



Shared Growth Lessons From Japan (No.1 of a Series)

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College of Engineering

University of the Philippines

A THIRD FEATURE OF
EAST ASIAN ECONOMIC
DEVELOPMENT IS THAT IT
HAS BEEN JAPAN-LED

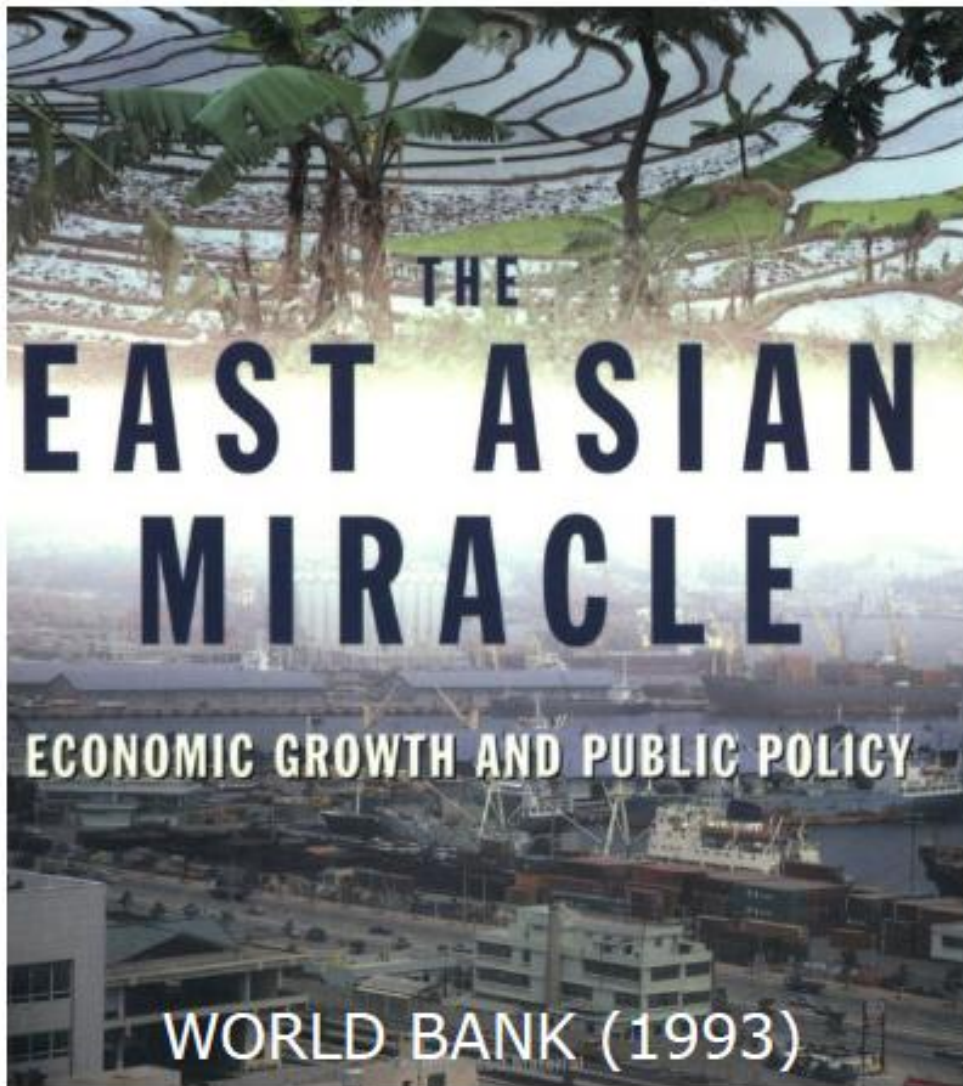
From the Land of the Rising Sun

To the Pearl of the Orient Seas

A Daring Challenge

To Build Together the Miracle that is Shared Growth





SHARED GROWTH

Rapid income
growth

+

Improvement in
income
distribution

Efficiency

+

Equity

SHARED GROWTH ROOTS



East Asian
Miracle
Countries
JAPAN

REPUBLIC OF KOREA

TAIWAN

HONG KONG

THAILAND

MALAYSIA

SINGAPORE

INDONESIA

No Rapid Growth

Year	Per Capita GDP (1996 Price, \$)						
	Malaysia	Philippines	Singapore	Thailand	Taiwan	Indonesia	Korea
1960	2119	2015	2161	1091	1430	936	1495
1970	2884	2396	5279	1822	2790	1087	2716
1980	5087	3289	11464	2857	5869	1896	4790
1990	6525	3009	17933	4833	10981	2851	9952
2000	9919	3425		6857		3642	15876
Average Annual Growth Rates							
1960-70	3.13	1.75	9.34	5.26	6.91	1.51	6.15
1970-00	4.2	1.2		4.52		4.11	6.06

Poverty incidence in selected Asian countries ¹

(percent)

	Years	Annual reduction	First year	Last year
Philippines	1971–94	0.7	52	36
Indonesia	1970–90	2.0	58	19
Korea	1970–90	0.9	23	5
Malaysia	1973–87	1.6	37	14
Thailand	1962–88	1.4	59	22

Sources: World Bank, 1996, and Philippines, National Statistical Coordination Board, 1996.

¹ Defined as proportion of families living below the poverty line.

