A STUDY ON THE IMPACT OF ELECTION SPENDING
ON THE PHILIPPINE ECONOMY

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ABSTRACT

An election is a big socio-economic activity, mobilizing manpower, finances and redefining the structure of political and administrative powers. Elections in the Philippines by common knowledge influence markets, prices, the labor market and economic activities. Authoritative and qualitative political analyses abound that looked into the sources of political finance and its impact to governance. However, there is a need for a study that details how the impact of an electoral process contributes to economic growth in sectors and industries. Such study should be fairly comprehensive in nature, delving into national and local election coverages, to be able to establish forward and backward linkages among sectors. The methodology utilized also has to be robust and easily replicated by other researchers.

KEY WORDS: Philippine, elections, economy, Input-Output model

Disclaimer: The analyses and views expressed in this paper are those of the authors and do not reflect the views of the NEDA or the authors' current affiliations.

I. Background and description of the problem

There is a prevailing general perception that too much money is spent on political campaigns. According to Rocamora (2001), while patron-client relation was the key problem in the past because it limited effective participation of voters, today the key issue is the surging election campaign expenses, where running election campaigns have become so costly that only moneyed individuals or those with big contributors can run, in effect isolating qualified yet resource-poor candidates or those without backers.

Since the early days of the exercise of the right of suffrage, campaign expenses are said to have grown exponentially. Today, legal allowable limits for campaign expenditures are specified under RA 9006[1]. The Omnibus Election Code[2] and subsequently RA 7166[3] sets the limit as to how much a candidate can spend as well as to the types of lawful expenditures that a candidate can spend on. A candidate must also submit a statement of expenditures and sources of funds after the conduct of elections. Notwithstanding, there is no stopping a candidate from under-reporting expenses and sources of funds.

While qualitative political analyses on the sources of political finance and its impact to governance abound, there is a need to look into the impact of an electoral process on growth in a comprehensive manner, i.e. delving on national and local election coverage to establish forward and backward linkages among affected sectors.

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1 RA 9006 or The Fair Elections Act of 2001.
2 Batas Pambansa Blg. 881.
3 RA 7166 or The Synchronized National and Local Elections Act of 1991.

II. Perception of different groups on the problem

2.1 Rising Cost of Campaign Expenditures

"Why do politicians need to spend?" In order to understand why election spending is inevitable, it is necessary to link it to the theories of political power. Calvert and Calvert (1992) as cited by Panopio and Rolda (2000) succinctly gave a summary of these theories. First, there is the ruling class model whose ideals have taken from the concepts of Marx and Engels. Under this model, the real centers of powers are the classes. The key to political power lie in the economic organization. Thus, the class who controls the means of production holds the political power. Second, the ruling elite model states that the political power lies in the hands of a few (elite). Vilfredo Pareto, a famous economist, coined the term *elite*, who for him are inevitable because of social cohesion or solidarity. But Robert Michels (1911) expounded the view that the elites or oligarchs are inevitable product of the basic principles of organizations, like division of labor and specialization; power and influence; and facilities for power maintenance. The third and last model is the pluralist model. Its adherents believe that there is a wide distribution of political power in a society and that for every center of power there is a countervailing power.

The theories mentioned above are essentially important in understanding the possible impact of election spending on our economy. History proves to be an effective mute witness and provides a colorful tale of how the present system emerged in the country.

The book penned by Banlao and Carlos (1996) gives a very interesting detail of the evolution of the Philippine electoral system. During the pre-colonial times, political power was attained through heredity, material richness, personal ability and military prowess. Although there were no elections in the real sense, the qualifications mentioned, which the people used as bases of their allegiance to somebody was somehow a form of tacit election. There was no record of election spending at this period. Speculatively however, the impact would only be at the *barangay* level in the form of trading and production of goods, loyalty of the subjects and the unity of the community.

Under the Spanish rule, elections were only held from the *barangay* to the provincial level. Thus, spending was minimal given the very small number of officials and a very limited composition of the electorate. The impact of such on the local economy could therefore, be very trivial.

The American occupation was characterized by the emergence of political parties contending for power. Election spending became more open to the public through newspapers, radio programs and campaign issues and electoral protests. Spending seemed to be growing as political patronage was rampant throughout the archipelago. There were also allegations that campaign finance was sourced by politicians from criminal elements like gambling lords and mafias. Noted also during the period was the massive and wholesale vote-buying of candidates. Panopio et al. (1994) claimed that "before 1940, politicians attired in immaculate suits and well-shined shoes tapped and haggled with only political leaders in provincial capitals. Since the successful campaign of Ramon Magsaysay in 1953, candidates for national and local offices used 'plain folks' campaign tactics and contact rural people in more than 20,000 villages." Thus, during this period, the impact of election spending to the economy could be seen in the rise of services—business, personal, transportation and communications, including the increase of the disposable income of the people, whether from legal or illegal sources. Elections were halted during the Japan occupation since the imperial government chose who will lead the bureaucracy.

