

**POLITICAL BUSINESS CYCLES IN THAILAND, 1979-1992:
GENERAL ELECTION AND CURRENCY IN CIRCULATION**

Anusorn Limmanee

**Research Report Submitted to Institute of Thai Studies,
Chulalongkorn University, 1995**

**POLITICAL BUSINESS CYCLES IN THAILAND, 1979-1992:
GENERAL ELECTION AND CURRENCY IN CIRCULATION**

Anusorn Limmanee

b 14504686
I 16773275

**Research Report Submitted to Institute of Thai Studies
Chulalongkorn University**

December 1995

ACKNOWLEDGMENTS

This work could not be completed without various kinds of help from a number of persons. Only some of them, however, are mentioned here. First of all, I would like to express my gratitude to Mr. Somlak Hirunburana and Mr. Woratep Waitayawiroj at Bank of Thailand for providing me with the data on regional currency in circulation. I also feel indebted to some of my colleagues at Faculty of Political Science, Chulalongkorn University. Among them are Professor Pomsak Phongphaew who gave some interesting suggestion and information on vote buying in other democracies and Professor Prudhisin Jumbala, Dr. Michael Nelson and Dr. Pranee Tipayaratana who read my first draft and made their constructive comments. Many graduate students, particularly Pranas pintoptaeng, Suwan Budit, Maneerat Mitrasart and Korakoch Sirichoke were of considerable assistance in various stages of this work. All of them deserve my thanks.

As a pioneering work on political business cycles in Thailand and an attempt to develop a politico-economic model in the Thai political context, this piece of research is inevitably prone to, at least, weak points in its theoretical model and methodology, not to mention some writing errors. The responsibility here is certainly mine.

Anusorn Limmanee

ABSTRACT

In an attempt to prove that political business cycles appeared in Thailand between 1979 and 1992, this study develops an electoral spending model of political business cycles and carries out an empirical test. It is hypothetically argued by this study that owing to excessive spending by electoral candidates for their campaign and vote buying, political business cycles in Thailand has been expressed as cycle of currency expansion during campaigning and election months.

It was found that on the one hand, on a national scale, an obvious political business cycle appeared in the 1986 and 1988 elections, while an unclear but possible one was seen in 1992 in the first and second elections. On the other hand, a number of regional business cycles were discovered in the four elections held between 1986 and 1992; four in the Northeast, three in the North and three in the Central Plains. In the South there were two obvious political business cycles and an inconclusive one during the period. The finding, therefore, support the proposed model.

CONTENTS

CHAPTER 1.	INTRODUCTION	1
	Policy Manipulation Models of Political Business Cycle	1
	Electoral Spending Model of Political Business Cycle in Thailand	4
	Hypotheses and Measurement	10
	Organization of Study	11
CHAPTER 2.	ELECTION AND POLICY MANIPULATION IN THAILAND	13
	Elections Without Participation by Key Incumbents	13
	General Elections and Growth of GDP Per Capita	15
	General Elections and Unemployment	17
	General Elections and Interest Rates	18
	General Elections and Inflation	20
	State Expenditures and MP's Popularization	22
CHAPTER 3.	ELECTION AND CURRENCY GROWTH ON THE NATIONAL SCALE	24
	The 1979 General Election and Growth of Currency in Circulation	25
	The 1983 General Election and Growth of Currency in Circulation	27
	The 1986 General Election and Growth of Currency in Circulation	29
	The 1988 General Election and Growth of Currency in Circulation	31
	The 1992 Two Elections and Growth of Currency in Circulation	33
	General Elections and Growth of Currency in Circulation: A Comparison	37

CHAPTER 4.	ELECTION AND CURRENCY GROWTH AT REGIONAL	
	LEVEL	39
	General Elections and Growth of Currency in the North	39
	General Elections and Growth of Currency in the Northeast	44
	General Elections and Growth of Currency in the Central	
	Plain	48
	General Elections and Growth of Currency in the South	52
CHAPTER 5.	CONCLUSION AND DISCUSSION	57
	Direct Participation of Businessmen and Their Political	
	Investment	59
	Poverty, Competitiveness and Regional Difference	61
	Vote Turnout and Implication for Further Study	64
	Electoral Spending and Thai Politics	65
	SELECTED BIBLIOGRAPHY	69
	APPENDICES	74

LIST OF TABLES

2.1	Incumbent Prime Ministers and Ministers of Finance in Six General Elections	14
2.2	GDP Per Capita and Growth Rates, 1979-1992	16
2.3	Labor Force and Unemployment, 1978-1992	17
2.4	Bank of Thailand's Loan Rates in Four Election Years	19
2.5	Consumer Price Indices and Rates of Change in Five Election Years	21
3.1	Currency in Circulation and Its Growth Rates, 1978-1980	26
3.2	Selected Notes in Circulation between March and May 1979	27
3.3	Currency in Circulation and Its Growth Rates, 1981-1983	28
3.4	Selected Notes in Circulation between March and May 1983	28
3.5	Currency in Circulation and Its Growth Rates, 1984-1986	30
3.6	Selected Notes in Circulation between June and August 1986	30
3.7	Currency in Circulation and Its Growth Rates, 1987-1989	32
3.8	Selected Notes in Circulation between June and August 1988	33
3.9	Currency in Circulation and Its Growth Rates, 1990-1992	35
3.10	Selected Notes in Circulation between February and April 1992	35
3.11	Selected Notes in Circulation between August and October 1992	36
3.12	Growth of Currency in Circulation in Five Election Years	37
4.1	Currency in Circulation and Its Growth Rates in the North, 1986-1992	41
4.2	Selected Notes in Circulation in the North between June and August 1986	41
4.3	Selected Notes in Circulation in the North between June and August 1988	42
4.4	Selected Notes in Circulation in the North between February and April 1992	42
4.5	Selected Notes in Circulation in the North between August and October 1992	43
4.6	Currency in Circulation and Its Growth Rates in the Northeast, 1986-1992	44
4.7	Selected Notes in Circulation in the Northeast between June and August 1986	45