Income distribution in selected years, 1957–94

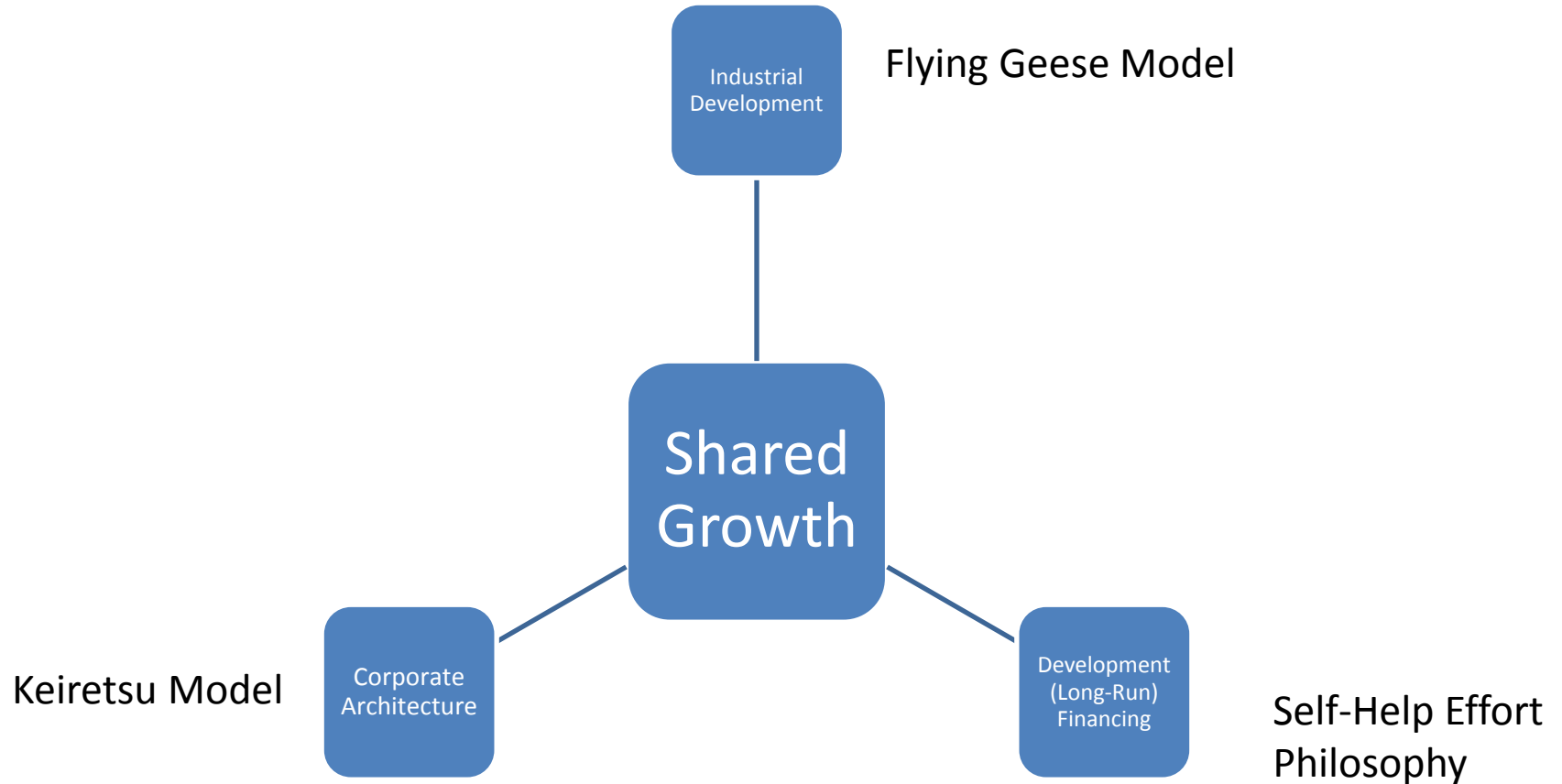
	1957	1961	1965	1971	1985	1988	1991	1994
Gini coefficient	0.461	0.497	0.513	0.494	0.447	0.445	0.468	0.451
Percent of income, top 20 percent	48.6	56.5	56.0	54.0	52.1	51.8	53.9	51.9
Percent of income, bottom 20 percent	6.5	4.2	3.5	3.6	5.2	5.2	4.7	4.9
