Book Review

Capitalism and Inclusion Under Weak Institutions, by Raul V. Fabella. Quezon City: University of the Philippines Center for Integrative and Development Studies, 2018. Pp. 120. ISBN 9789717421162.

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In the overwhelming landscape of literature on inclusion, this book offers an important idea in understanding the current crisis of low-income capitalist economies. It departs from the usual talk of capitalist imperialism; instead, it demonstrates that capitalism can be a vehicle for inclusion. The relevance of this book stems from its exposition on the distinctive nature of contemporary capitalism and on how capitalist behavior can be used to address inclusion issues under a regime of weak institutions. This thesis is further explored in the last chapters of the book whereby the author links development progeria to the prevalence of conglomerates and how "conglopolistic competition" can be a cure to development progeria. The author noted that conglomerates can be tapped for the delivery of public goods through public-private partnerships (PPPs). In a state with weak institutions and a lack of competency in delivering social services, conglomerates can step in by tapping their ability to raise capital, bring technology, and partner with foreign experts in order to deliver the necessary public goods in the Philippines. In addition, the book also mentioned conglomerate corporate social responsibilities (CSRs) as a strategy that has allowed the empowerment and access to basic services of the poor.

However, conglomerates, whether acting to support the delivery of public goods or social projects, are still driven by profit-seeking motives, providing public goods and other social services that are in line with their business interests including poverty alleviation projects that are directed to their constituents. It is this "profit-centric motivation" that renders social activities of conglomerates suspect. While a competitive environment is one way to improve consumer welfare, a policy of competition alone will not work if the government does not have a well-defined development blueprint. The government should ensure that the provision of public goods and the utilization of natural resources are undertaken based on a well thought out development blueprint such that societal interest is preserved at all times. It also requires the government to be in a good fiscal position such that major infrastructure requirements are not held hostage to PPPs. Similarly, CSRs should be directed to support specific projects of the government guided by a detailed development plan and not left entirely to the decision of corporations. CSRs have to be directed to where the impact is greatest such as the development of agribusiness farming and social enterprises.

Where government institutions are weak, civil society plays a critical role in the delivery of public services. By civil society, we mean communities directly affected by issues that are of relevance to them. Chapter 4 of the book did mention social coherence, defined as "the capacity of the community to act as one to advance collective welfare" (p. 43). This concept is translated in the development agenda as participatory governance, broadly viewed as citizens' engagement through "deliberative" processes (Carpini, Cook, and Jacobs 2004, 315). In the 1990s, social scientists developed a theory of participatory governance using the concept of a production function whereby the "inputs used to produce goods or services are contributed by individuals who are not 'in' the same organization" (Ostrom 1996, 1073). This "co-production" theory notes that, in general, the production of public goods and services can best be organized under a private-public industry rather than a single bureaucratic apparatus of government (Ostrom 1996). Here, private refers not only to firms but civil society in general. This concept is especially relevant to the Philippines and other developing economies whereby civil servants are often not motivated to maximize their capacity. Often, there is also bureaucratic inertia, scarce manpower and budget, and partisan politics. On the other hand, many citizens or communities have underutilized knowledge, skills, and time, among others. The possibilities for co-production under this situation presents the need for complementary inputs from the government and its citizens.

There are several examples of co-production of public goods and services in the country and abroad that produced noteworthy outcomes. Some global examples are the improved efficiency of irrigation systems that made use of local knowledge on soil conditions, water velocity, and shifting water courses (e.g., Chambers 1988; Ostrom, Lam, and Lee 1994). The 1994 World Development Report noted the better design and maintenance of rural water supply projects with high degree of local participation than those with more centralized decision-making (World Bank 1994). Ostrom (1996) cited how parent and community participation in the delivery of primary education in Nigeria has resulted in better school environment (e.g., better maintained buildings and sanitation) and better education outcomes for students than schools that depend mainly on public funds.

In the Philippines, participatory governance has been valuable in the management of common property resources by users/residents themselves as shown in the Tree for Legacy Program of Nueva Vizcaya. The program was developed by the provincial government with the participation of the land occupants (including informal settlers), which has transformed previously denuded uplands and watersheds into communal tree farms and plantations, resulting in a dramatic drop of poverty levels in the province (Malayang and Banloi 2007; Agbayani 2005). Manasan, Adaro, and Tolin (2017) also noted that the effective implementation of the Grassroots Participatory Budgeting (formerly Bottom-Up Budgeting), which involved grassroots participation in the national budget process, resulted in the increase of publicly funded projects that improved the lives of the people in the community including the poor. Moreover, the program has increased social capital (defined as level of trust) among the members of the community and increased social capital between communities and local officials (Manasan, Adaro, and Tolin 2017).

While there are several examples globally on how participatory approaches improved efficiency, there are no guarantees. The nature of participatory governance is complex with its many different schemes, levels, and scope of citizens' participation. Participation outcomes are also affected by "initial levels of empowerment and social capital" whereby groups with lower levels of social capital are expected to achieve less (Osmani 2008, 7). Participation may also fail when community representatives have interests that do not reflect the true preferences of the majority (Platteau and Abraham 2002). As with conglomerates, government has to proceed with prudence in adopting participatory approaches.

In conclusion, this book provides sufficient encouragement for research on the efficiency and effectiveness of development strategies in countries under weak institutions. The book will remain relevant to the next generation of academics, policy researchers, and policy makers.

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