



Revisiting Constitutional Political Economy: A Literature Review on Institutional Design and Economic Policy Outcomes in the Philippine Context

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Abstract

The 1987 Philippine Constitution was drafted after the 1986 People Power Revolution to establish democratic governance, political accountability, and social justice. This review evaluates how the Constitution's institutional design and economic policy provisions affect political and economic outcomes amid ongoing governance challenges. Using an integrative qualitative literature review, this study synthesizes empirical, theoretical, and policy literature from diverse academic and institutional sources. Systematic search and thematic analysis examine the relationship between constitutional formal rules and informal political dynamics shaping governance and economic reforms. The Constitution enshrines checks and balances, decentralization, limits on foreign ownership, and anti-dynasty provisions. Despite these, elite dominance and patronage politics weaken their effectiveness. Economic policies intended to protect national sovereignty have created policy inflexibilities, restricting foreign investment and economic flexibility. Decentralization outcomes vary due to local elite capture. Current reform debates focus on economic liberalization and federalism but face resistance from entrenched political interests. The 1987 Constitution offers a robust democratic and economic framework, but entrenched political elites hinder full implementation of its goals. Successful reform efforts must address both institutional provisions and underlying political practices to improve accountability, institutional capacity, and inclusive development.

Keywords: constitutional political economy, institutional design, economic policy outcomes, literature review



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INTRODUCTION

The 1987 Philippine Constitution emerged from a pivotal moment marked by the fall of authoritarianism and renewed hope for democracy. Approved after the peaceful 1986 People Power Revolution, it aimed to enshrine lessons learned from the Marcos regime's abuses while charting a new path toward democratic governance, political accountability, and social justice. The Constitution's framers intended to embed principles of checks and balances, decentralization, and economic self-determination, believing these structures would prevent a return to authoritarian rule and promote fair economic growth (Constitution of the Philippines, 1987, Art. II S.26; Art. XII). Its key economic provisions included restrictions on foreign ownership in strategic industries, state control over natural resources, and measures to prevent the concentration of political power, such as banning political dynasties. Governance

mechanisms, like the Office of the Ombudsman, an independent judiciary, and autonomous constitutional commissions, were designed to ensure accountability and guard against abuse of power (International IDEA & University of the Philippines, 2020).

However, over the past decades, an increasing body of political economy literature has emphasized a persistent gap between the Constitution's formal institutional setup and the actual state of governance in the Philippines. While the rules outlined in the 1987 Constitution are designed to promote political competition and sound economic management, the country's real political and economic experiences show ongoing governance problems and stagnation in key areas. Political dynasties remain dominant both nationally and locally, despite the Constitution's explicit ban, mainly because Congress, primarily made up of members from these same dynasties, has not

passed the necessary legislation (Dulay, 2020). Likewise, mechanisms meant to ensure accountability, such as independent oversight bodies, are frequently weakened by political interference, lack of resources, or outright capture by interests (Mendoza & Olfindo, 2024).

Economic policy outcomes have reflected these governance challenges. Despite periods of strong macroeconomic performance—such as steady GDP growth in the 2010s—the benefits of growth have been unevenly shared. Investment rates remain relatively low in Southeast Asia, and the Philippines continues to fall behind its neighbors in infrastructure development, human capital investment, and foreign direct investment inflows (de Dios, 2022). The ongoing presence of restrictive constitutional provisions on foreign ownership, along with regulatory uncertainty and corruption, has discouraged both domestic and foreign investors. Additionally, the decentralization framework introduced by the Local Government Code of 1991, while aimed at bringing governance closer to the people, has often been undermined by local elite capture, leading to uneven service delivery and development outcomes across regions (Clarete, Esguerra & Hill, 2024).

These governance and economic flaws highlight a deeper structural issue: the interaction between formal constitutional design and deeply rooted informal institutions. As North (1990) states, the effectiveness of formal rules relies on the incentives they generate and how well they are enforced in practice. In the Philippines, informal political norms—especially those related to patron–client relationships, oligarchic control, and rent-seeking behavior—have consistently undermined or distorted the intended purpose of constitutional provisions (Hutchcroft & Rocamora, 2003a). This phenomenon of elite capture has led to what scholars call a "patrimonial oligarchic state," where political and economic power is held by a narrow elite whose interests often conflict with inclusive national development (Coronel et al., 2004).