Ratio of incomes of top 20 percent to bottom 20 percent	7.5	13.5	16.0	15.0	10.0	10.0	11.5	10.6

Sources: 1957–71, Deininger and Squire, 1996; and 1985–94, Philippines, National Statistics Office, various years.

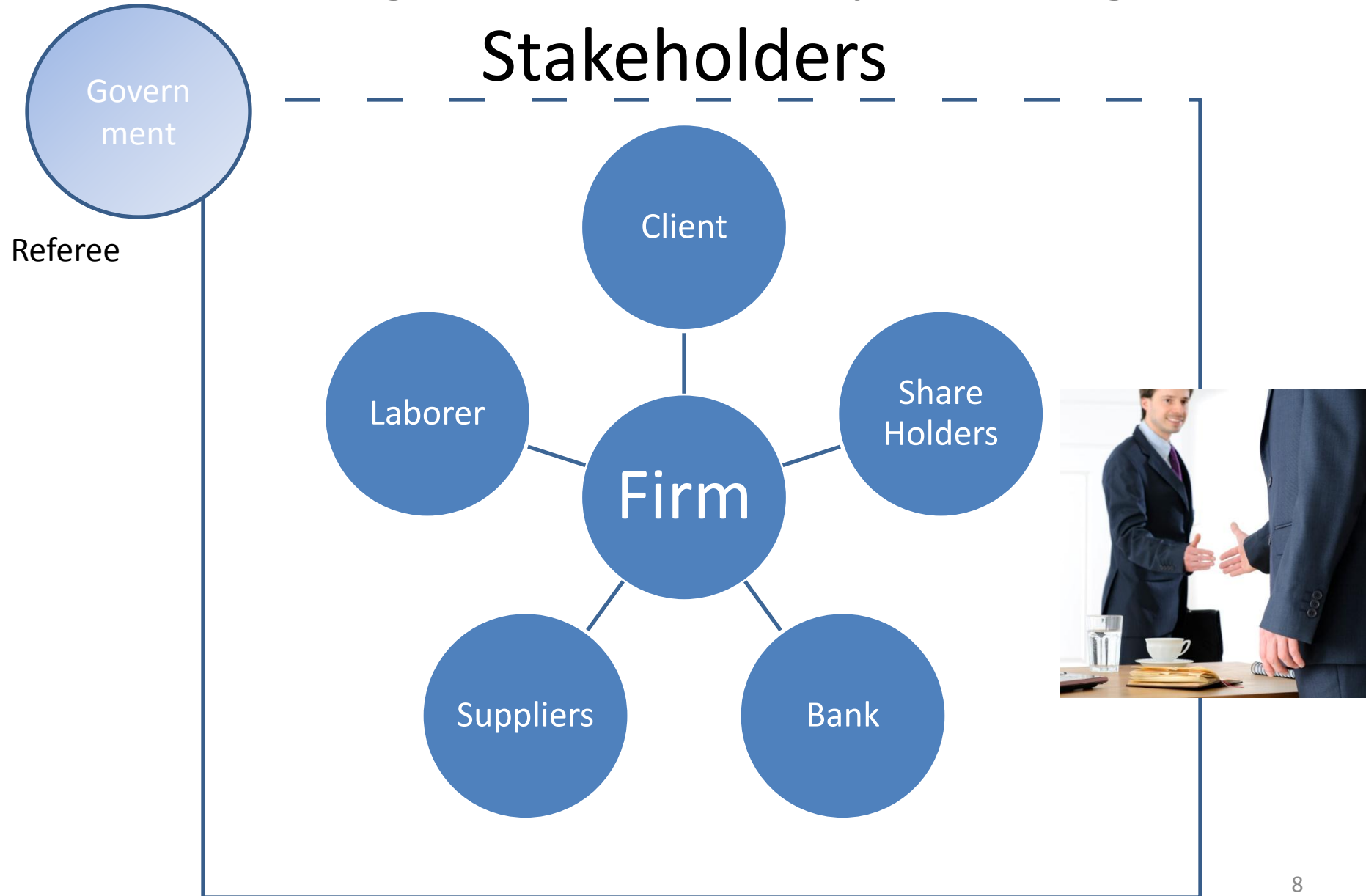
AVERAGE = 0.47 1997: 0.4881 2000: 0.4814