There are but a few studies that systematically look into the actual cost of campaign spending and quantify accurately its impact on the economy since campaign finance is one

of the most closely guarded secrets of political parties in the Philippines. However, there is a wealth of Philippine studies which conclude that campaign spending has increased over the years. Baterina (1953 and 1955) in her pioneering work on money in political campaigns published her findings regarding the impact of election spending using the reports of Citizens Party, Nacionalista Party and the Liberal Party. For the Citizens Party, expenditure was divided into three categories: office, special projects and services, and miscellaneous expenses. Among these three, the half of the spending went to office expenses particularly wages. This was followed by special projects and services, which had an impact on media services, particularly radio advertisement, radio broadcast and related handling. The Nacionalista Party on the other hand, divided its spending into convention, headquarter, and miscellaneous expenses. The expenses had an impact on wages where clerks, receptionists, and other office-related worker in full-time or half-time basis were employed. Four-fifths of the party spending went to the campaign field and had an impact on the print industry (e.g. cloth banners, streamers, leaflets, handbills, sample ballots and other campaign literature); shipping and travel industry (i.e. transport of propaganda materials); and, construction industry (i.e. repairs and improvement of physical infrastructure). An increase in disposable income could also be seen in the form of leakages in the hands of unscrupulous campaign leaders.

Meanwhile, Liberal Party expenditures were classified as convention expenses, general overhead costs and expenses in the campaign field which had an impact on wages due to leaders, campaigners, office-related personnel, watchers, messengers including transportation costs. Propaganda items, which were large, impacted on the printing industry through sample ballots, biographies and colored comics. The services sector gained through media services.

Baterina (1953 and 1955) observed that election spending was growing and concluded that it would be increasing exponentially in the future, hence also its impact, and cited several reasons for this: a) it is expensive to conduct a campaign in an archipelagic territory than in a compact and contiguous country; b) candidates are willing to pay for votes (due to *amor propio*) and voters are willing to sell their votes (due to inadequate education); and, c) a large portion of Filipino voters have the habit of looking up to campaign periods for free transportation, food, drinks and to realize quick money. In addition, it was found out that expenses in rural areas are often higher than in urban areas. Arganoff (1972) observed that the principal elements driving these increases in cost are technological change and increased competition between the parties. Candidates' expanding use of media in their campaigns is a perpetual source of rising costs. The same observation is made by today's political analysts who argue that a candidate must obtain large sums of monies not only to ensure sufficient media exposure, boost one's chances of winning and run an entire campaign, but also to guard closely the entire voting process most especially during the counting of votes. Rocamora (2001) noted that the pattern and rate of increase of campaign expenses is rooted in the prevailing electoral system, wherein whoever gets the most number of votes wins. He concludes that reaching out to an ever-growing electorate is one of the reasons for the rapidly increasing campaign expenses.

In contrast, Panopio and Rolda (2000) observed that many families, especially in the rural areas vote for political party, regardless of the candidate. Winning over these votes demanded highly organized, well-managed campaign machinery capable of handling financial estimations, public relations, public opinion formation, and image building. Top advertising people were hired for these tasks. Political parties used newspapermen, radio announcers, and TV and movie personalities to entice voters. Political campaigns were similar to a fiesta. Its impact on the economy could be seen in the printing industry (those having higher value-added) and the services of tri-media.

A new trend is however, evolving: campaign spending impact on the services of top advertising people and movie personalities. The claim has been reinforced by Carlos (1997) and Co (2005) in their analyses of system of elections in the Philippines. The lifting of the ban on political TV ads in 2004 enabled a candidate access to an effective mass medium. Television advertising is said to have become a significant cost in campaign expenditures as election strategists targeted television for favorable coverage of a candidate. Political TV advertising and use of media in general does not come cheap and takes up bulk of a candidate's campaign costs, as Table 1 below shows.