4.8	Selected Notes in Circulation in the Northeast between June and August 1988	46
4.9	Selected Notes in Circulation in the Northeast between February and April 1992	46
4.10	Selected Notes in Circulation in the Northeast between August and October 1992	47
4.11	Currency in Circulation and Its Growth Rates in the Central Plain, 1986-1992	49
4.12	Selected Notes in Circulation in the Central Plain between June and August 1986	49
4.13	Selected Notes in Circulation in the Central Plain between June and August 1988	50
4.14	Selected Notes in Circulation in the Central Plain between February and April 1992	50
4.15	Selected Notes in Circulation in the Central Plain between August and October	51
4.16	Currency in Circulation and Its Growth Rates in the South, 1986-1992	52
4.17	Selected Notes in Circulation in the South between June and August 1986	53
4.18	Selected Notes in Circulation in the South between June and August 1988	54
4.19	Selected Notes in Circulation in the South between February and April 1992	55
4.20	Selected Notes in Circulation in the South between August and October 1992	56
5.1	Electoral Candidates and MPs by Occupation, 1986-1992	60
5.2	Businessmen-turned Politicians as Proportion of Total Candidates, 1986-1992	60
5.3	Gross Regional Product Per Capita at Current Market Price, 1979-1992	62
5.4	Degree of Electoral Competitiveness by Region, 1979-1992	63
5.5	Actual Voters as Proportion of Eligible Voters, 1986-1992	64

CHAPTER 1

INTRODUCTION

The close relationships between politics and economics in democratic society have long been observed and scrutinized by a number of social scientists. As an important political process, general election is often pointed out to bring about some short-run economic effects. Studies on the relationship between this democratic process and some economic outcomes have been theoretically and empirically made for a long time and known later on as political business cycle or electoral economic cycle. Nevertheless, most of empirical works on political business cycle dealt mainly with Western democracies and to much lesser extent with non-Western countries. A basic reason is that the late and often disrupted democratization in those developing societies makes it rather difficult to observe this relationship.

After some periodical failures of its democratization, Thailand has experienced fairly successive democracy since 1979, albeit a short interruption by the 1991 coup d'etat. From 1979 to 1992 six general elections, approximately one per two years and four months, were held. Despite this seeming institutionalization of electoral process in Thai society, no systematic study on electoral economic cycle in Thailand, however, has ever been conducted. This study is, therefore, an attempt to bridge the academic gap by answering two basic questions of political business cycle. First, was there electoral economic cycle in Thailand? Second, if it existed, what form did it take? It is argued here that there was political business cycle in Thailand but its form was different from that of Western democracies.

Policy Manipulation Models of Political Business Cycle

Western scholars have conducted their active inquiry on political business cycle since the first half of the 1970s. Pioneering works are those by, for example, Nordhaus (1975), MacRae (1977), Frey (1978-a), and McCallum (1979). In spite of their different approaches to the politico-economic study (Alt and Chrystal, 1983: 106-125 ; Nordhaus, 1989: 3-6), most political business cycle theorists concur on a premise that owing to political

rates of employment and inflation, while between 1957 and 1960 and between 1969 and 1972 they did not have any significant relationship.

On the contrary, the studies in 1978 by Frey on the case of the United Kingdom and by McCallum on the US case tended to disprove the policy manipulation models of political business cycle. Frey(1978-a) studied the impact of general election on unemployment and inflation in the United Kingdom during the 1967-1970 and 1971-1974 periods. He did not find any strong and significant association between each election on the one hand and rate of unemployment and inflation on the other hand during the two periods. In defense of the models Frey attributed this unsatisfactory finding to the stronger influence of international economic forces which obscured the electoral economic cycle in the country. A test of the Nordhaus' model by McCallum(1978) also failed to provide any substantial evidence in favor of the models. He came to a simple conclusion that the US administrations between 1948 and 1974 seemingly did not try to manipulate unemployment rates in the manner hypothesized by the models.

Nevertheless, an empirical work by Tufte(1980) gave a convincing support to the policy manipulation models of political business cycle. He could prove in his highly praised research that the presidential elections in the United States from 1948 to 1976 (except the period under Eisenhower Administration) contributed to the pre-election falls of unemployment rates and the gradual rises of inflation rate after the elections. In addition, Tufte also showed a cross-national association between general election and growth of income per capita. According to him, among 27 democracies under the coverage of his study 19 countries from 1961 to 1972 had their rates of growth of income per capita higher in the election years than in the other years. A study by Maloney and Smirlock(1981) on the application of fiscal and monetary policies by the US administrations for their electoral gain between 1957 and 1976 also suggested the existence of political business cycle in USA during the period. Their empirical finding indicated that fiscal policy was applied through the period, while monetary policy was manipulated by specific presidents to achieve their political goal.

Recent studies on political business cycle, however, have made a substantial adjustment of the models. Rejecting the prior Phillips' curve-based trade-off between unemployment and inflation as a result of government's manipulation of economic policies, they not only turned to focus mainly on the role of electoral cycle in macroeconomic policy (Grier, 1987; Rogoff and Sibert, 1988; Rogoff, 1990; Williams, 1990) but also included the

models in some more comprehensive politico-economic models(Alesina and Rubini, 1992; Alesina, Londregan and Rosenthal, 1993). The basic hypothesis of government's policy manipulation for electoral gain, nevertheless, remained intact, whereas the same pattern of empirical findings has not changed. Like the former ones, some studies(Grier, 1987; Williams, 1990) tended to support the hypothesis, while others (Alesina and Roubini, 1992; Alesina, Londregan and Rosenthal, 1993) rejected it.