NO SUBSTANTIAL IMPROVEMENT IN SHARING

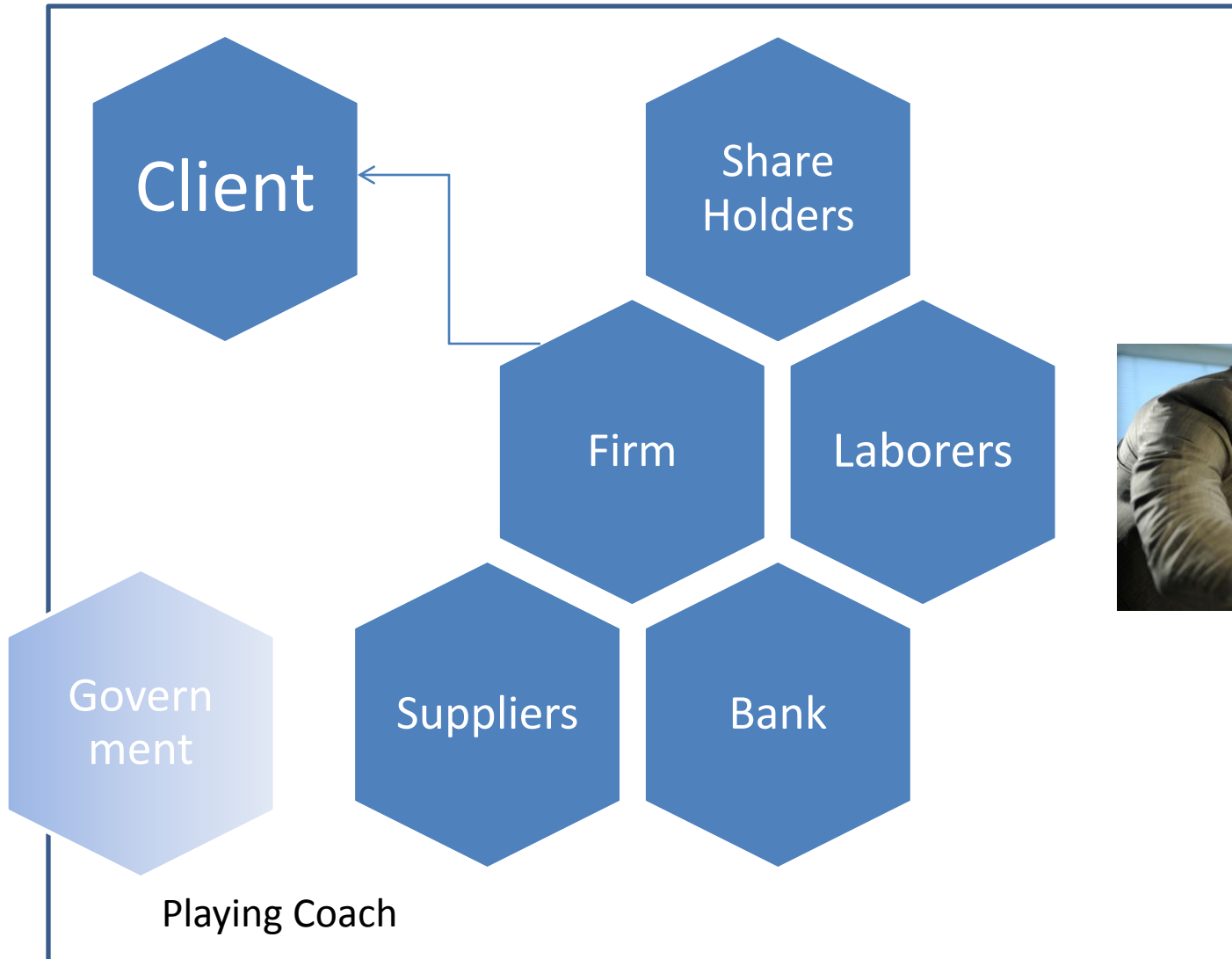
The 3 Pillars of Shared Growth



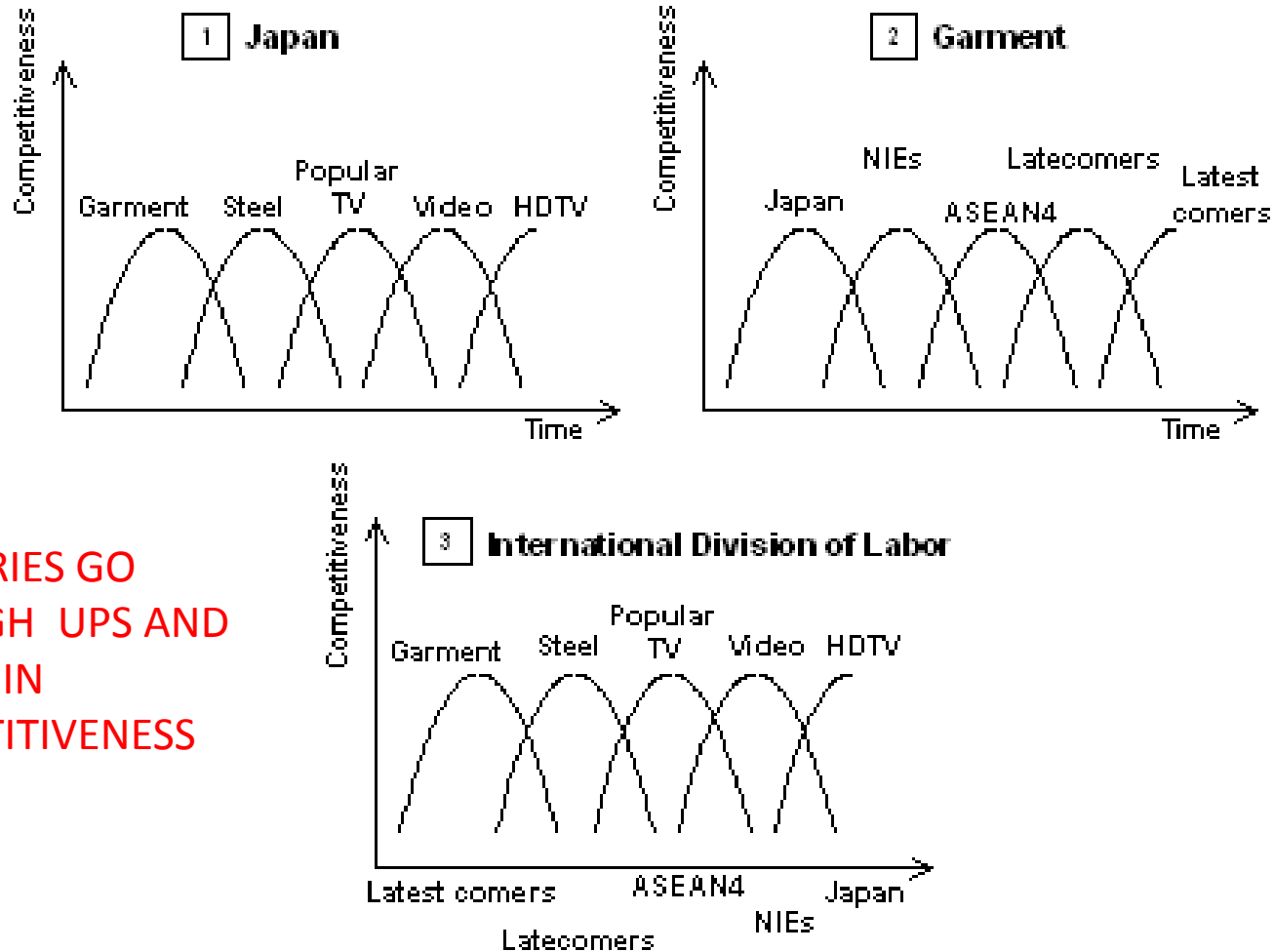
Arms-Length Relationship Among Firm Stakeholders