Table 1. Sample Selected 2004 Statement of Election Expenditures

	NATURE OF EXPENDITURE	AMOUNT	% SHARE
1. PRESIDENT	Election Paraphernalia	15,269,584.85	10.77
	Media	101,000,000.00	71.26
	Meeting and Sorties	5,014,157.50	3.54
	Administrative	20,458,006.22	14.43
	Total	141,741,748.57	100.00
2. SENATOR	Election Paraphernalia	17,122,922.00	18.08
	Media	69,432,798.00	73.29
	Meeting and Sorties	3,037,876.00	3.21
	Administrative	5,137,380.00	5.42
	Total	94,730,976.00	100.00
3. GOVERNOR	Election Paraphernalia	130000	49.32
	Media	42377.4	16.08
	Meeting and Sorties	91200	34.60
	Administrative	0	0.00
	Total	263,577.40	100.00
4. CONGRESSMAN	1) Election Paraphernalia	131,400.00	23.07
	Media	0	0.00
	Meeting and Sorties	0	0.00
	Administrative	438,150.00	76.93
	Total	569,550.00	100.00
	2) Election Paraphernalias	77,097.28	64.46
	Media	0	0.00
	Meeting and Sorties	12,500.00	10.45
	Administrative	30,000.00	25.08
	Total	119,597.28	100.00
	3) Election Paraphernalias	55,640.00	100.00
	Media		0.00
	Meeting and Sorties		0.00
	Administrative		0.00
	Total	55,640.00	100.00
5. MAYOR	Election Paraphernalias	122,525.04	19.31
	Media	0	0.00
	Meeting and Sorties	25,000.00	3.94
	Administrative	487,000.00	76.75
	Total	634,525.04	100.00

Source: Statement of election expenditures and contributions 2004 Elections, COMELEC.

According to a *Newsbreak* article "A Drain on the Pocket" by Bagayaua (2007), both national and local candidates are said to also have spent for special operations, which refer to

goodwill money a voter expects in exchange for his vote for a particular candidate. The same article postulates that some campaign-related expenses have also increased considerably because of inflation (e.g. fuel, electricity and space rentals). However, technological advances and new marketing strategies have also insulated other expenses from inflation, (i.e. price of photocopying campaign leaflets and sample ballots). Competition among local airlines has resulted in cheaper airfares. Meanwhile, candidates with limited media budget have also resorted to the use of SMS texting as a means of reaching out to voters. The introduction of the party-list in 1998 has added further complexity to the growing election expenditures.

On the other hand, Heard (1960) stressed that the costs of campaign materials are rising but only in nominal terms. Real total costs of campaigning are another issue. While he never discussed the impact of election spending, his study implies a rising impact, correlated with the cost of campaign materials. The reasons for the rising costs according to Heard (1960) are: a) the nature of the electorate, its social organization and the suffrage requirements; b) characteristics of the election and the party-system, some of legal origin and others not, account for differences; c) within the institutional setting fixed by these two sets of influences are situational factors peculiar to individual campaigns that lead to radical fluctuations in campaign outlays; and, d) more general societal characteristics including the state of prosperity and technology, which form the milieu of political campaigns and fix specific aspects of them.

The last fifty years of Philippine history showed that election spending items range from the necessary and legitimate; to the corrupt and to the illegitimate, and its impact has never been quantified. The story of the Philippines is not far from experience of other countries. Herrnson (1995), in analyzing Congressional elections in the US, said that even when factors such as incumbency and prior office experience are factored in, the better financed candidate generally wins. Election expenditures impact advertising companies whose objectives are to improve the image of the candidate to the public.

2.2 Campaign Finance Sources
Co (2005) believes that parties are not necessarily campaign fund sources. Material and financial contributions are largely not channeled to political parties; rather these are given directly to individuals or candidates perceived to be strong candidates.

2.3 Campaign Styles
For Shea (1996), money is a top resource in elections. While campaigns before were not altogether cheap, "people" then were considered the most precious resource in the campaigns. Now, new-style campaigns run on money. Volunteers and activists still matter but money is simply fungible: it cannot convert all resources, but a deficiency in most areas can be more easily overcome with money than with any resource. Further, in the 1990s, a new-style of campaigning emerged characterized by the resurgence of party organizations and a movement from candidate-centered campaigns to what might be termed "consultant-centered" elections. The Center for Public Integrity of the US reported that in the 2004 federal races, more than US$1.78 billion flowed through a professional corps of consultants whose influence plays an important, though largely unexamined, role in the unrelenting escalation of campaign spending (Bergo, 2006). The high cost of running for office raise concerns because fundraising demands can ultimately bind elected officials to special interest donors and lobbyists who helped with fundraising—deepening the widely held perception that politicians serve the interests of large contributors over those of constituents.

2.4 Recent Philippine Elections Types
The types of elections according to Ericta and Varona (2003) existing are the following : a) National Elections—for President and Vice-President of the Philippines held every six years, and for Senators, every three years; b) Local Elections—for Members of the House of

Representatives, Party List Representatives and Provincial, City and Municipal Officials held every 3 years; c) Barangay Elections, every 3 years; d) ARMM Elections—for Regional Governor, Regional Vice-Governor, and Regional Assemblymen for the Autonomous Region in Muslim Mindanao (ARMM), every 3 years; e) Sangguniang Kabataan (SK) Elections, every 3 years, synchronized with barangay elections; and, f) Plebiscite, Referendum, Initiative and Recall—on irregular basis.

