist'n	●	●		●		●		●		
Tobacco										
Tech / Software/ Elec										
Others										

Source: Ateneo Policy Center mapping based on information from Forbes (2020).

Figure 15. Billionaires in the Philippines Compared to Malaysia, Indonesia, and Thailand

ECONOMIC SECTORS	PHILIPPINES									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Agriculture										
Airports/ Airlines/ Jet			●			●				
Banking	●		●		●	●			●	
Casinos/Gaming				●						●
Cement, Concrete, Etc.										
Coal										
Construction	●									
Defence										
Gas										
Hotels			●							
Infrastructure					●			●		
Media										
Mining										
Palm Oil										
Pharma / Health Care/ Hospitals					●					
Ports / Shipping				●						
Power			●		●			●	●	
Oil								●		
Real Estate / Property Dev't	●	●	●		●	●	●	●	●	●
Telecoms			●		●					
Timber										
Water					●					
Auto Industry / Transport					●				●	
Consumer Products										
Education / E-Learning					●					
Food / Fast Food / F&B		●	●			●	●	●		●
Forestry										
Insurance								●	●	
I.T.										
Rail										
Retail / E-Comm / Dist'n		●	●							
Tobacco						●				
Tech / Software/ Elec								●		
Others			●			●		●		

ECONOMIC SECTORS	UNITED STATES									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Agriculture					●					
Airports/ Airlines/ Jet			●							
Banking										●
Casinos/Gaming										
Cement, Concrete, Etc.			●							
Coal										
Construction										
Defence										
Gas								●		
Hotels										
Infrastructure										
Media	●			●				●		
Mining										
Palm Oil										
Pharma / Health Care/ Hospitals										
Ports / Shipping										
Power										
Oil								●		
Real Estate / Property Dev't					●					
Telecoms										
Timber										
Water										
Auto Industry / Transport	●		●							
Consumer Products			●							
Education / E-Learning	●									
Food / Fast Food / F&B	●		●							
Forestry			●							
Insurance			●					●		
I.T.						●	●		●	
Rail										
Retail / E-Comm / Dist'n	●									●
Tobacco										
Tech / Software/ Elec	●	●		●	●	●	●	●	●	
Others									●	

ECONOMIC SECTORS	SOUTH KOREA									
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Agriculture									●	
Airports/ Airlines/ Jet										
Banking	●									
Casinos/Gaming								●		
Cement, Concrete, Etc.										
Coal									●	
Construction					●				●	
Defence										
Gas									●	
Hotels										
Infrastructure										
Media										●
Mining										
Palm Oil										
Pharma / Health Care/ Hospitals	●	●				●			●	
Ports / Shipping										
Power									●	
Oil									●	
Real Estate / Property Dev't										
Telecoms									●	
Timber										
Water										
Auto Industry / Transport					●		●		●	
Consumer Products						●	●			
Education / E-Learning	●									
Food / Fast Food / F&B										
Forestry										
Insurance	●									
I.T.	●			●						
Rail										
Retail / E-Comm / Dist'n							●			
Tobacco										
Tech / Software/ Elec	●	●	●	●						●
Others										

Source: Ateneo Policy Center mapping based on information from Forbes (2020).

Figure 16. Billionaires in the Philippines Compared to the United States of America and South Korea

I argue here that alleged business oligarchs are not unlike fat political dynasties. Both enjoy size advantages that allow them to undermine competition in the economy and politics. Although both are neither "bad" nor "good" necessarily, the lack of competition sets the stage for potential abuse in business or impunity in public governance.

Here I come back to my earlier point that oligarchs can be in business or government. It is possible for these two actors to conspire with each other through rent-seeking, corruption, and undermining key social, economic, and political reforms that "level the playing field." These behaviors, by corrupting both the public and the private sectors, are anathema to development and are the essence of oligarchy.

So when a politician calls out big business for acting like oligarchs, it seems to me a case of "the kettle calling the pot black."