Cheek-to-Cheek (Cozy) Relationships Among Firm Stakeholders



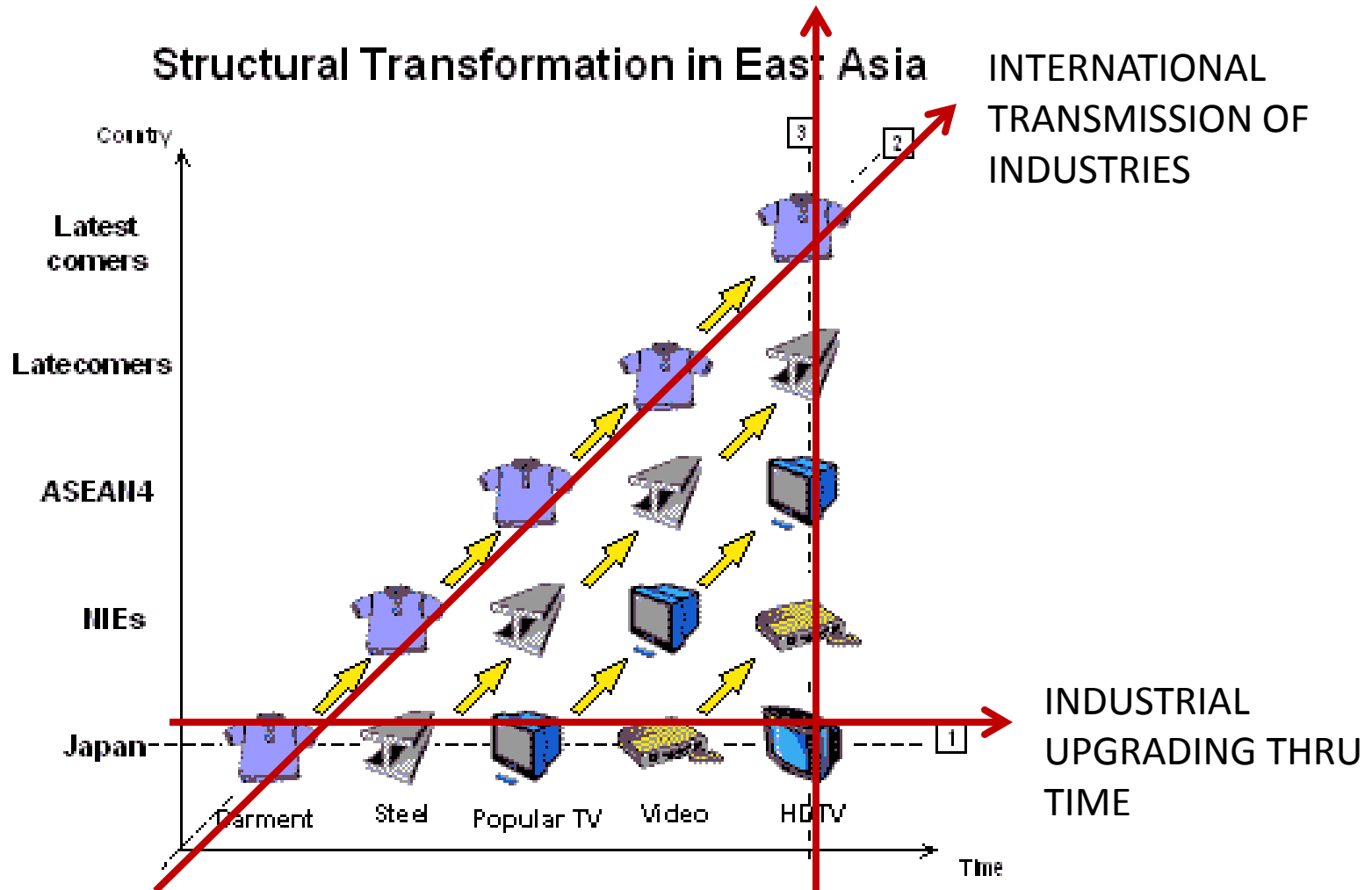
Flying Geese Model



INDUSTRIES GO THROUGH UPS AND DOWNS IN COMPETITIVENESS

Flying Geese Model

NICE INTERNATIONAL DIVISION OF LABOR AT ANY TIME



Financing to Support Self-Help Efforts



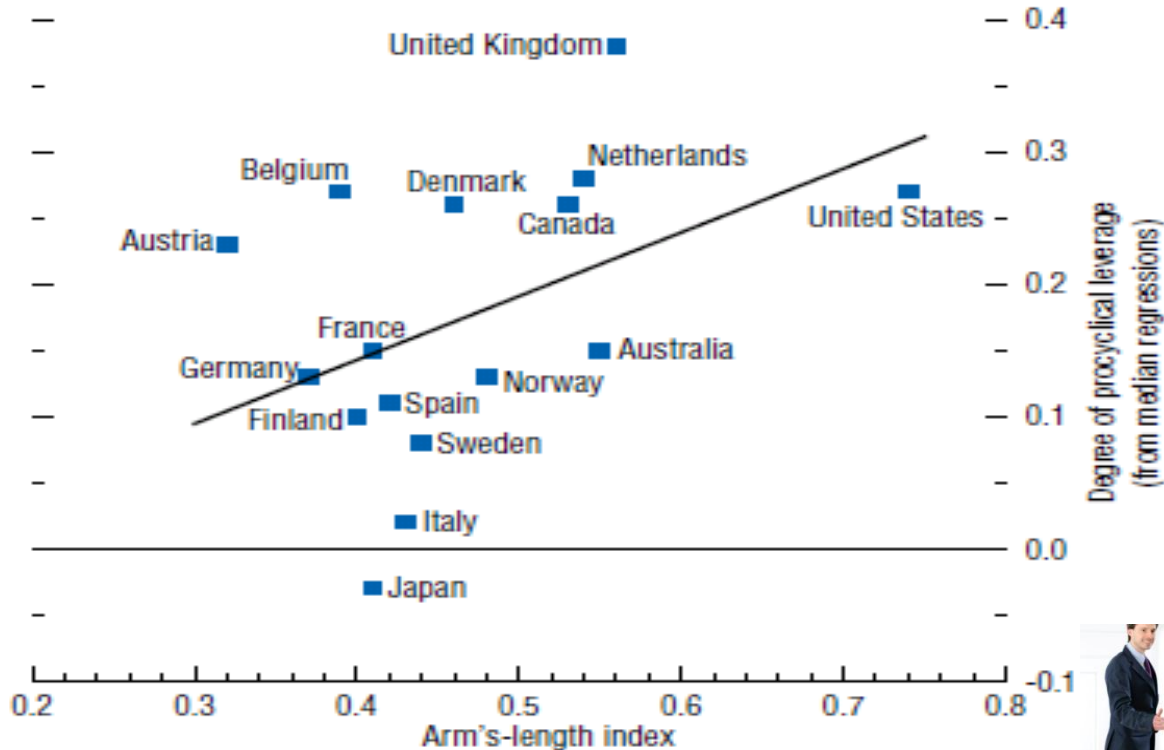
BANKS LEND TO THOSE
WHO ARE USUALLY
IGNORED BY
CONVENTIONAL
CREDITORS

- LOW PROFITABILITY
- EXPERIENCING
TEMPORARY PROBLEMS

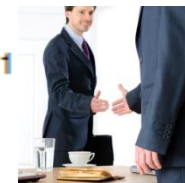
Anti-Cyclical Bank Financing

Figure 4.13. Procyclical Leverage and Arm's-Length Financial Systems

There is more evidence of procyclical leverage by commercial banks in arm's-length financial systems.