2.5 Framework of the Study

The authors adopt Figure 1 as a simplified framework of this study where it shows the main activities of elections and the corresponding economic sectors affected:

Figure 1. Campaign Process and Spending and Economic Sectors Affected
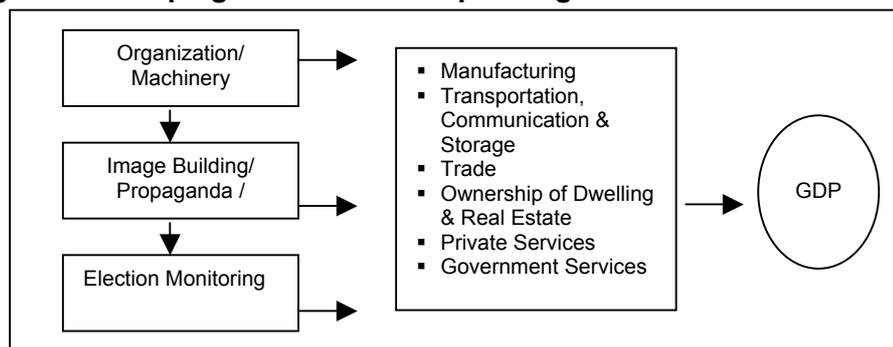
III. Methodology

3.1 Cost Estimation

As a first step towards estimating the cost of elections, the study assumed that each candidate would spend a specified amount per voter[4]. Assume that each candidate would want to increase his chance of being elected so is expected to target all registered voters in their respective electorates[5]. Thus, for a senatorial candidate, total spending is the allowed amount per voter (i.e., PhP3.00) multiplied by total registered voters. Cost estimates for local officials i.e. congressmen, governors, vice-governors, board members, mayors, vice-mayors, and councilors varies depending on: (a) the number of legislative districts per province, or city in the case of Metro Manila and other highly urbanized cities; (b) the income class of provinces, cities and municipalities; and (c) the type of city (highly urbanized, independent, or component[6]). For parties under the party-list system, each party is assumed to aim at least one seat and to spend PhP5.00 per voter, targeting at least 2 percent of the total registered voters throughout the country.

The government spends a significant amount in the conduct of the elections, thus data from the General Appropriations Act of 2007 was also used. The approved National Budget shows that the Commission on Elections (COMELEC) will spend around PhP5.36 billion for the national and local elections including for overseas absentee voting. This was included and classified as government expenditure (GGCE) in the I-O accounts table and distributed

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4 As stipulated in RA 7166, candidates are allowed to spend PhP3.00 per voter while PhP5.00 per voter is the ceiling set for the party including party-list groups.

5 Total number of registered voters per province and city/municipality were obtained from COMELEC (as of April 2004) and from NSCB (as of December 2006).

6 Section 2 of RA 6637 or the Act Amending Sections 1 and 4 of the Local Elections Law or RA 6636, provides for the number of provincial board members as well as members of each city/municipality councilors to be elected at large by qualified voters therein depending on income class.

to manufacturing specifically under printing and publishing and government services[7]. In order to appropriately categorize actual spending and to make it consistent with the National Income Accounts (NIA), a sample of the Sworn Statement of Contributions and Expenditures submitted by candidates and parties at different elective positions in 2004 were obtained from the COMELEC and were classified according to the production sub-sectors of the I-O table.

3.2 Scope and Limitations

This study is limited to the impact of national and local elections spending on total output as measured by the gross domestic product (GDP). Not covered here are synchronized *barangay* and SK elections, ARMM elections, and other special elections. Data on registered voters per province down to cities and municipalities were limited to the 2004 data from the COMELEC but was validated using data from the NSCB as of December 2006. With regards to the distribution of the estimated election expenditure into the different production items in the I-O table, the researchers used the official statement of expenditures (SOE) by candidates and parties as submitted to COMELEC.

3.3 The Model

The input-output (I-O) model is the tool used to assess the economic impact of election spending to total output. For purposes of this study, the 2000 I-O Accounts developed by the National Statistical Coordination Board (NSCB), in collaboration with the National Statistics Office (NSO) was utilized[8]. The I-O accounts provide an overall structure of the Philippine economy in a more disaggregated manner not shown in the national accounts. In this way, specific election expenditure items are easily categorized and made consistent with the national accounts. The 2000 I-O also features some of the 1993 System of National Accounts (SNA) recommendations like the new output concept for banks and insurance; enhanced valuation and accounting processes, among others.