The policy manipulation models of political business cycle are arguably not applicable to the case of Thailand between 1979 and 1992, because some basic assumptions are not met. Most importantly all the incumbent prime ministers and ministers of finance during the six election periods were political outsiders who did not run for the elections. Presumably they had no electoral incentive to manipulate macroeconomic policy, though the Thai economy may be under their control. Under this condition each political party in the mostly coalition governments could not simply maximize popular votes through policy measures before the general elections, and each general election, thus, was not likely preceded by an improvement of government's economic performance. Despite elected politicians' influence on spending policy of the government, it was on long-term one not short-run measures preceding a general election. A brief empirical test on this argument will be carried out in Chapter 2.

Apart from the lack of policy manipulation by the government, the assumption that electors' preferences in economic outcomes are reflected in their voting behavior is unlikely in line with the behavior of most Thai voters. Their voting behavior has reflected their preferences of immediate economic gains rather than long-term economic outcomes. This will be expressed in part in the following model.

Electoral-Spending Model of Political Business Cycle in Thailand

To explore electoral economic cycle in Thailand where the policy manipulation model of political business cycle is unlikely applicable, a new model is necessarily created. This model, based on Thailand's political experiences and social context, argues here that political business cycle in Thailand from 1979 to 1992 has been expressed as cycle of currency expansion before an approaching general election. The rise of currency in

circulation can be noticed from one to two months preceding election day. The closer the election day, the more obvious the currency growth is. In other words, the model presupposes rapid growth of currency, an economic cycle, as a result of forthcoming election, a political cycle.

Money Politics and Currency Expansion

In this model a rise of currency in circulation before a general election is generated by excessive spending by electoral candidates mainly for their campaign and vote buying. Their surging demands for currency during a pre-election period triggers a drastic increase of short-run currency outflow. As a result, a great quantity of money in the form of currency is widespread before an election. Certainly election is money-oriented everywhere. Even in the United States a folklore says that candidate who spends the most always win (Alexander, 1984:20). But the spending is usually within the confine of the law and regulation. On the contrary, the politicians' expenditure in the recent elections in Thailand has been widely known to exceed the limit of the Election Act. According to the law, electoral expense by each contestant before 1992 must not be more than 300,000 baht and 1,000,000 baht since then. Nevertheless, actual spending has been apparently much higher than the legal limit and increasing over time. In the 1986 general election a new electoral candidate in a Northeastern province estimated that on average each politician had to spend at least four million baht to win the election. In a highly competitive constituency, however, a much higher sum of money was paid. Chuan Leekpai, a veteran politician from Trang, once pointed out that one of his rivals in the 1986 election spent fourteen million baht whereas the other seventeen million baht in their electoral campaign (Sombat, 1992-a:26). In 1992 it is said that to get elected a new candidate had to pay approximately ten million baht (Lakthai, 1992:28). In addition the spending has also risen rather rapidly. In some provinces a candidate's expenditure in a general election went up from around 30 million baht in 1983 to 40-50 million baht in 1988 (Issara et.al, 1992:19). The development of money politics in Thailand has consequently forced some veteran politicians to stop running for election. General Kriangsak Chommanand, a former prime minister, and Mr. Kraisorn Tantipong, many-time representative of Chiangmai, for example, singled out the cost as the basic reason for their early retirement (Siam Newsletter, 1988:815; Kraisorn, 1992:5).

Various electoral expenses in the recent elections, as indicated by Pichai(1987), Pornchai(1991), Thitinantana(1992), Sesthaporn (1991) and Sombat(1993), could be broadly classified into five main types. First of all was the campaigning expenditure, which, for each serious contestant, covered expenses on electoral campaign and public relations such as campaigning song, leaflets, posters and billboards, publicity, transportation and wages for campaigning manager and assistants. To familiarize voters in particular constituency with candidate's name and policy platform necessitated the expenses. In a cut-throat and/or neck to neck competition this kind of spending generally soared up because of campaigning intensification. Only this spending alone usually exceeded the legal limit.. To circumvent the constraint many politicians had others such as their canvassers or supporters pay for them.

The second type was vote buying. This kind of expenditure was aimed by politicians at either vote maximization for themselves or vote minimization for their arch rivals or both. In practice, candidates had to purchase voters' identification cards or to give money to voters in exchange for their votes. On the one hand, the purchase of identification cards was usually applied to voters expected to cast their ballots for the candidates' arch rivals. Without their identification cards the voters could not vote for their favorite politicians. By this way the candidates could effectively minimized their rivals' votes. On the other hand, they bought votes directly from any voters just to win an election. This vote maximization was not effective without voters' honesty or proper means for vote control. To buy vote was not just simply giving money to voters in exchange for their votes or identification cards whenever those candidates wanted to do so. However vote buying has been increasingly rampant in the recent elections. Only in the second 1992 election alone, an election-supervising committee called Poll Watch found 14,989 cases of vote-buying promises (Poll Watch, 1994:54).

Votes were mostly bought at the night before election day or ,if possible, the election day or at least a few days before the day in order to assure an effectiveness of vote buying. In some cases there were several rounds of vote buying. The first round has been known as "carpeting" - giving each voter between 20-30 baht as a self introduction of a candidate in a constituency. In the last round each voter normally obtained a higher sum of money depending on degree of competitiveness among politicians (Pichai, 1994:112-113). In terms of expense, before 1992 it ranged from 50 to 150 baht and since then from 100 to 500

baht to buy a vote (Matichon, October 10, 1988:9 ; January 27,1992:11; Ratana, 1992:16). In aggregate it is expectable that this led to a rising demand for specific kinds of bank note, particularly 10, 20, 50 and 100 baht note which could be easily used to buy votes.

The third one was the spending on hiring some vote canvassers or "hua kanaen". Most candidates needed some influential or highly respected persons in their constituency to secure votes for them through various means. They were paid both in kind and in money. The extent of this spending depended mostly on those canvassers' performance and the agreement between them and politicians. In recent elections the deal was based on candidates' scores acquired in each polling unit..