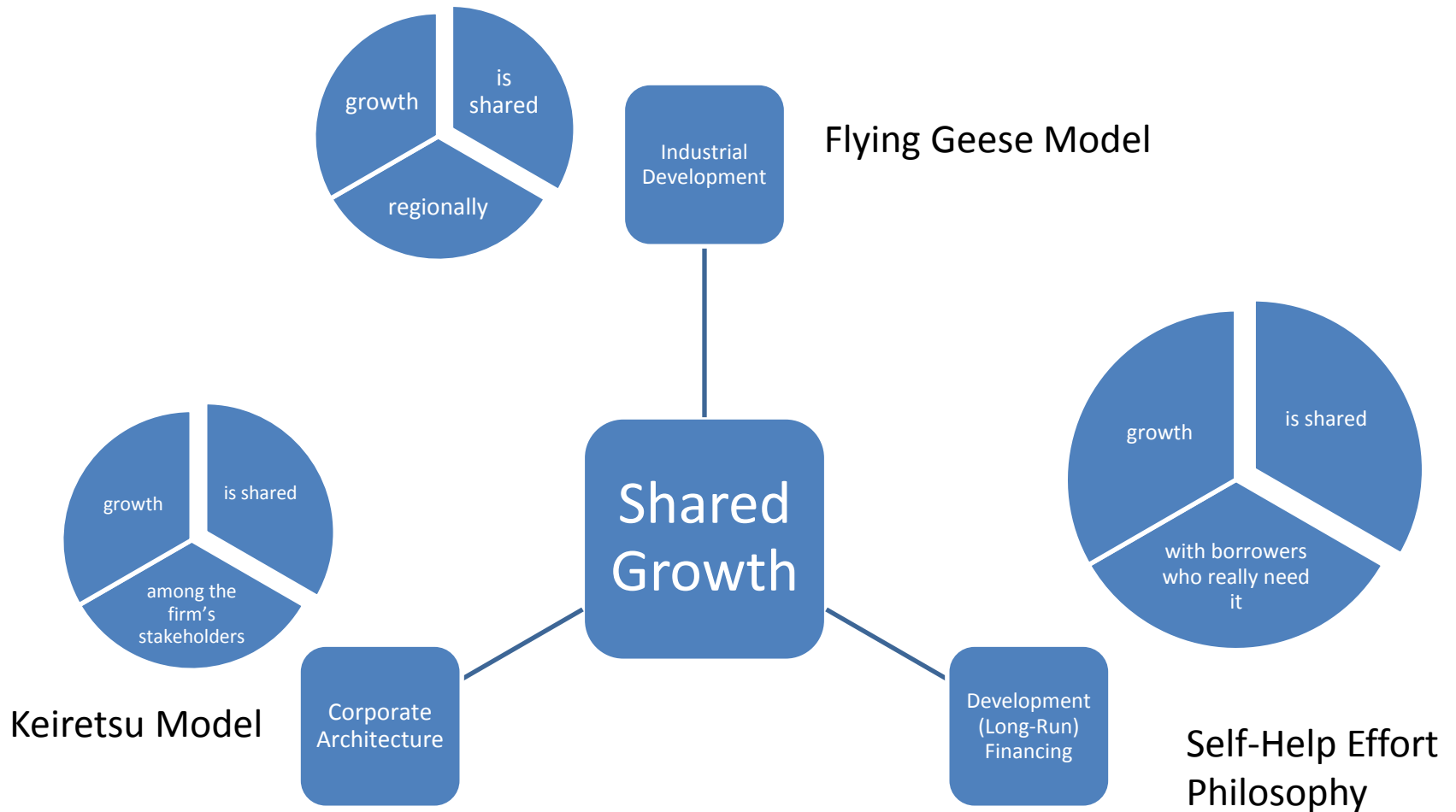
Banks lending tends to move with the business cycle (i.e., less lending during recessions)



Source: IMF staff calculations.

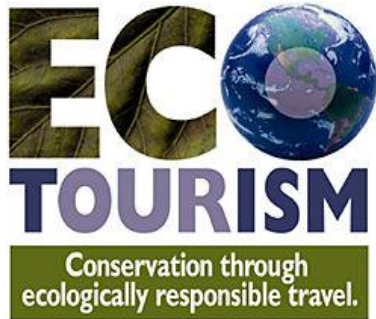
Less cheek-to-cheek relations between bank and borrower

The 3 Pillars of Shared Growth



A SHORT HISTORY OF THE SGRA SEMINARS

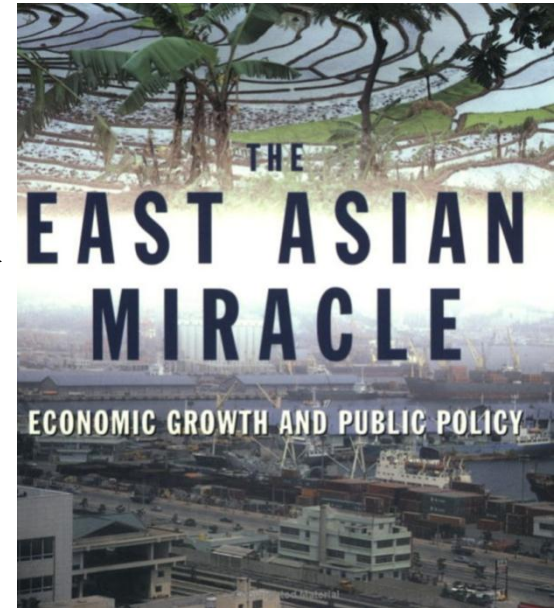
manufacturing



THE ACRONYM
EDSA
— IN THIS CASE
BOTH THE LEGENDARY AVENUE
AND THE DECLARATION
“EVERYONE DESERVES SAFE AIR”
— IS THE SHORTHAND FOR
CHANGE