The issue becomes even more urgent when seen in the context of ongoing debates over

constitutional reform. Since the early 1990s, and with increased intensity from 2016 onward, various political actors have proposed amendments or revisions to the 1987 Constitution. Major proposals include transitioning to a federal government, easing restrictions on foreign direct investment, and changing term limits for elected officials. Supporters argue that these reforms would decentralize authority more effectively, attract more foreign investment, and ensure long-term policy stability (Puno, 2018). Critics, however, caution that such changes may be politically motivated and might reinforce rather than weaken elite control, especially without strong safeguards against dynastic politics and corruption (Mendoza & Olfindo, 2024).

Despite the intensity of these debates, scholarly engagement with the Philippine case from a constitutional political economy perspective remains somewhat underdeveloped. Constitutional political economy, as explained by Buchanan and Tullock (1962) and expanded by Brennan and Buchanan (1985), concentrates on the rules that govern collective decision-making and their effects on economic performance. It stresses that constitutional rules are not just legal or normative constraints but also economic institutions that influence incentives, distributional results, and the ability for policy reforms. Applying this view to the Philippines helps provide a more detailed understanding of how institutional design interacts with political and economic structures to produce particular policy outcomes.

Three interconnected observations drive this literature review. First, although the Philippine Constitution includes multiple safeguards to promote accountable governance, these safeguards have often been bypassed or made ineffective in practice. Second, the ongoing dominance of elites and weak enforcement mechanisms has consistently hindered efforts toward fair and sustainable development. Third, proposed constitutional reforms should be assessed not only for their legal and economic aspects but also for their capacity to change or solidify the current balance of political power.

To understand these dynamics, a systematic review of existing literature spanning constitutional law, political science, and economics is essential.

This study covers four interconnected thematic areas. The first focuses on the design and purpose of the 1987 Constitution's governance and economic provisions, including the separation of powers, decentralization, anti-dynasty measures, term limits, and restrictions on foreign ownership. The second explores how formal institutions interact with informal political structures, especially the influence of political dynasties, patron–client networks, and oligarchic interests in shaping governance. The third evaluates the link between institutional frameworks and key economic indicators, such as investment rates, infrastructure, public goods, and inequality. The final theme discusses ongoing debates on constitutional reform, emphasizing proposals from 2016 to 2025 related to federalism, economic liberalization, and governance restructuring. By integrating insights from these areas, the review aims to offer a comprehensive understanding of the constitutional political economy of the Philippines.

To analyze the literature, this study adopts a constitutional political economy framework informed by new institutional economics and comparative political economy. North's (1990) conception of institutions as the "rules of the game" provides a helpful starting point, highlighting that formal constitutional rules must be understood about the informal norms and enforcement mechanisms that govern political and economic behavior.

Ostrom's (2005) work on institutional diversity further emphasizes the importance of polycentric governance arrangements, where overlapping centers of authority can foster resilience but also lead to coordination problems. Applying these perspectives to the Philippine context underscores the interplay between constitutional design, elite bargaining, and policy implementation. This framework structures the analysis around four key

dimensions. The first is institutional design, which looks at the specific constitutional provisions that shape political and economic decision-making. The second is institutional capacity and dynamics, focusing on how these provisions are interpreted, enforced, or subverted in practice. The third is economic policy outcomes, connecting institutional performance to measurable indicators like investment, growth, inequality, and service delivery. The fourth dimension involves feedback effects and reform proposals, examining how perceived failures in institutional design have influenced and been influenced by ongoing debates over constitutional change.

In summary, this study places the Philippine constitutional experience within the broader field of constitutional political economy to highlight the ongoing challenges of aligning institutional design with developmental outcomes. It aims to clarify how formal rules interact with informal power structures, evaluate the empirical link between constitutional provisions and economic performance, and critically assess the potential of proposed reforms. By integrating insights from law, economics, and political science, the review seeks to deepen understanding of the Philippine governance challenge and guide future discussions on institutional reform.

LITERATURE REVIEW

Constitutional Design and Economic Governance Provisions. The 1987 Philippine Constitution reflects a deliberate effort to incorporate democratic safeguards and economic sovereignty following the fall of authoritarian rule. Developed after the 1986 People Power Revolution, it aims to establish democracy, decentralization, and social justice while preventing the concentration of political and economic power (Constitution of the Philippines, 1987). Major governance features include the division of powers among the executive, legislative, and judicial branches; the formation of independent constitutional commissions; and clear term limits for elected

officials. Economic provisions focus on national control over key sectors and natural resources, restrictions on foreign investment, and policies for fair wealth distribution (International IDEA & University of the Philippines, 2020). These measures were intended to promote political stability and economic nationalism, emphasizing that foreign capital should support, not dominate, domestic economic progress.