The fourth expenditure was on donation. To become more popular among voters some new comers or outsiders had to make substantial donations to communities in their constituencies practically through leaders of those communities. These expenses were mainly for construction or repair of, for example, road, school, temple, and community hall. Normally people in the communities did not feel being bought by those politicians but were indebted to them. At the same time the candidates justified their act as that for public goods. Furthermore this type of spending had to include the cost for throwing a self-introducing party, distributing some necessities to people, or giving scholarships to students in each candidate's constituency, not to mention donations to various kinds of parties organized by individual voters.

The last one was on bribery. If contestants were determined to win election at all cost ,despite unfavorable trend, they had to bribe electoral officials, especially those who worked in polling units. Corrupt officials could help them get a number of illegal votes or defeat their rivals in many ways. For instance, those officials simply put some ballots marked for particular candidates in polling boxes before or after polling time, or allowed candidates' men to vote repeatedly or to cast others' ballots, or even counted ballots incorrectly to increase scores for the favorable candidates. These malpractices were, however, possible only in remote and rural areas.

Among the election-related expenses, the spending on vote buying and campaign are expected by this model to be the biggest one and most conducive to each political business cycle. From the beginning of campaigning period to election day, all serious contestants had to spend for their campaign and an increasing number of them had to buy vote in order to win MP seats. Other expenses though important were not so costly or necessary as

the two expenses and not required to spend during each campaigning period. For example, money paid to canvassers was a small sum in comparison to the expenses on campaign and vote buying, while for some veteran politicians' donation could be frequently made before the period. Thus they would not pose any significant effect on currency in circulation. Between campaign and vote buying, the expense on the former is expected by this model to have less impact than that on the latter. The rampant and costly vote buying in the recent elections convinces this study that it is likely the most important factor of every political business cycle in Thailand. Its impact on the growth of currency in circulation before a general election can be seen in an unusual increase of demand for 10 baht, 20 baht, 50 baht and 100 baht notes. These bank notes were normally used by politicians to buy vote.

In aggregate terms the electoral spending by politicians in each general election generated an economic cycle- a cycle of steep currency expansion in the Thai economy. Prasong Soonsiri, former secretary general of the National Security Council, once said in a panel discussion that politicians all over the country spent around 3 billion baht in 1986 and 6 billion baht in 1988 and would spend no less than 10 billion in the forth-coming 1992 election(Kosoom, 1992:3). In the same way total expenses by politicians in the 1988 general election was indicated to exceed 6 billion baht by Bank of Thailand's pre-election estimate and 10 billion baht by the Ministry of Interior's post-election estimate(Sombat, 1992-b:28). Thus the electoral expenditure, particularly vote buying, would have a considerable effect. In comparison to normal expansion of currency in circulation in other non-election periods, this monetary growth was unlikely less substantial.

Region and Political Business Cycle

It is widely known that politicians' spending especially for vote buying in Thailand has been unequally practiced among the four regions. It is considered particularly acute in the North, the Northeast, and the Central Plain(Paisal, 1988:24). Nevertheless among the three regions the northeastern part has been the vote-buying champion from the beginning(Handley, 1992:12; Sompan et.al, 1992:5; Siam Rath Weekly Review, 1992:6). As the poorest and most populous region with certainly the lion's share of the parliamentary seats, the Northeast has long become the most interesting area for vote buyers. On the one hand, as a result of their poverty, a great number of voters in this region were ready to accept

the practice, whereas each politician could pay for a vote less here than in any other regions. On the other hand, its biggest share in the House of Representatives increased a winning chance for its electoral candidates. The Northeast, therefore, attracted numerous candidates from within and without the region. With the biggest number of voters to be paid and of contestants vying for the seats, this region is likely to have the most obvious political business cycle in the country. In other words pre-electoral growth of currency in circulation here is expected to be the highest. The second and the third ranks are presumably the North and the Central Plain respectively. The growth rate of currency as a result of vote buying in the South should be the lowest because of its politically active voters, its smallest number of parliamentary seats and perhaps its better standard of living.

Electoral Competitiveness and Participation of Businessmen

Apart from the relative poverty of each region mentioned above, some other factors like the degree of electoral competitiveness and the direct participation of businessmen in electoral politics may influence politicians' spending as well. As for the competitiveness, different number of seats in the House of Representative and electoral candidates in each region made election in some region more competitive than in other. The different degrees of electoral competitiveness among the regions probably explain in part the regional difference in the rate of currency growth, because more competitiveness normally means more spending by politicians.

The sharp rise of candidates from the business sector in the recent elections can be also pointed out as a cause of the pre-electoral cycle of currency expansion. These businessmen-turned politicians had more purchasing power and tendency to spend than those from other professional backgrounds. Of course this to large extent enabled them to be more successful in almost every election. The number and the proportion of the members with business background in the House of Representatives consequently went up. They grew in terms of number from 112 members after the 1979 general election to 164 members after the March 1992 election, while in proportion from 37.2 percent in 1979 to 45.5 percent in early 1992 (Rangsan, 1989:171-173; the Poll Watch, 1992:116-117). Apart from the electoral success, the increasingly stable democracy and the easier chance to become a cabinet member have persuaded many businessmen to run for election instead of playing politics behind the

scenes as in the past. Because of their economic status, they normally were wholeheartedly welcome by every political party, and some of them rose quickly to leading positions in the party and in the government within a short period(Banjunid, 1989:32).

It is generally believed in Thailand that the direct participation of businessmen in election has resulted in the rise of excessive spending for both campaign and especially vote buying, as they were often determined to defeat their rivals by whatever means, regardless of the cost.(Klaew, 1988; Krirkkiat, 1989; Kraisor, 1992; Kosoom, 1992). In analogy with the competition and investment by businessmen in the market, this practice is called "political business". Nevertheless, at present the term has the same meaning as money politics. Those who play politics by this way, therefore, become political businessmen, no matter whether they are former businessmen or not.