Shared
Growth

Efficiency



Sustainable
Shared
Growth



Environment

Equity

E³



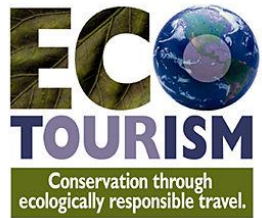
Sustainable
Agriculture

KKK

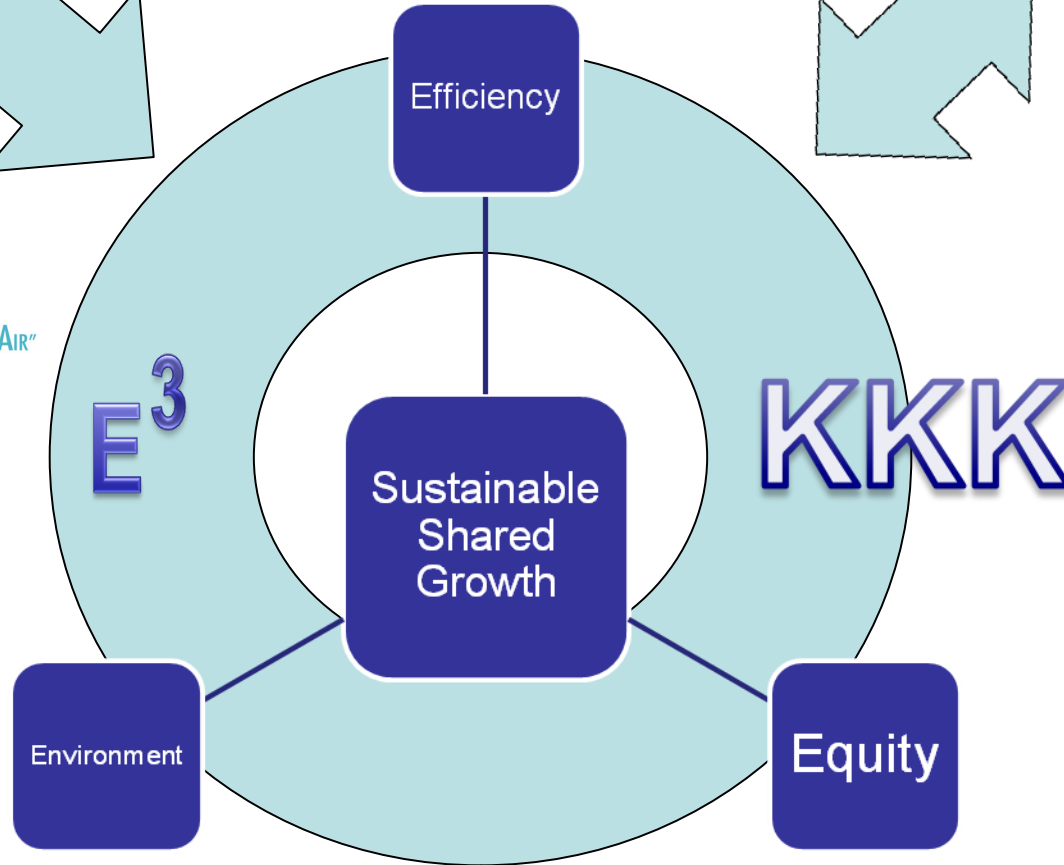
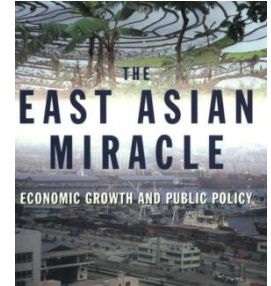
rural-urban gap



manufacturing



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— IS THE SHORTHAND FOR
CHANGE



Multi-disciplinary

Multi-Sectoral

Multi-national

What is the “Middle Income Trap”?

- 124 countries having consistent data for 1950 to 2010 were classified. In 2010
 - 40 low-income
 - 38 lower-middle income
 - 14 upper-middle income
 - 32 high-income
- Threshold annual growth rate of per capita income (years equivalent)
 - Lower-middle income: 4.7% (28 years)
 - Upper-middle income: 3.5% (14 years)¹⁷

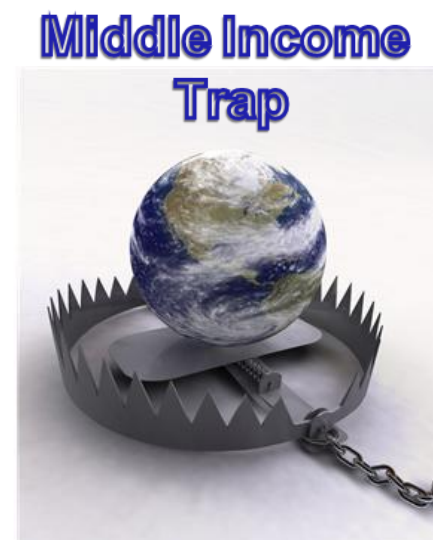


Table 5 Economies in the lower-middle-income trap in 2010

Country	Region	2010 GDP per capita (1990 PPP \$)	No. of years as LM until 2010	Ave. growth (%) 2000-2010	No. of years to reach \$7,250*
Philippines	Asia	3,054	34	2.5	35
Sri Lanka	Asia	5,459	28	4.3	7
Albania	Europe	4,392	37	4.8	11
Romania	Europe	4,507	49	4.1	12
Bolivia	Latin America & Caribbean	3,065	45	1.8	49
Brazil	Latin America & Caribbean	6,737	53	2.0	4
Colombia	Latin America & Caribbean	6,542	61	2.6	5
Dominican Republic	Latin America & Caribbean	4,802	38	2.8	15
Ecuador	Latin America & Caribbean	4,010	58	2.2	27
El Salvador	Latin America & Caribbean	2,818	47	0.4	251
Guatemala	Latin America & Caribbean	4,381	60	1.1	47
Jamaica	Latin America & Caribbean	3,484	56	-0.3	-
Panama	Latin America & Caribbean	7,146	56	2.4	1
Paraguay	Latin America & Caribbean	3,510	38	1.5	48
Peru	Latin America & Caribbean	5,733	61	4.2	6
Algeria	Middle East & North Africa	3,552	42	2.2	34

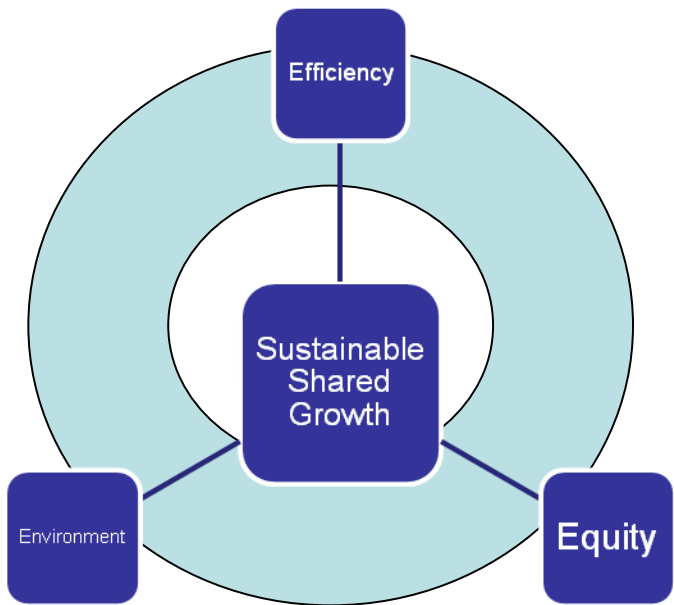
JAPAN'S EXPERIENCE
RECOGNIZES INDUSTRIAL POLICY

?

