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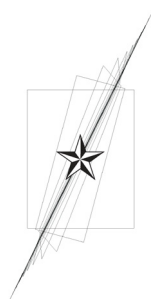
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## **BOOK REVIEW**

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by the writers, artists and editors of the South China Morning Post,  
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## FROM THE EDITOR

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This volume is distinct in many ways. First, it is a collection of research articles, research notes, and a book review in business, economics, and business related fields using various methodologies including econometrics, rate of return analysis, spatio-temporal stochastic frontier analysis, case study, overlapping generations model, dynamic stochastic general equilibrium model, and computable general equilibrium analysis. Second, although a variety of methodologies have been used in these articles, the collection is focused on three major themes: macroeconomic forecasting, investment in human capital, and strategic management. Third, since there was no formal call for papers for this volume, the gravitation of the papers towards these three thrusts reflects the importance of these themes in contemporary business and economic analysis.

The subject of macroeconomic modeling is premised on how the economy is structured and how it adjusts to shocks and other external factors. This is particularly important in the light of increasing interconnections of economies and the pressure of globalization. Although interconnectivity of economies has several positive effects, it can also bring about harmful consequences as experienced by several economies in the region during the financial crisis in the late 1990's. The articles on this theme are meant to address the need to manage these shocks and insulate the economy from its harmful effects. A requisite for the appropriate management of these shocks is an understanding on how the economy is structured and how it is linked not only within but with the rest of the world.

The research article by **Ruperto P. Majuca** (*An Analysis of the Structure and Dynamics of the Philippine Macroeconomy: Results from a DSGE-Based Estimation*) is an example of macroeconomic modeling based on the behavior of micro units in the economy. From these microfoundations and using a dynamic stochastic general equilibrium analysis, Majuca analyzed the structure and dynamics of the Philippine macroeconomy. From the model constructed, the author was able describe the level of instability of the Philippine economy and found the inflation targeting pursued by the Bangko Sentral ng Pilipinas (BSP) has tempering effects on various shocks experienced by the economy. It proposes that the BSP should have a “better monitoring and forecasts” as well as “quicker reaction to shocks” to respond to future external shocks.

Another research article on modeling written by **Jesus Carlos Exequiel D. Castillo and Krista Danielle S. Yu** (*Liberalizing the Philippine Mining Industry: A CGE Approach Into Analyzing its Sectoral Impacts on the Economy*) deals with the welfare implications of a legislation. Using the 1994 input-output table of the Philippines and subjecting it to a computable general equilibrium model (CGE), the authors found negative welfare impacts of the Mining Act of 1995 on households and other economic sectors. Based on these conclusions, the authors recommend a review of the legislation specifically the provision on the mineral rights extended to foreign investors.

The third research article on modeling by **Cesar C. Rufino** (*Martingales in Floating ASEAN+3 Currencies*) examines the information efficiency of floating exchange rates under environment of crisis and shocks during 2000-2012. After subjecting the exchange rates of the economies in the ASEAN+3 to various econometric techniques and tests, the author found the existence of martingale properties in the exchange rates even under conditions of financial stress and economic shocks. The author concludes that the informational efficiency of the currencies despite these shocks may be due to regional monetary policy coordination, which is intended to arrest any future financial crisis.

Aside from maintaining stability, another important goal of the economy is to grow. In this regard, the subject of human resource development becomes very crucial at various levels of economic development. Investments in basic and technical education are needed at the early stage of development to harness the surplus of manpower and transform them into semi-skilled laborers and skilled technicians. At a later stage, investments in higher education and research and technology may be required to reap the benefits of an emerging knowledge economy.

The articles on this theme revolve around the two dimensions in human resource development of an economy—demand and supply. The development of human capital does not only concern with demand decisions for education and training to enhance individual's earnings capacity in the future but supply factors are also important. The ability of the government to provide enough resources can thwart individual decisions to expand human capital. Thus, it is important to be efficient in the provision of educational services in the light of the limited budget of the public sector and the magnitude of population that has to be provided with basic education.