The model is expected to quantify how much change in total final demand could cause a chain of reaction to the different sectors of the economy. This is because any demand-induced increase in a particular industry's output will necessarily change its input purchases, which in turn, raise the demand for other industries' output. This two-way "ripple effect" on supply and demand involving a number of sectors is known as backward and forward linkage[9] and is best measured through an I-O analysis.

Backward linkage, by definition, reflects the impact of an additional investment on the domestic production of inputs. Measured by its index of dispersion, it gauges the relative importance of a particular sector as a purchaser of raw materials from the entire production system. Thus, a higher index of dispersion means that any production expansion is more favorable to the economy. Forward linkage on the other hand, shows how the output of one sector is being used by other industries for further production. Measured by a sensitivity index, it calculates the relative importance of a sector as a supplier of raw materials to the entire production system. Accordingly, a higher index of sensitivity of a given sector means that its production is more responsive to changes in the output of other industries.

Table 2 shows the linkages of the eleven sectors of the Philippine economy, with year 2000 as base year. The manufacturing sector exhibited the highest backward and forward linkages, highlighting the sector's relative importance both as a supplier and purchaser of raw materials. The agriculture sector on the other hand, ranks 10th for backward linkage and ranks 3rd for forward linkage. This illustrates that the sector is more of a supplier rather than

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7 The NIA Manual states that departmental enterprises of government including the Bureau of Printing are not classified as producers of government services. These are included in the industries or sectors to which their respective activities are identified.
8 For a more detailed discussion on the input-output accounts, see NSCB (2006).
9 Ibid, p15-17.

a raw material purchaser. To determine the effect of election spending on the economy, an impact analysis using the I-O framework was done. The inter-industry transactions required to satisfy a given level of gross output is:

ID = (A) (Y) (equation 1)

Table 2. Backward – Forward Linkage Effects: 2000

Industry/Sector	Backward Linkage		Forward Linkage	
	Index of Dispersion	Rank	Index of Sensitivity	Rank
Agriculture, Fishery, Forestry	0.8616	10	1.0307	3
Mining and Quarrying	1.0003	5	0.8162	7
Manufacturing	1.2648	1	2.8780	1
Construction	1.1382	3	0.6292	10
Electricity, Gas, & Water	0.9208	8	0.8237	6
Transpo., Comm'n., & Storage	1.1383	2	0.8859	4
Trade	0.9745	6	0.8800	5
Finance	0.9697	7	0.7624	8
R. Estate & Ownership of Dwellings	0.7034	11	0.6482	9
Private Services	1.1275	4	1.0581	2
Government Services	0.9009	9	0.5875	11

Source: National Statistical Coordination Board (2000).

where A denotes a matrix containing the direct purchase coefficients; Y is a vector consisting of the industries' total output; and the product ID represents the vector containing the intermediate demand for industries' output. On the other hand, an industry's total output (Y) is equal to the sum of the intermediate demand for its output and the total final demand (FD) for its output:

Y = ID + FD (equation 2)

Where FD denotes a vector containing FD (including exports) for each industry's output. Combining equations 1 and 2, we have:

Y = (A) (Y) + FD (equation 3)

Rearranging the above equation we obtain:

FD = (I - A) (Y) (equation 4)

Thus, we now have:

Y = (I – A)$^{-1}$ (FD) (equation 5)

Equation 5 indicates that changes in Y is the product of a change in FD multiplied by $(I - A)^{-1}$. In the study, a shock to the FD is introduced, induced by election-related spending. The inverse matrix $(I - A)^{-1}$ is generally referred to as the "Leontief Inverse" in I-O modeling. The inverse matrix or the Leontief inverse is very important in doing impact analysis since it is used to calculate the required output levels given an assumed set of final demands. Given the fact that whenever increases in the final demand for a particular industry occurs, a series of interaction happens among users of inputs and suppliers at various stages of the

production process. For I-O analysis, the matrix is calculated as the inverse of the technology matrix (I – A), where A is an input coefficient and I is the identity matrix. This is then multiplied to the vector of final demand upon introduction of a shock to obtain the impact on output.

Using the 240 by 240 I-O transactions table[10], the total estimated cost of election spending which amounts to PhP13.47 billion was introduced as a shock to the total final demand (FD) through the following: personal consumption expenditure (PCE) and government consumption expenditure (GCE). This was further broken down to manufacturing (publishing and printing); transportation, communications & storage (travel and communications expenses); trade (purchase of assorted goods); ODRE (lease of headquarters); private services (advertisements to include TV ad campaign, meetings and sorties, hotel, restaurants and other accommodations, legal services, and personnel services); and government services (PS and MOOE expenses of the COMELEC as provided for in the 2007 GAA[11]).