Scholars have observed that the political context during their drafting process greatly influences such constitutional frameworks. As Hutchcroft and Rocamora (2003b) argue, the post-authoritarian period in the Philippines required a strong focus on limiting executive overreach and redistributing political power. Similarly, Mendoza and Olfindo (2024) assert that the framers' wariness of foreign capital reflected both nationalist feelings and the legacy of economic dependency during the Marcos era. In a comparative perspective, constitutions in other post-authoritarian countries, such as those in Latin America, have often included similar populist-nationalist economic provisions, though with different impacts on investment and growth (Negretto, 2013). However, while the Philippine constitutional framework aimed to promote economic self-reliance, some scholars suggest that its strict economic restrictions have unintentionally restricted competitiveness and discouraged foreign direct investment (Clarete, Esguerra, & Hill, 2024).

The decentralization mandate in the 1987 Constitution, later put into practice through the Local Government Code of 1991, aimed to bring decision-making closer to citizens, promote local innovation, and improve accountability. In theory, this supports Ostrom's (2005) argument for polycentric governance, where multiple centers of authority can create more context-aware solutions to public issues. However, the Philippine experience has shown mixed results: while some local governments have exhibited notable innovation and service delivery, many have been plagued by elite capture and political patronage (Brillantes & Moscare, 2002). This

unevenness highlights that constitutional design alone cannot ensure desired outcomes without complementary reforms in political culture and enforcement capacity.

Interaction Between Formal Institutions and Informal Political Structures. A recurring theme in the Philippine political economy literature is the ongoing gap between formal constitutional rules and the informal political realities that influence governance. North's (1990) framework highlights that institutions include both formal rules and informal constraints; the latter, deeply rooted in societal norms and power relations, can strengthen or weaken formal provisions. In the Philippines, political dynasties and patron–client networks have shown remarkable resilience, often capturing state institutions to benefit elite interests (Querubin, 2016). This elite capture undermines the Constitution's principles of equality. It sustains what Hutchcroft (1998) refers to as a "patrimonial oligarchic state," where public office is viewed as a source of personal wealth and political leverage.

Empirical studies show how deeply this entrenchment occurs. Mendoza, Beja, Venida, and Yap (2012) demonstrate that political dynasties dominate both chambers of Congress and most provincial governorships, creating self-reinforcing cycles of power and wealth. Such dominance skews legislative priorities and often blocks reforms aimed at reducing elite control, including the enabling law for the constitutional ban on political dynasties. Dulay (2020) notes that this dynamic is not unique to the Philippines but is made worse by the country's weak party system, where personalistic and family-based politics overshadow programmatic competition.

The informal practice of "*utang na loob*" (debt of gratitude) further complicates governance. Rooted in Filipino social and cultural norms, this custom encourages loyalty to patrons over adherence to institutional rules, thereby weakening bureaucratic professionalism and accountability (Sidel, 1999). Even when anti-corruption agencies exist on paper, these

norms can undermine their effectiveness. For example, the Office of the Ombudsman—constitutionally tasked with prosecuting corruption—has often been limited by political interference, selective enforcement, and resource shortages (Batalla, 2016). These patterns highlight the broader insight from constitutional political economy that formal institutional reforms can fail if they do not consider the informal structures and incentives ingrained within the political system.

Institutional Frameworks and Economic Policy Outcomes. The connection between institutional frameworks and economic policy outcomes has been extensively studied in both international and Philippine-specific research. Acemoglu and Robinson's (2012) theory of inclusive versus extractive institutions suggests that political institutions fundamentally influence economic performance by determining who holds power and how resources are distributed. Using this framework, scholars have argued that the Philippines' political institutions—despite their democratic appearance—remain extractive in practice, enabling elites to monopolize economic opportunities while excluding large segments of the population from meaningful participation in economic growth (Balisacan & Hill, 2003).

Foreign direct investment (FDI) patterns reveal the economic effects of this institutional setup. The Philippines has consistently received lower FDI inflows than its Southeast Asian neighbors, partly because of constitutional restrictions on foreign ownership (Clarete et al., 2024). These restrictions, although meant to protect national patrimony, have also limited technology transfer, job creation, and integration into global value chains. At the same time, weak property rights enforcement and regulatory unpredictability, both results of fragile institutions, have discouraged long-term investment (de Dios, 2022).

Decentralization has led to mixed economic results. While some local governments, like Naga City under the late Mayor Jesse Robredo, have used autonomy to innovate in governance

and service delivery, others have abused their devolved powers for rent-seeking and patronage politics (Brillantes & Fernandez, 2011). This variation supports the institutionalist view that the success of decentralization heavily depends on local political incentives and administrative capacity (Faguet, 2014).

