

Cobb-douglas: a model for growth in the philippines



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The current status of the Philippines economy is going in an upward trend. In recent years, the country has been slowly but surely growing? having increased the Gross Domestic Product (GAP) by 2.2% since the last quarter. Now having a GAP of 7.8% which is higher than China? the economy's emergence is due to the inflow of foreign direct investment and remittances. Though the country is moving in an upward scale, some have said that they do not feel the change in economy and there are still long-term problems like the reliance on energy imports, foreign demand of overseas

Filipino workers (OFF), unemployment, increase of inflation rates and much more. How and when then will the country grow and be developed? Using the Cob-Douglas Production Function, the country will have a higher chance of growing to a developed country by focusing on what makes income high. Since this model focuses on the relationship between the outputs and inputs, we can see through the equation that a high GAP or high Income depends on the level of technology, capital stock and labor: $Y = A(K^\alpha L^{1-\alpha})$. According to the National Statistics coordination board (NSCB) The approved

Foreign investments in the first quarter of 2013 is said to have increased to 86.7% Thus having this increased capital stock according to the model (having constant technology and population rate), there will be growth in the Philippines. There should be a continuance of increase in capital which can be used to improve the different government departments in the Philippines like etc. And also leading to build infrastructures to increase productivity while also increasing the level of technology in the country. By focusing on this, it will definitely affect the consumers positively.

Using the capital in the public sector that mostly consists of the investments plus savings, we should focus first on the improvement of the Department of Agriculture and Department of Education. The Philippines is an agricultural country thus we must maximize the use of our country natural resources. This can also increase the rate of employment thus increasing productivity since there is lack of direct labor in the research and production of agriculture. According to the Bureau of Agricultural statistics, the agricultural state increased by 3.3% in the 1st quarter of 2013 and as it increases, more exports will be made.

Also, since we are still using old machineries and techniques for agriculture, the private sector (Companies and firms) will take charge in the improvement of the technological aspects? which will result in the rise of employment rates and increase of income and GAP, Parallel to that, focusing on education is another important task. Not only should there be an increase of schools or classrooms but also an increase of trained teachers to teach the correct information and values to the students. According to Depend, there is a continuous shortage of teachers last 2012.

This solution will result to higher productivity thus Geiger income and economic growth because by having more students, more teachers are employed and when the students graduate with proper knowledge and wisdom, there will be a higher productivity in the country. After focusing on the two departments, we can move our sight towards the improvement of the other governmental departments by using not only investments, savings and a higher employment rate but also the improved technology and income from exports which proves the Cob-Douglas model that the increase of

capital, level of technology and labor equals to the rise of our income and GAP.