Summary of the Model

In summary this electoral-spending model of political business cycle argues that the political business cycle in Thailand between 1979 and 1992 has been characterized as a cycle of currency growth preceding a cycle of general election. The expansion of currency in circulation as a business cycle is generated by the advent of general election, a political cycle. Appearing periodically and repeatedly, this electoral-economic phenomenon is thus a cycle. In the case of Thailand the phenomenon is called political business cycle not merely in the aforementioned sense but also in the sense that it is caused by political investments of politicians who want to get elected. The political business cycle is expected to vary partially with region, degree of competitiveness in each region and number of candidates from business sector.

The form of currency expansion in this model is generally not different from that of other normal and seasonal expansions of currency in circulation. The only difference is that in this case the currency rises in a month before election and election month or just in election month and then declines in a month after election.

Hypotheses and Measurement

Based on the model, the following hypotheses will be empirically tested:

1) There was at least a political business cycle in Thailand between 1979 and 1992 in the form of currency expansion cycle preceding each general election.

2) Owing to vote buying, the growth of 10 baht, 20 baht, 50 baht and 100 baht notes were higher than 500 baht one.

3) The political business cycle was not equally obvious among the four regions. It was likely more noticeable in the Northeast, the North and the Central Plain respectively than in the South.

In terms of measurement, political business cycle is here operationalized as sharp growth of currency in circulation in campaigning period and particularly election month before a general election. The period lasts around two months some thing. The percentage of increase in amount of currency in circulation is employed as the indicator of the growth. The data on currency in circulation are provided by Bank of Thailand. The currency in circulation is officially composed of various notes and coins in circulation outside Bank of Thailand, but in this study five baht and one baht notes and coins, because of their small and unfluctuating amount, are not included.

The regional data of currency in circulation are reported by the branch of Bank of Thailand in each region except the Central Plain. The data on this region are obtained by subtracting the data at national level by those from the three regions.

To test the politicians' spending model a simple statistical techniques of result presentation- tabulation is applied. The finding is reported in terms of number and percentage. Although the limited cases (six cases) do not allow any technique of analytical statistics to be used, an analysis of frequency distribution is likely sufficient for testing the model empirically.

Apart from the test of hypothesis, some possible associations between political business cycle and participation of businessmen in electoral politics, gross regional product per capita and regional degree of electoral competitiveness are tentatively examined and discussed whether there are some implications of their strong relationships. It is expected that this probably yields something useful for further study.

Organization of Study

In addition to the discussion on the models and the hypotheses and measurement in this chapter, this study begins with a brief test of the policy manipulation

model in Chapter 2 to show that it cannot be applied to the case of Thailand between 1979 and 1962. The test of the electoral-spending model of political business cycle is carried out in Chapter 3 and Chapter 4. The former deals specifically with the electoral-economic cycle on the national scale, while the latter with the cycle at the regional level. Chapter 5-the last one covers this study's conclusion and discussion on implications of relationships between political business cycle and participation of businessmen in electoral politics, gross regional product per capita and regional degree of competitiveness.

CHAPTER 2

ELECTION AND POLICY MANIPULATION IN THAILAND

The policy manipulation models of political business cycle, as discussed in the first part of Chapter 1, simply argue that a short-run business cycle before a general election results mainly from applications of spending and monetary measures by ruling party or incumbent president to maximize popular votes for the forthcoming election. As a general election is approaching some signs of business cycle often show up. On the one hand if spending policy is manipulated, a rapid growth of gross domestic product and income per capita or a sharp plunge of unemployment rate, for example, usually appear before the election. In this case a high rate of inflation likely follows thereafter. On the other hand if monetary policy is applied, a fall of interest rate often comes up. An approach of a general election, therefore, tends to go hand in hand with those forms of economic fluctuation. Nevertheless, this can hold true only on the condition that the incumbent policy makers want to maintain their status quo through the election. Any form of business cycle is not expectable, so long as the key incumbents at the time, particularly the prime minister or the president and his minister of finance, do not take part as candidates or support a political party in the election. They unlikely have a political incentive to manipulate the policy measures under their control.

To prove that the policy manipulation models are hardly applicable to the case of Thailand in the six general elections this chapter begins with an indication of the special status of the key policy makers during the election periods and after that proceeds to a cursory test of the model. In the last part of the chapter a discussion is made on a special form of policy manipulation recently discovered in Thailand.

Elections without Participation by Key Incumbents

The six general elections in Thailand from 1979 to 1992 were arranged by the outsiders-led administrations. During the periods the key members of the cabinets who

took charge of macroeconomic policy in each government, namely, the prime minister and minister of finance did not run for each approaching election. The then constitution allowed them to assume the powerful positions without electoral participation. Their political status and role in each of the six elections were, therefore, different from career politicians. Without special interest and obvious stake in those elections, these prime ministers and ministers of finance could claim their impartiality.

Table 2.1

Incumbent Prime Ministers and Ministers of Finance in Six General Elections

Dates of Elections	Prime Ministers	Finance Ministers	Political Status
April, 22 1979	General Kriangsak Chommanan	Suphat Suthatham	Outsiders
April, 18 1983	General Prem Tinnasulanond	Sommaai Huntrakul	Outsiders
July, 27 1986	General Prem Tinnasulanond	Sommaai Huntrakul	Outsiders
July, 24 1988	General Prem Tinnasulanond	Suthee Singsaneh	Outsiders
March, 22 1992	Anan Punyarachun	Suthee Sinsaneh	Outsiders
September, 13 1992	Anan Punyarachun	Panas Simmasathian	Outsiders

Source: Siam Almanac, 1990-1991; Siam Chronicle, 1992

Among the six general elections, three were arranged by General Prem's, two by Mr. Anan's and one by General Kriangsak's government. The three political outsiders did not run for any forthcoming elections when they were prime ministers. Even after stepping down from the position General Prem and Mr. Anan have not ever taken part in an election. Only General Kriangsak ran for some later elections. Like the premiers, the four ministers of finance in those governments were also political outsiders who did not want to play electoral politics, even though some of them had experienced their powerful position for a long time.