Public goods provision offers another perspective on the link between institutions and the economy. Weak institutions have led to underinvestment in infrastructure, education, and healthcare, deepening inequality and limiting long-term growth prospects. Balisacan and Pernia (2002) point out that although the Philippines saw moderate economic growth in the 1990s and early 2000s, poverty reduction lagged behind regional peers because of structural inequalities in access to productive assets and public services. This result reflects the Constitution's failure to turn its social justice promises into effective, enforceable policies due to current political incentives.

Contemporary Debates on Constitutional Reform. The gap between constitutional intent and reality has fueled ongoing debates about constitutional reform. Since the Ramos administration in the 1990s, successive governments have explored proposals for charter change, including shifting to a parliamentary or federal system and amending economic provisions to attract more investment (Abueva, 2005). The Duterte administration (2016–2022) renewed these debates by advocating for federalism as a way to address regional inequalities and promote more balanced development. Supporters argued that federalism could empower local governments, improve resource distribution, and reduce reliance on the central government (Puno, 2018).

However, critics warn that without tackling the root issue of elite dominance, federalism could decentralize corruption and bolster local political dynasties (Teehankee, 2016). Mendoza and Olfindo (2024) highlight that any institutional redesign must be supported by strong safeguards against dynastic politics,

corruption, and weak enforcement; otherwise, reforms might entrench the very issues they aim to address.

Economic liberalization proposals have also caused division. Business groups and some economists support removing constitutional restrictions on foreign ownership, claiming that such reforms could enhance competitiveness, attract technology-heavy investments, and better connect the Philippines to global trade networks (Clarete et al., 2024). Opponents, however, caution about potential economic dependency and the weakening of domestic industries, especially if liberalization happens without measures to boost local competitiveness and safeguard labor rights (Africa, 2018).

International experiences provide valuable parallels. For example, Indonesia's constitutional and legal reforms after 1998 included decentralization and selective economic liberalization, but results varied widely across regions, mainly depending on the quality of local governance (Hadiz, 2010). This suggests that constitutional reform in the Philippines, whether moving toward federalism or economic openness, will likely yield uneven outcomes unless robust institutional safeguards and capacity-building efforts support it.

Synthesis. The reviewed literature converges on a key point: constitutional design matters, but its success depends on the broader political economy in which it functions. The 1987 Philippine Constitution holds noble goals for democracy, social justice, and economic sovereignty. However, the continued dominance of elites, entrenched informal institutions, and weak enforcement mechanisms have significantly weakened these goals. The interaction between formal rules and informal political practices has consistently favored a small elite, limiting the inclusiveness and sustainability of development.

Protectionist constitutional provisions, weak property rights enforcement, and inconsistent

regulatory regimes have limited economic performance within the current institutional framework. While decentralization was intended to improve local governance, its results have been highly varied, reflecting differences in local political will and capacity. Contemporary debates on constitutional reform highlight the need for caution: without tackling the root causes of institutional weakness, such as elite capture, patronage politics, and weak accountability, reforms could replicate existing patterns of exclusion and inefficiency in a new institutional form.

In constitutional political economy terms, the Philippine case shows how difficult institutional change can be when informal norms and entrenched power structures are deeply rooted. Reforming constitutional provisions without changing the incentive structures and enforcement mechanisms that support elite control is unlikely to produce meaningful results. Therefore, any serious effort at constitutional reform must be comprehensive, combining changes in formal rules with actions to strengthen institutions, increase political participation, and develop a political culture that values accountability and inclusiveness. Only by addressing both the formal and informal aspects of governance can the Philippines hope to turn its constitutional goals into tangible, widespread improvements in economic policy outcomes.

METHODS

This study employed a qualitative research design utilizing an integrative literature review approach to comprehensively explore the connection between constitutional political economy, institutional design, and economic policy outcomes in the Philippine context. The integrative review method was selected for its capacity to synthesize diverse types of literature, including empirical studies, theoretical works, policy reports, and legal analyses, into a cohesive and critical narrative suitable for interdisciplinary investigation (Snyder, 2019; Whitemore & Knafl, 2005). The research objective focused on examining how

the 1987 Philippine Constitution's institutional framework influences political and economic governance, assessing policy outcomes, and understanding ongoing reform debates.

