



***“Political Determinants of Government Budget
Allocation in Thailand”
Sudsawasd and Apinunmahakul (2016)
(a Discussion)***

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Features

- Exploration of the how : (1) the autonomy of the government (and the means to the post); and (2) the negotiation power of the coalition party significantly influence (or do not influence) the share of budget allocated to different ministries.
 - Military influence hypothesis
 - Coalition party influence hypothesis
- Analysis employs annual data of 33 years (1980-2013)
- Contribution: Previous studies consider central government to local governments transfers, or compositions of public spending. This study employs administrative classification of budget allocation.

Features

- The model is adapted from Vergne (2009) which analysed the impact of elections (ie., say there is always an election (type 1), then the result would be type 1_; ie., the possible types of the resulting government would be: Type 1A, Type 1B, Type 1C, etc.) on the composition of the government expenditures using functional classification of government expenditures.
 - Variation from Vergne (2009) in this paper: The possible government outcomes become: military government- no election (Type0_), and coalition party- in case of election) (Type1_). This may be indicative enough. However, the nature of the coalition government takes many years to alter in most countries (may be viewed as analogous to the velocity of money(?)). Although, employed in many papers, this may not be a very dynamic representative.

Features

- Employed variables: Vector of controlled variables (GDP per capita, URBAN, OPEN, AGE14, AGE65, UNEMPLOY), TREND, dummy YEAR2003(to capture the structural change), dummy RECESSION, dummy POLITICAL (non-elected, military background of PM, share of MPs from coalition parties, political party of the ministers, outsider ministers)
- Naked-eye-observation: During 1980-2013: MOI and MOD's shares had reduced significantly (9-10%); MOF, MOAC reduced by 4-5%; MOE's share increased by 12%; Others' changes are approx. less than 0.5%

Major Findings

- PMs with military background/Non-elected governments allocated higher budget shares towards MFA and MOE at the expense MOF and MOJ, MOST, MOAC.
- Non-elected governments tend to shift budget towards MOC, supporting populist policies with the goals to win the upcoming elections
- As the share of MPs from the government party increases, higher budget share is allocated to MFA, MOC, MOI, MOE, the central fund for the PM and less to the Office of the Prime Minister.- “rewarding loyalty” hypothesis.

Some related sample studies

- Pungprawat, K. (2009) finds that the bureaucracy, esp. the Bureau of the Budget dominates budget allocation, while the roles and power of elected politicians are minimal.
 - Focused more on looking into the budgetary process, budget cut during each period, current, capital and debt repayment expenditures.
- Dash & Raja (2013) employ panel dataset of 14 Indian states spread over 27 fiscal years. The findings confirm that there is a link between expenditure measures and political determinants (political ideology, electoral cycle, strength of the opposition etc.).
 - Focused more on current, capital and total expenditures.
 - Well-supported governments are found to be associated with increasing capital expenditure.

Discussion for Further Considerations

- Why beginning from 1980?
 - Military dominance can be dated far back at least to 1957-1963 (Sarit Tanarat) or even earlier.
- Results seem rather mixed.
 - Functional allocation by ministries capture a very *general* overall budget allocation. Perhaps, looking into capital/current ratio of the expenditure within the ministry and/or ministerial budget compositions might show a clearer picture (?)
 - Can municipal/non-municipal shares within each ministerial budget reflect political influence on the budget allocation?
- The linkage between political objectives/incentives (such as, for eg., the said populist incentives) and the budget allocation could have been better reflected and identified by, say, referring to some concrete historical incidences from the past.

References

- Dash, B. B. and A. V. Raja (2013) “Do political determinants affect the size and composition of public expenditure? A study of the Indian states,” *International Review of Economics*, 60: 293-316.
- Pungprawat, K. (2009) “Budgeting system and Bureau of the Budget in Thailand,” *Chulalongkorn Journal of Economics*, 21(1): 49-71.