In the Thai political context all political appointees are generally expected to be non-partisan trouble shooters and serve only national interest, otherwise they risk losing their legitimacy. Since they rise to power through non-electoral way, they have to depend their legitimacy on their own self-proclaimed or assigned duties and impartial performances. General Kriangsak, as a leader of the 1977 coup who took his premiership in 1978, pledged to bring democracy back and lessen the ideological conflicts in Thai society. The

democratization and the eradication of Communist influence had been further carried out by General Prem since 1980, after the poor economic performance and lack of sufficient support by the military, particularly an influential group called the Young Turks, forced General Kriangsak to resign. As for Mr. Anan, he served the country as prime minister twice. At first he was asked by the military junta who toppled the corruption-ridden government of General Chatichai in early 1991 to clear up the messes left by the former administration and restore Thailand's investment atmosphere and international credibility. After the May 1992 incident Mr. Anan was appointed again as care-taker prime minister, who took charge of arranging the second 1992 election.

To maintain his neutrality and to guarantee a smoothly run administration each outsider prime minister usually had to have his men in charge of some powerful ministries or at least ministry of finance. Minister of finance under this kind of premier was either former or present government official from the ministry or related agencies. Suphat Suthatham, Sommai Huntrakul, Suthee Singsneh, and Panas Simasathian, all falls into this category. Even in the coalition government led by General Prem this position was reserved for the prime minister's man. Professional politicians could be only deputy ministers with relatively unimportant role in economic policy making. Any application of fiscal and monetary policy by elected politicians for vote maximization in each approaching election was, therefore, hardly possible under these outsider-led governments.

General Elections and Growth of GDP Per Capita

In general the policy manipulation models of political business cycle expect a sharp rise of gross domestic product and income per capita preceding a general election as a result of vote-maximizing attempt by the ruling party or politicians mainly through spending policy. A cross-national study by Tufte(1980) on the relationship between election and growth of income per capita, for instance, gave a moderate support to this argument. Lacking time-series data on income per capita but having data on gross domestic product (GDP), this study uses GDP per capita to test this part of the policy manipulation models.

Table 2.2

GDP Per Capita and Growth Rates, 1979-1992

Year	At Current Market Price		At Constant 1972 Price	
	Baht	Percent	Baht	Percent
1979*	11977	11.5	6194	2.9
1980	13979	16.7	6410	3.5
1981	15671	12.1	6670	4.1
1982	16569	5.7	6803	2.0
1983*	18183	9.7	7154	5.2
1984	18996	4.5	7518	5.1
1985	19325	1.7	7641	1.6
1986*	20860	7.9	7874	3.0
1987	23454	12.4	8471	7.6
1988*	27737	18.3	9432	11.3
1989	32168	16.0	10400	10.3
1990	38910	21.0	11472	9.9
1991	44264	13.8	12170	6.5
1992*	49052	10.8	12904	6.0

*= Election Year

Source: National Economic and Social Development Board

It is notable in Table 2.2 that the growth rates of GDP per capita in the five election years were not significantly different from the years without general election. Although in 1983 and 1988 the growth rates were quite substantial in comparison to those in the preceding and following years, in other three election years, however, such pattern was not seen. The income per capita in 1979 and 1986 grew at much lower rate than that in the following year, whereas its growth in 1992 could not surpass the growth in the non-election year of 1991. In the 1983 and 1988 cases each of the two election years had just a slightly higher rate of growth than its following year, once the growth rates of GDP per capita at constant price were taken into consideration. The general elections between 1979 and 1992, thus, did not likely affect the growth of GDP per capita in those years. The high growth rates in some election years may result directly from some economic expansions rather than the policy manipulations for electoral gain. This finding certainly does not support the argument in the models.

General Elections and Unemployment

A general election is usually argued by the policy manipulation models to go hand in hand with a plunge of unemployment rate. According to the models, an increase of government spending in various programs before an upcoming election contributes to more works for the unemployed and consequently lowers rate of unemployment.. The empirical studies by Nordhause(1975), MacRae(1977) and Tufte(1980) gave some evident supports to the argument.

Table 2.3

Labor Force and Unemployment, 1978-1992

Year	Labor Force** (Million Person)	Unemployed	Unemployment Rate (Percent)
1978	21.9	0.2	0.7
1979*	21.4	0.2	0.9
1980	22.7	0.2	0.9
1981	24.6	0.2	0.8
1982	25.7	0.9	3.5
1983*	25.8	0.6	2.4
1984	26.7	0.6	2.3
1985	27.1	1.0	3.7
1986*	27.7	1.0	3.5
1987	29.4	1.7	5.8
1988*	30.3	0.9	3.1
1989	31.2	0.4	1.4
1990	31.7	0.7	2.2
1991	31.8	1.0	3.1
1992*	32.4	1.0	3.1

*= Election Year

**= Prior to 1986, the labor force refers to the population aged 11 years and over, thereafter, the labor force definition has been changed to refer to the population aged 13 years and over.

Source: 1978-1990 Asian Development Bank (1992)

1991-1992 Bangkok Bank's Economic Journal (1993)

It seems fairly obvious in Table 2.3 that unlike the studies by Nordhaus, MacRae, and Tufte, the six general elections in Thailand did not generate a consistent pattern of sharp fall of unemployment. In comparison to their preceding years, the unemployment rates in three election years, namely, 1983, 1986 and 1988 went down. The other three elections-one held in 1979 and two in 1992 -did not see any plunge of unemployment rates. The finding is therefore mixed. Nevertheless since the three elections from 1983 to 1988 took place during the period of economic recovery and boom and the other three during the period of either economic slump (1979) or sluggish growth (1992) in Thailand, the rates of unemployment in the five election years were likely affected rather by the economic conditions than by any political manipulations.