A systematic, multi-phase search strategy was implemented beginning with keyword searches across multiple academic databases such as JSTOR, Scopus, Web of Science, and Google Scholar. Boolean operators refined results emphasizing terms related to constitutional political economy, institutional design, economic governance, federalism, decentralization, and economic provisions. Supplementary backward and forward citation tracking was conducted, alongside targeted searches in institutional repositories and government archives to gather relevant constitutional documents and policy literature (Cooper, 2010). Inclusion criteria specified studies explicitly addressing the Philippine Constitution's political or economic provisions, their institutional implications, or their economic impacts, while excluding purely theoretical or non-Philippine-focused works.

The screening and selection process involved identifying, evaluating, and filtering materials based on relevance, credibility, and methodological rigor, incorporating peer-reviewed articles, books, policy briefs, institutional reports, and select grey literature that offered substantial insights (Adams, Smart, & Huff, 2017). Data extraction entailed thematic coding and synthesis of key concepts, institutional features, and empirical findings related to constitutional design and economic policy performance (Braun & Clarke, 2006). Quality appraisal was maintained through triangulation of diverse sources and critical analysis of potential biases, ensuring a balanced representation of perspectives from academia, government, and multilateral agencies (Patton, 2015; Resnik, 2020).

For data analysis, a thematic approach aligned with the study's conceptual framework was applied. Themes were iteratively refined through content familiarization, coding, clustering, and narrative construction to

elucidate the interaction between constitutional provisions, informal political structures, and policy outcomes in the Philippines. This reflexive analytic process enabled a rigorous and nuanced understanding of the institutional dynamics shaping governance and economic performance within the constitutional political economy framework (Braun & Clarke, 2006; North, 1990; Ostrom, 2005).

The discussions in this study are grounded in a diverse array of key literatures spanning peer-reviewed journal articles, scholarly books, and policy briefs that collectively illuminate the Philippine constitutional political economy. Foundational theoretical insights were drawn from landmark works such as Buchanan and Tullock's *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (1962) and North's *Institutions, Institutional Change, and Economic Performance* (1990), which frame the institutional analysis and the role of formal and informal rules in shaping economic and political outcomes.

Empirical analyses from peer-reviewed journals, including Mendoza et al.'s *Inequality in Democracy: Insights from an Empirical Analysis of Political Dynasties in the 15th Philippine Congress* (Philippine Political Science Journal, 2012) and Batalla's "Divisions, Dynasties, and Democracy: The Philippine Political System in Comparative Perspective" (Asian Journal of Political Science, 2016), provide critical evidence of elite capture and its implications for governance. Policy briefs and institutional assessments from reputable organizations, such as the International IDEA's *Constitutional Performance Assessment of the 1987 Philippine Constitution* (2020) and the Philippine Institute for Development Studies' reports on economic policy constraints (Aldaba, 2014; Clarete et al., 2024), further contextualize how constitutional provisions impact economic governance and policy reform debates. These selected sources collectively anchor the review's thematic exploration of institutional design, informal political dynamics, economic policy effects, and constitutional reform prospects in the Philippine setting.

Inclusion criteria specified that studies must explicitly address the Philippine Constitution's political or economic provisions, their institutional implications, or their impact on economic policy development and performance. Studies focusing only on abstract constitutional theory without applying it to the Philippines, or addressing economic policy without analyzing institutions, were excluded. Works discussing informal political dynamics, such as elite capture or patron–client networks, were included if they shed light on how formal institutions function in practice.

The literature collected was analyzed thematically according to Braun and Clarke's (2006) guidelines. The process included familiarization with the content, coding recurring concepts and findings, grouping codes into thematic clusters, refining themes for clarity and distinctiveness, and creating thematic narratives aligned with the study's goals.

The study employed triangulation to enhance the credibility, validity, and depth of the literature review findings by systematically comparing and synthesizing insights from diverse sources, including academic peer-reviewed articles, policy briefs, and institutional reports. Triangulation was essential given the complex interplay between formal constitutional design and informal political dynamics in the Philippine context, necessitating multi-perspective validation to capture the nuanced realities of governance and economic outcomes (Patton, 2015).

By juxtaposing empirical evidence from political economy research (e.g., Mendoza et al., 2012; Batalla, 2016), theoretical frameworks from constitutional political economy (Buchanan & Tullock, 1962; North, 1990), and policy analyses from reputable organizations like the International IDEA and Philippine Institute for Development Studies (2020; Clarete et al., 2024), the study was able to critically examine consistencies and contradictions across domains. This approach facilitated a balanced interpretation that accounted for both

normative legal norms and practical governance experiences, mitigating bias arising from single-source reliance. Triangulation thus provided robust analytical rigor to the integrative review and underscored the importance of contextualizing constitutional provisions within broader political and economic realities. Conflicting interpretations were noted, with focus on the contextual and methodological factors causing divergences. This reflexive approach ensured the review stayed rigorous while recognizing the complexity of constitutional political economy in a developing country context.