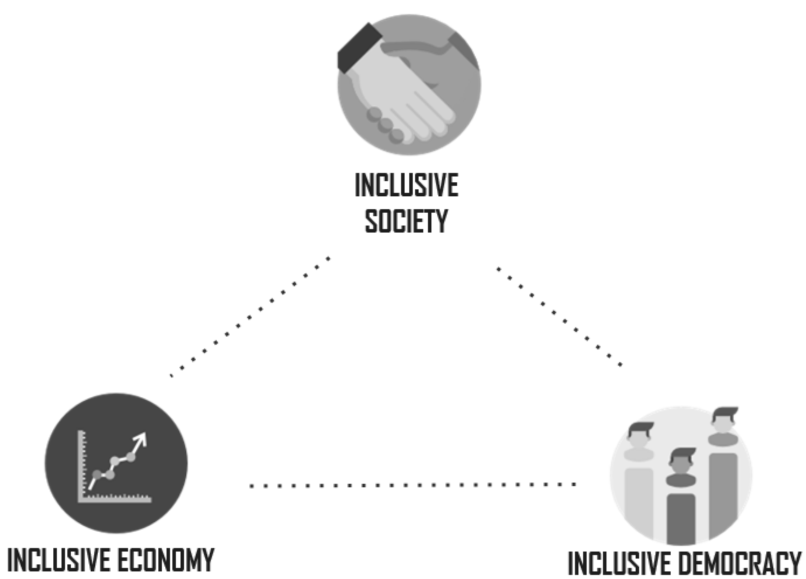
Overthrowing corrupt administrations and sending transgressing politicians to jail cannot break the pattern of oligarchic behavior without being substantiated by meaningful reforms. Similar to how fat dynasties become replaced by slim dynasties that eventually become fat too, taking out one crony will only introduce another in its place.

Perhaps one of the best cures for oligarchy is the resurgence of genuine competition in both the market economy and the political arena. A key institutional innovation that could encourage this is the creation of a strong and independent competition authority that effectively levels the playing field by preventing abuses of market power and other anti-competitive behaviors. Incentivizing big businesses to seek export markets is another means to foster competitiveness. Opening up the economic environment also leads to greater competitive pressure for big businesses. This could force them in the direction of innovation rather than rent-seeking.

Quo Vadis?

Thus far, we have elaborated on some of the possible channels that exacerbate "bad inequality" in the Philippines. The implications go well beyond economic policy and touch on the resilience of democracy itself. Income inequality threatens the democratization of a country. Scholars argued that democratic instability occurs more frequently in more unequal societies—those with higher household income inequality, and where labor receives a lower share of the value added of manufacturing (Bollen & Jackman, 1995; see also Muller, 1995).

Meanwhile, others have pointed out how economic inequality leads to political instability and democratic



Source: Author's elaboration, in collaboration with Ivy Baysic.

Figure 17. Inclusion vs. Inequality

regress (Boix, 2003; Alesina & Perotti, 1996). There is empirical evidence for countries with high levels of inequality to oscillate between democratic and autocratic regimes (Dutt & Mitra, 2008).

Furthermore, redistribution appears to be more prominent in economic policy discussions these days for many reasons, including the populist wave pushing back against globalization. Dani Rodrik (2018) observed how, as economic openness is continuously pushed, the redistributive effects of liberalization intensify and may start to swamp the general net gains enjoyed by citizens, particularly as the trade barriers are continuously reduced. Pushing globalization faster than our institutions could be set up to protect and give sufficient agency to the marginalized, but it could generate backlash.

Political institutions are particularly important to give agency to those on the marginalized end of the inequality divide. If they become voiceless and powerless, the ramifications could include populism. A recent study by Thomas Piketty (2018) discussed how populists had become a sought-after ally for marginalized communities. In their inability or unwillingness to resolve inequality, major political parties lose their credibility as advocates for these sectors. Yet populist leaders often prioritize unsustainable redistribution without any effort to address what caused inequality in the first place. In the end, this further derails the country away from sustainable economic development (Mendoza, 2018).

To sum up, in this lecture, I outlined at least three main areas for possible reform engagement, drawing on broad literature and my own experience in four think tanks across the last two decades (Figure 17).

The first area seeks to promote more inclusive societies by building inclusive education, healthcare, and social protection systems as national public goods that promote social cohesion and resilience to crises and disasters.

The second area focuses on promoting political and institutional reforms to help de-concentrate political power in the hands of a few families and instead to empower citizens and promote a more inclusive democracy.

A third area tackles the reforms and regulations towards a more inclusive and competitive market economy, promoting greater competition, where rent-seeking is minimized while innovation, productivity, and job-creation become the main goals for big business.

In the final analysis, inequality is of interest not merely because of a desire for a more equal distribution of wealth. Inequality itself can derail economic growth, breed populism, and weaken social cohesion. For these reasons, I believe the challenge of our generation is no longer simply about reducing poverty. Reducing inequality is the key to political stability, crisis resilience, and sustained economic development. Thank you very much for the opportunity to share these ideas.

Note

This paper builds on the 19th Jaime V. Ongpin Memorial Lecture delivered by the author last 21 October 2020, as well as his earlier work (Mendoza 2012;2016;2018).

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