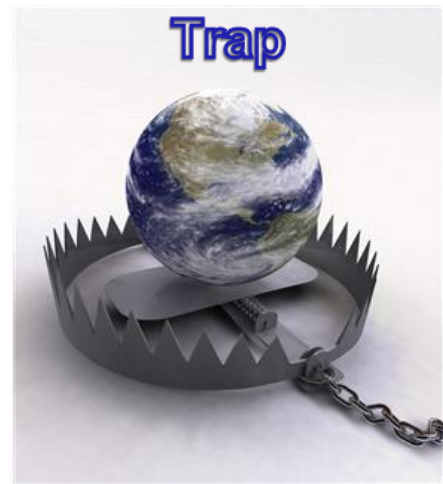
IDEAL
TENDS TOWARDS FREE MARKET

SHARED GROWTH = INCLUSIVE GROWTH

EFFICIENCY + EQUITY



Middle Income
Trap



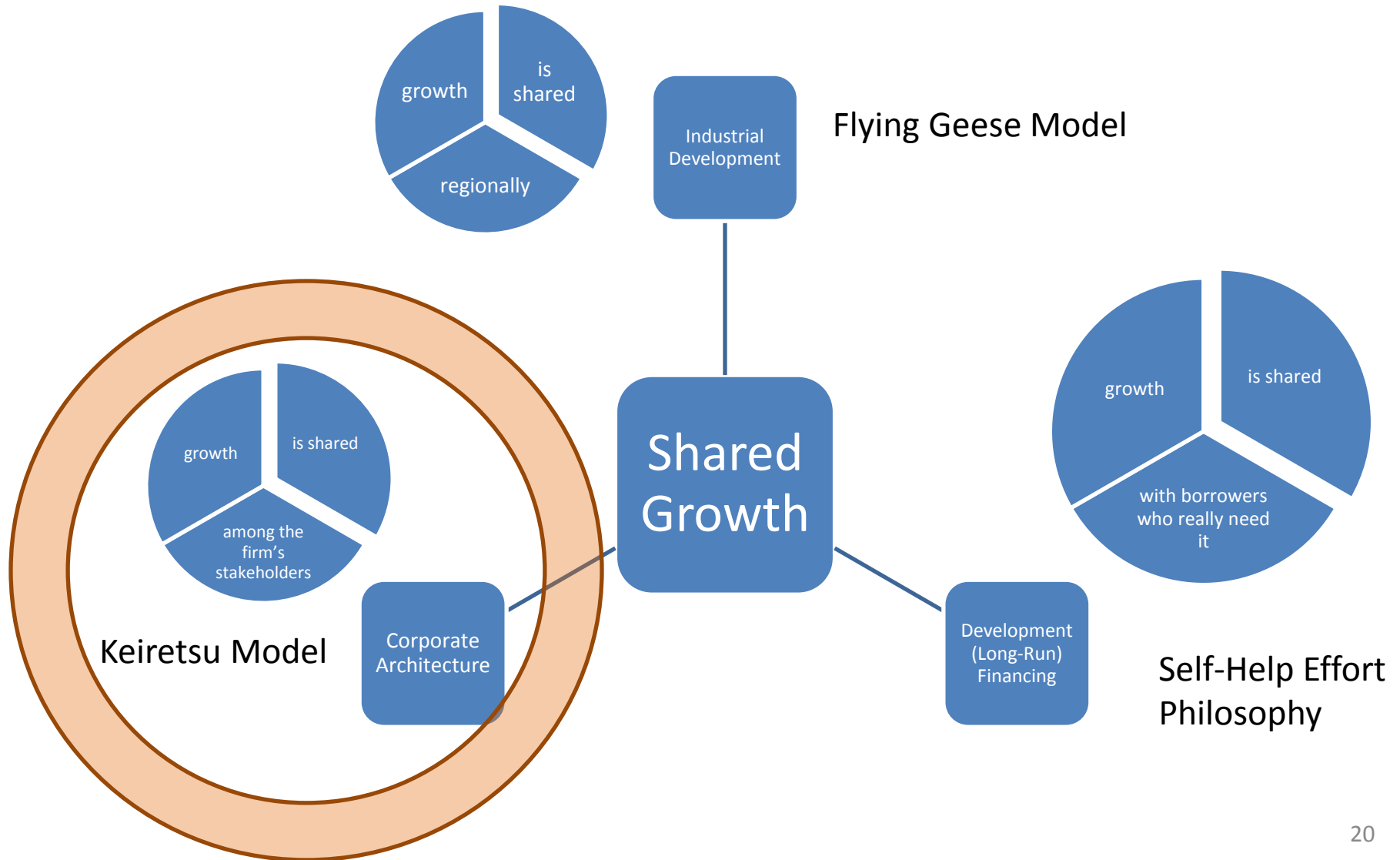
HOW COUNTRIES
ARE CATCHING
UP

TWO SIDES
OF THE
SAME
PHILIPPINE
COIN?

HOW
COUNTRIES
ARE NOT
CATCHING UP

COMING SOON IN FUTURE SGRA

Sustainable Shared Growth SEMINARS



COMING SOON IN A BOOK SERIES:

Shared Growth Lessons From Japan For the

Philippines



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Share Growth in the Philippines!