The research article by **Michael Ralph M. Abrigo, Rouselle F. Lavado, Erniel B. Barrios, and Brian C. Gozun** (*Estimating the Efficiency of Philippine Public High Schools Using Spatio-*

*Temporal Stochastic Frontier Analysis*) relates educational inputs to educational outputs. Using stochastic frontier analysis, various educational inputs and characteristics of 4,900 public high schools in the Philippines were tested on their contributions to the school achievement scores from 2005-2008. The results show that student-classroom ratio as well as student-chair ratio has negative effects on school performance. In addition, the authors found that efficiency in one school spills over to nearby schools. Given the limited public resources for schools, the government may have to combine allocation of resources as well as enhance environmental factors in contributing to academic performance of schools.

Another research article on schooling by **Editha A. Lupdag-Padama, John Paolo R. Rivera, Rhory C. Fernandez-Go, Krista Danielle S. Yu, Francesca Dianne B. Solis, and Rosanina A. Sayoc** (*An Approximation of the Internal Rate of Return of Investment in Selected Undergraduate Degree Programs*) examines the decision of individuals to pursue various degree programs. Using rate of return analysis, the authors computed the internal rates of return for accounting, teacher training, engineering, and nursing programs based on the streams of benefits and costs. The analysis was further expanded to include the probability of migration in the computation of the returns to these courses. The authors concluded that despite delays and low probability of migration, the returns are still higher for those who are able to migrate than those confined with domestic employment.

This positive impact of migration on the demand for education is, however, restricted in the research note by **Lawrence B. Dacuycuy and Dickson A. Lim** (*Human Capital and Savings in an OLG Economy with Migration Possibilities: A Theoretical Note*). Using an overlapping generations (OLG) model, the authors expanded the Stark et al. (1998) model (linking migration and human capital accumulation) with the incorporation of savings. Because savings can be used to finance migration and human capital accumulation, this



may have an impact on physical capital accumulation. The authors concluded that if savings is incorporated in the model, it “imposes a technical requirement for human capital accumulation to respond positively to changes in the probability of gaining a job abroad”.

The third theme is on strategic management. Long term planning is one the major tools used by business enterprises to assess their path for survival, stability, and growth. The success of many organizations, business and otherwise, has been attributed to a great extent on the ability of their managers to seize opportunities in scanning their environment, which influenced them in formulating their strategic decisions. The orthodoxy in strategic management uses formal models and systematic analysis in the planning process. However, this orthodoxy is being challenged in the light of difficulties of modeling complex and dynamic environment. The articles on this theme reflect these two perspectives on strategic management.

The article of **Lanndon A. Ocampo and Eppie E. Clark** (*Developing a Framework for Sustainable Manufacturing Strategies Selection*) proposes an integrative framework of strategy selection to address environmental stewardship, economic growth, and social well-being in manufacturing companies. The holistic frame integrates internal and external drivers along the triple-bottom line and captures the complexities of sustainable strategies and the interactions of internal and external drivers.

This complexity dimension and interconnectivity in strategic management is echoed in a research note by **Niceto S. Poblador** (*The Strategy Dilemma: Why Big Business Moves Seldom Pan Out as Planned*). Poblador argues that given the complex dynamics, uncertainties, and interconnected environment, the orthodoxy in strategic management may have to give way to experimental methods in the management of change.

The review by **Tai Wei Lim** on the book *The China Renaissance: The Rise of Xi Jin Ping and the 18<sup>th</sup> Communist Party Congress* restates the theme on strategic management in the political sphere. The reviewer shows how the leadership in China in recent years has been shaped by personal styles and the ability of these leaders to balance the quest for growth and the challenges of contemporary China.

The arguments and evidence presented by the articles in this volume is our journal’s contribution to the expansion and deepening of the discourse on macroeconomic modeling, human resource development, and strategic management. In behalf of the editorial board, I would like to extend my thanks to all the contributors for making DLSU Business and Economics Review their journal of choice in publishing their articles.

**Tereso S. Tullao, Jr.**  
*Editor-in-Chief*