3.4 Assumptions

In this study, a two-way party race was assumed, for simplicity of allocating the allowable expenditures mentioned in the scope and limitations. The researchers are aware of the possibility of having more than two candidates for a lone position and also there may be instances where candidates are running unopposed. For parties participating under the party-list system of election, the estimated allowable expenses were incorporated in the I-O analysis because of the importance given to it by the Constitution[12] and by RA 7941[13]. In the absence of a more detailed Actual Statement of Election and Contributions and Expenditures from candidates and parties, the authors assumed that on the minimum:

1. Candidates and parties spend based on registered voters and not on voter turn-out;
2. Each party-list candidate is assumed to aim at least one (1) seat, i.e., each will spend for the two percent (2%) of the total registered voters, although RA 7941, Section XI provides for one (1) party-list seat whenever a party garners at least two percent (2%) of the total votes cast and we note that existing party-lists in the 13th Congress have garnered more, in fact reached the maximum three (3) seats;
3. Total cost is broken down to the following:
   Manufacturing (publishing and printing); Private services (advertisements to include TV ad, meetings and sorties, food expenses, legal services, and administrative expenses); TCS (travel and communication expenses); Trade (purchase of assorted goods); and, Ownership of Dwellings and Real Estate (lease of headquarters).
4. Expenses incurred by the government in the conduct of the national and local elections were based on the 2007 General Appropriations Act (GAA) budget for the COMELEC including for overseas absentee voting (OAV). For purposes of this study, the total budget of PhP5,367.390 million was considered and was used to shock the government consumption component of FD in the I-O table. This amount was further allotted to 'Government services' specifically that for Public Administration and Defense in the I-O table (PhP3,685.322 million); and, to manufacturing specifically that for 'Campaign Materials' (PhP1,682.068 million). The NIA manual[14] states in the estimation methodology of Gross Value Added (GVA) in government services that "The departmental enterprises of government, however, such as the Philippine Postal Corporation, Telecommunications Office, and the Bureau of Printing are not classified as producers of government services;"

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10 The use of the 240 by 240 I-O is for the researchers to properly categorize specific expenditure items from the candidates' submitted actual Statement of Election Contributions and Expenditures.
11 RA 9401 or The General Appropriations Act, FY 2007 January 1-December 31, 2007.
12 The supreme law of the land defines the legislative branch of government including a party-list system of representation in Article VI, Sections 5, (1), (2).
13 RA 7941 or The Party-List System Act of 1995.
14 NSCB (____).

5. Since the scope of is national and local elections that has the elective position of senator as the highest possible slot, the authors discount the possible impact of the Presidential election in the 2004 data because "presidential" elections are less frequent at six-year intervals. The assumption above on a two-party race should be able to capture to some extent, the structure of party expenditures, with presidential candidates in the ticket notwithstanding;

6. The following specific assumptions were made in the I-O worksheets:
   a. As discussed above, the scope of the I-O analysis zeroes in on PCE and GGCE as the final demand components where the shock was introduced simultaneously in the 240-Sector Transaction Table. The authors postulated that these are the items of final demand where the impact of elections are felt most;
   b. To compute for the new FD in I-O as a result of this introduced shock, certain adjustments were made to the Estimated Expenditures per Expense Item (based on Actual Statement of Election and Contributions and Expenditures):
      i. The expenditures for 'Campaign Materials' was further allocated equally to Printing and publishing of books and pamphlets (50%) and Commercial and job printing and other allied industries (50%);
      ii. The expenditure for 'Meetings and Sorties' was assumed to be spent for 'Media' (20%), 'Transportation' (20%), 'Food' (40%), and, Renting of equipment (20%). Specifically under 'Media,' this was allocated under Other recreational and cultural services in the I-O;
      iii. The expenditure for 'Media' was further distributed equally to Advertising activities (33.3%); Radio and television activities (33.3%); and, Other recreational and cultural services (33.3%);
      iv. The expenditure for 'Transportation' was further distributed equally to Public utility cars and taxicab operation (20%); Jeepney, tricycles (motorized and non-motorized) and other road transport (20%); Tourist buses and cars including chartered and rent-a-car (20%); Sea and coastal water transport (20%); and, Air transport (20%);
      v. The expenditure for 'Food' was further distributed equally to Hotels and motels (33.3%); Other short-stay accommodation, n.e.c.[15] (33.3%); and, Restaurants, bars, canteens and other eating and drinking places (33.3%);
      vi. For expenditures under 'Administrative', total expenses were further scrutinized because it was deemed a catch-all for other important spending that needs to be identified. Out of this amount, it was assumed that each party hired two (2) poll watchers per precinct whose primary job was to represent the entire party's interests and not just the ones directly hiring them. These are multiplied by two (2) given the assumption of a two-party fielding of candidates;
      vii. This is subsequently multiplied by the latest number of polling precincts at 295,459 (as of 28 April 2004). The resulting product is further multiplied by PhP250, which the researchers deemed as the minimum prevailing rate for communications costs (e.g. SMS texting, cost of landline calls and facsimile machine messages) at the time. This is finally multiplied by three (3) days to cover duties before, during and after elections. The researchers recognize that in a number of cases, the counting and tallying of votes may take longer than this. The new 'Administrative' cost after deducting amount for communications was then allocated to Labor recruitment and provision of personnel;
      viii. The balance of old and new 'Administrative' costs in (vii) was allocated equally to Telephone service includes telegraphs (50%), and, Wireless telecommunications (50%);
      ix. The expenditures for 'Purchase of Assorted Goods' was allocated to Wholesale and retail trade;
      x. The expenditures for 'Legal Service' was allocated to Legal activities;