General Elections and Interest Rates

As a policy measure applied by ruling incumbents for their vote maximization, a reduction of interest rate is claimed by the policy manipulation models to be seen before a general election. By lowering interest rate, voters can spend more for consumption and pay less for loans, albeit obtaining less from their deposits. This usually satisfies those voters and consequently produces more votes for the incumbent politicians. As pointed out in Chapter 1, a study by Maloney and Smirlock (1981) tends to support the argument. They discovered some manipulation of monetary policy by specific US presidents between 1957 and 1976 for the sake of their electoral advantage. In our test of the models here the monthly loan rates in Thailand's four out of five election years are available for consideration.

Table 2.4
Bank of Thailand's Loan Rates in Four Election Years

(Percent)					
Month	Year:	1983	1986	1988	1992
January		11.5	11.0	8.0	11.0
		13.0	12.0		
February		11.5	11.0	8.0	11.0
		13.0	12.0		
March		11.5	10.0	8.0	11.0*
		13.0	11.0		
April		11.5*	10.0	8.0	11.0
		13.0*	11.0		
May		11.5	10.0	8.0	11.0
		13.0	11.0		
June		11.5	10.0	8.0	11.0
		13.0	11.0		
July		11.5	9.0*	8.0*	11.0
		13.0			
August		11.5	9.0	8.0	11.0
		13.0			
September		11.5	8.0	8.0	11.0*
		13.0			
October		11.5	8.0	8.0	11.0
		13.0			
November		11.5	8.0	8.0	11.0
		13.0			
December		13.0	8.0	8.0	11.0
		14.5			

* = Loan rate in election month

Source: Bank of Thailand

Among the four election years with available data, only 1986 experienced a fall of lending rate in the election month. The loan rates in the other three years with four elections did not went down before elections or in the election months. As a matter of fact

they were mainly stable except a rise in December 1983. Even in the exceptional reduction of interest rate in 1986, if it resulted from the government's manipulation of monetary policy for its electoral gain, the loan rate should be lowered before the election month. But obviously it was not. A long history of the central bank's conservative monetary policy and its high degree of autonomy made it almost impossible for the interest rate to be reduced as a result of electoral manipulation. Thus the fall of loan rate in July 1986 was more likely a measure for dealing with a pure economic cycle than that for generating a political business cycle.

General Elections and Inflation

Based on the Phillips Curve's trade-off between unemployment and inflation, the policy manipulation models of political business cycle expect higher inflation rates after a general election. Various measures like raising government expenditures, decreasing taxes, and lowering interest rates applied by the ruling government can stimulate an increasing employment and subsequently rising inflation, because they create more demands which result in higher prices (Andrain, 1980:142). A general election is therefore not only preceded by falling unemployment but also followed by rising inflation. The empirical studies by Nordhause (1975) and Tufte(1980) confirm this close relationship between general election and post-election inflation.

Table 2.5

Consumer Prices Indices and Rates of Change in Five Election Years

Month	1979		1983		1986		1988		1992	
	(1976=100)	(1976=100)	(1976=100)	(1976=100)	(1976=100)	(1976=100)	(1976=100)	(1976=100)	(1986=100)	(1986=100)
	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)	(1)	(2)
January	119.1	-	182.1	-	195.5	-	205.8	-	128.2	-
February	120.0	0.8	183.5	0.8	195.5	0.0	207.7	0.9	128.7	0.4
March	121.0	0.8	183.9	0.2	196.4	0.5	208.5	0.4	128.3*	-0.3*
April	122.3*	1.1*	185.5*	0.9*	196.8	0.2	209.2	0.3	128.8	0.4
May	124.0	1.4	187.8	1.2	197.6	0.4	209.5	0.1	130.7	1.5
June	124.9	0.7	188.4	0.3	197.6	0.0	209.8	0.1	131.3	0.5
July	128.4	2.8	188.6	0.1	197.5*	-0.1*	210.0*	0.1*	131.6	0.2
August	130.3	1.5	190.1	0.8	198.2	0.3	211.0	0.5	132.7	0.8
September	133.1	2.1	191.1	0.5	199.0	0.4	213.0	0.9	132.8*	0.1*
October	135.6	1.9	191.3	0.1	199.6	0.3	214.0	0.5	132.6	-0.1
November	135.9	0.2	192.1	0.4	199.5	-0.1	213.3	-0.3	131.9	-0.5
December	136.6	0.5	190.2	-1.0	199.1	-0.2	212.9	-0.2	131.4	-0.4

(1)= Consumer price indices (2)= Percent of change

*= Consumer price index and Percent of change in election month.

Source: Bank of Thailand

The policy manipulation models' assumption of rising inflation after a general election is not strongly supported by the finding. The mostly slight increases of monthly inflation rate in the three-month periods after the general elections between 1979 and 1992, together with the negative growth of inflation rate following the second general election in 1992, could not convince that the fluctuations of inflation rates resulted from some applications of policy measures by the vote-maximizing government. Had the ruling administrations intentionally used spending or monetary policy for their political purpose, the post-election rates of inflation growth would have been much higher than these ones. By and large the inflation rates after the six general election were neither unusually high nor significantly different from those in the other periods.

It seems quite clear from the above findings that the policy manipulation models of political business cycle are hardly applicable to the case of Thailand between 1979

and 1992. Their policy based explanation does not fit well with the recent political science in which professional politicians have not yet fully taken charge of policy making. During the period major policies like the fiscal and monetary ones were beyond their direct control. To manipulate the policies for their political advantage, then, was almost out of question. But this does not mean that they did not take any advantage of their position for electoral gains. In fact politicians have pressured various policies of the state to fulfill their own and voters' demands. The spending policy has been long known to be one among the most easily influenced areas for those popularity-seeking politicians because it requires yearly legislative approval.