Ethical Considerations. The ethical considerations for this study were carefully observed despite the reliance solely on secondary data. The research adhered strictly to principles of research integrity by using only publicly available sources, properly citing all intellectual contributions according to APA 7th edition standards.

Every effort was made to accurately present the reviewed literature without misrepresentation or selective citation, thus maintaining academic honesty and neutrality. Potential institutional biases were critically addressed by comparing multiple perspectives from different stakeholders, ensuring transparent and balanced findings. No confidential or proprietary information was accessed, with all data and information being openly accessible.

The study respected authorship rights by minimizing direct quotations and instead employing paraphrasing and synthesis to demonstrate independent analytical engagement. Ethical reflexivity was maintained throughout, acknowledging the researchers' positionality especially given the politically sensitive nature of constitutional reform debates in the Philippines. The analysis was purposely framed in an objective, evidence-based manner, avoiding advocacy and supporting a balanced scholarly and policy dialogue. These ethical protocols collectively uphold the study's integrity, scholarly rigor, and respect for sensitive political topics.

Limitations. The availability and accessibility of relevant literature constrain the methodology. While efforts were made to be comprehensive, some unpublished or internal materials might not have been retrievable. As with all literature reviews, there is also a risk of publication bias, as studies reporting significant findings are more likely to be published than those reporting null results (Rothstein et al., 2005). Nonetheless, by systematically searching, critically evaluating, and thematically synthesizing a broad range of credible sources, this study offers a robust and ethically grounded understanding of the Philippine experience in constitutional political economy.

RESULTS

The findings of this literature review are organized thematically in alignment with the study's conceptual framing and research objectives. Four dominant themes emerged from the synthesis: (1) Constitutional Design and Economic Governance Provisions, (2) Interaction Between Formal Institutions and Informal Political Structures, (3) Institutional Arrangements and Their Impact on Economic Policy Outcomes, and (4) Contemporary Debates and Prospects for Constitutional Reform. These themes reveal the multidimensional character of constitutional political economy in the Philippine context, highlighting the interplay between the text of the Constitution, the realities of governance, and the socioeconomic outcomes that flow from institutional design.

Theme 1: Constitutional Design and Economic Governance Provisions.

The Philippine Constitution of 1987 features a unique mix of political and economic provisions aimed at safeguarding national sovereignty, promoting social justice, and encouraging inclusive economic growth. Several studies highlight that its framers, emerging from the authoritarian era, crafted the charter with a focus on protecting democratic processes and preventing the concentration of power (Teehankee, 2016; Mendoza et al., 2019).

Economically, the Constitution includes protectionist measures—particularly regarding land ownership, natural resources, and foreign investment—that reflect a nationalist approach rooted in post-colonial economic thought.

However, empirical and policy analyses suggest that while these provisions aim to protect domestic economic sovereignty, they also introduce structural rigidities that restrict the flexibility of policymakers to respond to changing global economic conditions (Aldaba, 2014). For example, restrictions on foreign ownership in key industries have been identified as a deterrent to foreign direct investment (FDI), limiting technology transfer, competition, and capital inflows (Austria, 2016). Critics argue that these constitutional economic provisions act as policy ceilings, making reforms dependent on politically challenging constitutional amendments rather than more easily achievable statutory changes (Pangalangan, 2018).

The literature also shows that the Constitution's decentralization provisions—especially the Local Government Code of 1991—were meant to improve efficiency, fairness, and responsiveness by transferring power to local governments. However, results in practice have been mixed. While decentralization has enabled some locally driven innovations, it has also exposed differences in administrative capacity and fiscal independence among localities, causing uneven policy enforcement (Capuno, 2017). This indicates that constitutional design, although idealistic, must address significant capacity limitations at both the national and subnational levels.

Theme 2: Interaction Between Formal Institutions and Informal Political Structures.

A common finding across the literature is that the Philippine constitutional framework does not operate in isolation; rather, it is continually influenced by deeply rooted informal political structures. Studies on political economy in the Philippines consistently highlight the lasting role of patron–client relationships, political

dynasties, and elite capture in shaping governance outcomes (Hutchcroft & Rocamora, 2003; Querubin, 2016).