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15 Not elsewhere classified (n.e.c.).

xi. The expenditures for 'Lease of HQ' was allocated to Real estate activities with own or leased property and contract basis.

3.5 Analysis of Results

Impact of spending on output was estimated by imputing changes in the FD of the I-O model via PCE and GCE. Table 3 shows the total cost estimate per elective position based on the assumption that each candidate will be spending PhP3.00 per voter while the two major parties will be spending PhP5.00 for each voter. Further, the estimated PhP13,469.85 million expenditure was distributed in the twenty-one (21) sub-sectors out of the two hundred forty (240) I-O categories as illustrated in the Table 4:

Table 3. Number of Candidates & Expenditure per Elective Position

Elective Position	Number of Candidates*	Cost Estimate** (in PhP Mn)
Senator	24	3,357.54
Congressman	412	283.58
Governor	150	201.66
Vice-Governor	150	201.66
Board Members	1,404	771.84
Mayor	3,032	249.29
Vice-Mayor	3,032	249.29
Councilors	25,048	2,078.51
Party	---	466.32
Party-List	---	242.77
COMELEC	---	5,367.39
TOTAL	33,252	13,469.85

Sources: NSCB, DILG, House of Representatives
* Computed based on the total number of elective positions available multiplied by two, representing the major parties at the time (i.e., Team Unity and Genuine Opposition). ** Cost estimate are the authors' own computations.

Based on the distribution of election expenditures, government services has the highest spending (27.4%), followed by manufacturing of election materials (26.6%). Advertising, to include radio, TV, and recreational and cultural activities has an estimated combined share of 22.3 percent while labor recruitment and provision of personnel has a total share of 10.4 percent. Aggregating, expenditures in the three main production sectors of the economy, services sector accounts for about 73.4 percent and the rest go to industry, specifically manufacturing (26.6 percent). See Table 4 below.

The I-O analysis presents the expansionary effect of the 2007 national and local elections on total output. Based on the simulations, and considering the assumptions made, the PhP13,469.85 million increment to FD due to election-induced spending results in a 0.34 percentage point (ppt) increase in GDP. See Table 5 below:

Table 4. Distribution of the Change in Total Final Demand

I-O Category	National Accounts Industry Category	Increment to Final Demand (in PhP '000)	Share to Total Expenses (%)
Printing & Publishing of Books & Pamphlets	Manufacturing	1,789,730	13.3
Commercial Job Printing & Allied Services	Manufacturing	1,789,730	13.3
Public Utility Cars & Taxicab Operations	TCS	21,009	0.2
Jeepney, Tricycle, & other Road Transport	TCS	21,009	0.2
Tourist Buses & Cars incl. Chartered rent-a-car	TCS	21,009	0.2
Sea and Coastal Water Transport	TCS	21,009	0.2
Air Transport	TCS	21,009	0.2
Telephone Service incl. Telegraph	TCS	443,189	3.3
Wireless Telecommunications	TCS	443,189	3.3
Wholesale and Retail Trade	Trade	328,591	2.4
Real Estate Activities	ODRE	154,624	1.1
Public Administration and Defense	Gov't. Services	3,685,322	27.4
Legal Activities	Private S.	60,704	0.5
Advertising Activities	Private S.	987,499	7.3
Renting of Equipments	Private S.	44,502	0.3
Labor Recruitment & Provision of Personnel	Private S.	1,396,237	10.4
Hotels & Motels	Private S.	73,995	0.5
Other Short-Stay Accommodation, n.e.c.	Private S.	73,995	0.5
Restaurants, Bars, Canteens & Other Eating and Drinking Places	Private S.	73,995	0.5
Radio and Television Activities	Private S.	987,499	7.3
Other Recreational & Cultural Activities	Private S.	1,302,001	7.7

Source of I-O categories: NSCB (2006). TCS – Transportation, Communication, & Storage; ODRE – Ownership of Dwellings & Real Estate; Private S.—Private Services.

The agriculture, fishery and forestry sector is expected to have an additional 0.07 upward change in its total output while an estimated 0.29 ppt in total output is projected for the industry sector. The total output of the services sector, where 73.4 percent of total spending was assumed, will likely increase by 0.49 ppt. Translating into levels, the PhP13,469.85 million increase in TFD is expected to generate at least PhP25,545.86 million worth of economic activity of which, 54.2 percent of this increment in output is in services. A detailed 11-sector table is presented below:

Table 5. Impact Distribution Across Eleven Sectors

Sector	Estimated Impact to Total Output (in ppt)
Agriculture, Fishery & Forestry	0.07
Mining & Quarrying	1.15
Manufacturing	0.30
Construction	0.05
Utilities	0.34
TCS	0.30
Trade	0.10
Finance	0.24

ODRE	0.14
Private Services	1.01
Government Services	0.83
TOTAL OUTPUT	0.34

Interestingly, results show that election spending seems to have significant impact on mining and quarrying. This is because of the crude oil component of the mining sector. The sector's demand for fuel rises as a result of the shock because of the high backward linkage of manufacturing. However, manufacturing itself exhibited a relatively lower elasticity to output despite having a high degree of forward and backward linkages. One possible reason for this is that out of the 134 manufacturing items in the 240 I-O category, the estimated PhP3.57 billion expenditure[16] for campaign materials was distributed only to two (2) manufacturing sub-sectors, Printing and Publishing of Books & Pamphlets and Commercial, and Job Printing and other Allied Industries.

The impact could have been higher if the shock to manufacturing is distributed to several sub-sectors but given the nature of elections, very few sub-sectors was seen to benefit from demand increases. Expectedly, the estimated impact to total output of private services is significant considering that PhP5 billion or 37.1 percent of the estimated total election spending went to this sector, plus the fact that private services sector has relative high dispersion and sensitivity indices. Total election-related spending in this sector was also fairly distributed in nine (9) out of thirty-one (31) private services sub-sectors. Specifically, Recruitment of labor and provision of personnel got the highest impact at 10.4 ppts, followed by Advertising activities and Radio and television activities with an estimated impact of 7.0 ppts and 6.3 ppts, respectively. That the I-O simulation results suggest that election-related spending could also induce employment, is also suggested by data from the Labor Force Surveys (LFS) as shown in Table 6, but this needs future investigation.

Table 6. Employment Generation and Elections

Year	Employment Generated (in '000)				Remarks
	Total	Agriculture	Industry	Services	
2001	1,703	669	259	781	National and Local Elections (14 May), ARMM Plebiscite (14 August), ARMM elections (26 November)
2002	907	272	(18)	653	Non-election year
2003	574	98	145	331	Non-election year
2004	978	161	158	658	National and Local Elections (10 May)
2005	610	210	22	379	ARMM elections (8 August)
2006	651	186	(16)	482	Non-election year
2007*	1,515	(38)	103	1,456	National and Local elections (14 May)

Sources: Labor Force Surveys, COMELEC. * As of LFS January round survey.

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16 The PhP3.57 billion estimate for campaign materials was used to shock the manufacturing sector.

IV. Conclusions

Based on the 2000 I-O analysis, the researchers provide evidence that a comprehensive electoral process similar to the one slated on 14 May 2007 would on the minimum, have a positive impact on the economy particularly to GDP. The positive impact of elections appears to be not broad-based and has inherent bias for the services sector. For the industry sector, the impacts are complementary in nature, where impact to the manufacturing subsector appears to be limited but could have been higher, given its strong linkages (backward and forward) in the economy. There appears to be a small impact on agriculture, which is said to be where most people living in poverty and informal workers are situated. There are also indications that elections could generate levels of employment, however, further study needs to establish this and to find elections' influence in sustaining employment even after the electoral exercises.

Whether the incremental output generated by election spending can be sustained or not is interesting yet complex to ascertain. This would largely depend on the "quality" of politicians that will be elected into office. Thus this paper does not discount the possibility of improved governance after elections, where a good set of state leaders and public servants is chosen by the Filipino people. These impacts are but on the minimum, and contemporaneous with an electoral process, given the scope and assumptions made and data available. The authors are hopeful that election spending would spell positive economic outturns in the long run, minimize policy distortions and weak institutions brought about by booty capitalism[17] and, empower the participatory process in shaping good governance in the Philippines.

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