These informal structures can bypass or distort formal constitutional provisions. For example, while the Constitution mandates democratic elections and term limits to promote political renewal, the persistence of political dynasties weakens electoral competitiveness and entrenches elite dominance (Mendoza et al., 2012). Similarly, decentralization has, in some cases, reinforced local political clans rather than increasing citizen participation, as control over local resources and decision-making has become concentrated in the hands of entrenched elites (Batalla, 2016).

The interaction between formal and informal institutions often leads to policy outcomes that differ from the original intentions of constitutional design. For example, constitutional guarantees of transparency and accountability are weakened when political patronage affects appointments to oversight bodies, thus undermining checks and balances. The literature shows that this institutional duality—where formal constitutional rules operate alongside informal political norms—creates a governance environment where policy implementation depends heavily on political alliances and elite negotiations rather than solely on legal mandates (Coronel, 2007).

Theme 3: Institutional Arrangements and Their Impact on Economic Policy Outcomes.

The synthesis of literature shows that institutional arrangements embedded in the 1987 Constitution have both enabled and limited economic policy. While the focus on social justice and fair development has guided redistributive policies like agrarian reform and social protection programs (Balisacan, 2007), constitutional restrictions on economic liberalization are often seen as hurdles to deeper integration into the global economy (Aldaba, 2014).

Empirical assessments of FDI inflows reveal that the Philippines has traditionally

underperformed compared to regional peers, partly due to constitutional economic restrictions and partly due to bureaucratic inefficiencies and regulatory uncertainty (Austria, 2016). Similarly, although the constitutional framework encourages fiscal autonomy for local governments, many localities have limited revenue-raising capacity, which hampers their ability to fund development initiatives and leads to reliance on transfers from the central government (Capuno, 2017).

Furthermore, constitutional mandates for balanced budgetary policies and social spending have sometimes limited fiscal flexibility during economic downturns. While these provisions aim to promote macroeconomic stability, they can restrict the government's ability to engage in counter-cyclical spending in response to crises (Manasan, 2004). In effect, institutional arrangements influence not only the policy space available to decision-makers but also the economy's resilience when facing external shocks.

An important insight from the literature is that constitutional political economy in the Philippines cannot be fully understood through legal analysis alone; it requires attention to economic incentives and political bargaining processes that determine how constitutional provisions are implemented. This highlights the inherently political nature of economic policymaking within a constitutional framework.

Theme 4: Contemporary Debates and Prospects for Constitutional Reform.

The literature shows an ongoing and polarized debate over constitutional reform in the Philippines, with two main views: proposals for economic liberalization and proposals for structural political change, especially the shift to federalism. Supporters of liberalizing the Constitution's economic rules argue that it would attract more foreign investment, improve competitiveness, and promote sustained economic growth (Austria, 2016; Aldaba, 2014).

They believe that many protectionist measures were suitable in the late 1980s but have become out of place with current economic realities.

Supporters of federalism highlight its potential for increased regional autonomy to tackle longstanding spatial development inequalities. They contend that the current unitary system has sustained the centralization of resources and decision-making in Manila, restricting peripheral regions from implementing locally tailored development strategies (Pimentel, 2018). However, critics warn that unless the deep-rooted influence of political dynasties and the unequal capacity of subnational governments are addressed, federalism might worsen disparities (Batalla, 2016).

These debates highlight a broader tension between constitutional stability and flexibility. While the Philippine Constitution has provided a strong foundation for democratic governance since 1987, its rigidity—especially in economic areas—has made structural reforms politically difficult. The literature indicates that successful constitutional reform requires not just textual changes but also institutional safeguards to ensure that reforms foster inclusive development and are not dominated by narrow elite interests (Teehankee, 2016).

Synthesis of Findings. Across these themes, a clear analytical picture emerges: the Philippine experience in constitutional political economy is shaped by a complex interaction among the formal structure of the Constitution, deeply rooted informal political networks, and shifting economic policy challenges. The Constitution's design reflects commitments to democracy, sovereignty, and social justice, though its economic provisions have created policy rigidities that limit flexibility. Meanwhile, informal political structures often influence or undermine the intended effects of constitutional rules, causing governance outcomes that differ from constitutional ideals.

Institutional arrangements impact economic policy outcomes in complex ways, enabling specific redistributive and developmental

initiatives while limiting other policy options. Modern reform debates highlight the difficulty of aligning constitutional design with the needs of a changing political economy, where both economic integration and political decentralization are seen as routes to development but also pose significant risks if institutional prerequisites are not satisfied. The reviewed literature indicates that any meaningful constitutional reform in the Philippines must address both the structural elements of the constitutional document and the informal political forces that influence its implementation. Without this dual approach, reforms risk being symbolic rather than transformative, maintaining the existing patterns of elite dominance and unequal development that have continued despite the democratic transition of 1986.

DISCUSSION

The findings of this study reaffirm that the Philippine constitutional framework is more than a static legal document—it is a dynamic, evolving arena where formal rules, informal political practices, and economic imperatives intersect. The Constitution of 1987 was created during a historical moment marked by the rejection of authoritarianism and the desire to build a participatory, equitable, and sovereign democratic state. As the results show, its design reflects these goals through provisions that safeguard civil liberties, promote decentralization, and embed economic nationalism. However, the synthesis also reveals a structural paradox: while the constitutional design sets normative goals for economic sovereignty and political accountability, its rigidity has often limited adaptable governance in response to changing global and domestic realities.

A key insight from this review is that institutional design cannot be judged solely by its written intentions. In the Philippine context, the interaction between formal constitutional rules and deeply ingrained informal political practices often shapes actual policy results. Political dynasties, patron–client relationships,

and elite capture remain persistent features of the political scene, influencing how constitutional rules are enforced and, at times, weakening their intended functions. This insight supports broader theories of constitutional political economy, which highlight that the effectiveness of institutional structures depends not only on legal design but also on the political and economic incentives of the actors involved.

The implications for economic policy outcomes are significant. The protectionist provisions embedded in the Constitution—while historically rooted in legitimate concerns over sovereignty and self-reliance—have, over time, created policy rigidity. Restrictions on foreign ownership, limits on natural resource exploitation by foreign investors, and strict economic mandates have hindered policymakers' ability to respond swiftly to economic challenges and opportunities. Additionally, decentralization, intended as a means of empowering localities, has produced uneven results, with resource-rich or administratively capable local governments thriving while others depend on central transfers. These disparities show that capacity-building measures must accompany that constitutional framework if it is to meet its redistributive and participatory goals.

The ongoing debates about constitutional reform—especially regarding economic liberalization and the potential adoption of federalism—highlight an acute awareness of these limitations. However, the results warn that reforms focused only on textual amendments may be inadequate or even counterproductive if underlying informal political dynamics are not addressed. For instance, transitioning to a federal system without dismantling the entrenched dominance of political dynasties could deepen local elite control and worsen regional inequalities. Likewise, economic liberalization without institutional safeguards for transparency, fair competition, and social protections might increase existing disparities rather than fostering widespread growth.

From a constitutional political economy perspective, the Philippines faces the challenge of balancing stability and adaptability. Stability ensures predictability and guards against the excesses of opportunistic political change; adaptability allows institutions to respond to new socio-economic realities and external shocks. The literature indicates that this balance requires both structural and procedural reforms—structural in terms of modifying constitutional provisions to suit current and future needs better, and procedural in ensuring that constitutional change itself is inclusive, deliberative, and protected from capture by narrow interests.

In conclusion, this study finds that the Philippine constitutional framework has provided a stable democratic foundation but has been less successful in promoting inclusive and adaptable economic governance. The relationship between institutional design and informal political dynamics has created a governance environment where constitutional principles are only partially realized in practice. The experience emphasizes the need for a reform agenda that goes beyond the simple choice of "change the text" or "maintain the status quo." Instead, it aims to align institutional structures, political incentives, and economic strategies toward common developmental goals.

Based on these conclusions, several recommendations arise. First, any effort toward constitutional reform should be preceded by a thorough, inclusive dialogue involving not only political elites but also civil society, business groups, academia, and marginalized groups. This would help ensure that reforms reflect a broad consensus rather than narrow political interests. Second, reforms to economic provisions should be accompanied by enabling legislation and institutional safeguards to promote transparency, fair competition, and equitable distribution of benefits. Third, decentralization reforms should be paired with ongoing investments in local capacity-building, including fiscal autonomy, administrative Competence, and mechanisms for citizen engagement, to reduce the risk of elite capture

at the local level. Fourth, strengthening anti-dynasty measures—whether through constitutional clarification or enabling laws—is crucial to ensuring political power remains contestable and that institutions function in a truly representative manner.

Finally, the Philippines should consider incorporating adaptive mechanisms into its constitutional framework, such as sunset clauses, periodic review provisions, or more flexible amendment procedures for economic sections. These mechanisms would enable the Constitution to adapt to changing economic and political conditions while maintaining the stability needed for democratic governance. In the spirit of constitutional political economy, such reforms would acknowledge that a constitution is both a legal and economic tool—one whose design and implementation must continually navigate the realities of power, production, and participation in the nation's life.

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