State Expenditures and MPs' Popularization

Knowing well that the approval authority over annual government budget is their main source of bargaining power, almost all members of the House of Representatives have unreluctantly used this decision making power to maximize their popularity in constituencies (Krirkkiat, 1989:33; Rangsan, 1993:3). This has been done through two ways—the legislative authorization and appropriation of state expenditures and the provincial development fund. On the one hand their leverage lies in the authorization and especially the appropriation of budgetary bill. After the authorization in the first reading of the Parliament, the bargaining power is usually concentrated mostly in the hands of members of the budget scrutiny committee who through their revision of appropriations by either objectives or agencies often cut government expenditures and pushed them into their constituencies (Kutep, 1994:3; Nipith, 1993:8; Matichon, February 6, 1995:15). This is why a majority of MPs have vied for seats in this powerful albeit ad hoc committee. Other MPs can also manipulate their authority in similar but less effective tactic by submitting their motion to the chairman of the committee for further amendment on unsatisfactory sections of the bill to the advantage of their constituencies in the second reading (Kutep, 1994; Sompoch, 1979:97; Siamrath, August 22, 1994:2).

On the other hand, since 1980 the government has allocated a fund for provincial development and empowered MPs to suggest and oversee the use of the fund in their provinces (The Nation, August 25, 1994: A8). The so-called MP's provincial development fund have from then become the most important tool for MPs to boost their popularity among voters (Matichon, February 6, 1995:15; Siam Post, August 13, 1994; Siamrath,

July 25,1994). This fund was mainly used for such projects as improving infrastructure and public buildings, promoting community activities and providing some medical services to the poor. It increased from 1.5 million baht per MP in 1980 to 4 million baht in 1990. Nobody wanted to scrap this fund because it benefited every side from MPs to voters.

It is fairly obvious in this chapter that unlike most western democracies, Thailand from 1979 to 1992 have not likely experienced a political business cycle resulting from policy manipulation before a general election. The findings in this chapter do not show any strong relationship between general elections and economic or monetary fluctuations. Nevertheless this just means that the Thai administrations during the period did not applied their economic-policy measures for electoral gains. But it does not means an absence of policy-manipulating attempt by politicians in the House of Representative. As a matter of fact they have pressured various state policies to satisfy their constituencies and maximize their popularity whenever they could do. As pointed out briefly in the final part of this chapter, their use and abuse of budget-approving authority to seek for popularity is a good example. However this did not produce a political business cycle because the manipulation of state expenditures have been normally made before the beginning of fiscal year not before an election. Since they could not manipulate economic policies of the state at will, those politicians had to apply other tactics to maximized their votes in each upcoming election.

CHAPTER 3

ELECTION AND CURRENCY GROWTH ON THE NATIONAL SCALE

Despite the failure of the policy manipulation models of political business cycle to detect the relationship between the general elections and some economic conditions in Thailand between 1979 and 1992, it does not mean that no political business cycle in any other form existed during the period. An implication from the finding in the previous chapter is just that before the general elections the then governments did not take any active part in raising their popularity through excessive spending and reducing interest rate. Yet Other tactics employed by politicians to maximize their popular votes, which consequently brought about some economic fluctuations before the elections, are not taken into account. This study proposes in its electoral spending model that political business cycle appeared in Thailand during the period in the form of currency expansion before each general election.

According to the model, a general election in Thailand tends to go hand in hand with a noticeable increase of currency in circulation, owing to great amount of spending by candidates for their campaign and vote buying. In other words, an approaching election triggers a rising demand of politicians for bank notes. As a consequence, a cycle of election generates a cycle of currency expansion. Approximately two months of intensive campaign and vote buying, particularly in election month, result in a quick and sharp rise of currency in circulation. This is followed by an obvious plunge of currency expansion after election.

It is, therefore, expected by the model that during approximately two-month period of electoral campaign or during election month itself currency in circulation grows up remarkably before going down rapidly in a following post-election month. This growth of currency, however, has to be differentiated from other seasonal and normal growths. Currency usually expands enormously at the beginning and the end of each year, because people spend a lot of money in many festivals, for instance Christmas, New Year, and Chinese New Year. It also normally increases in line with level of economic interactions among people. Expansions of people's consumption and economic exchanges contribute to growth of their demands for currency as medium of exchange. The seasonal and normal expansions of currency in circulation can obscure the election-generated one. Nevertheless all of the general elections under the coverage of this study were not held in the first and last two months of

the years, and economic interactions among people are usually consistent over time. Both of them, therefore, do not likely have any significant effects on our empirical analysis.

This chapter begins with a survey of the relationship between each general election and growth of currency in circulation respectively from 1979 to 1992 to find out whether there is an appearance of political business cycle or not. Apart from looking at the positive growth of currency in month immediately before election month and especially in election month together with its negative growth in a month following a general election, this part also pays particular attention to the relative growth of some selected bank notes in each election in order to detect some pattern of electoral spending and implication of their vote buying. High rates of growth in 50, 20 and 10 baht notes usually imply a high degree of vote buying because they are mostly used by politicians to pay each voter. The growth of both currency in circulation and different kinds of bank notes in each general election are compared with one another in the final part of the chapter to show how obvious this kind of political business cycle is.

The 1979 General Election and Growth of Currency in Circulation

After the promulgation of the 1978 Constitution, the first general election under this constitution was held in April 22, 1979. Despite a number of electoral contestants, neither voters nor politicians were much interested in this election. Forty four percent of total eligible voters cast their ballots, while in Bangkok only 19.45 percent of voters exercised their political right. The ratio of candidates per a seat in the House of Representatives was just 5.4. This means that approximately five politicians competed for a seat of MP Under Thailand's unstable democracy election has long been just a political sideshow for Thai voters. They could not expect any substantial change from each election. This is why the proportion of those who actually voted in every general election before 1979 except the one in January 1957 did not exceed 50 percent (Chai-anan, et.al, 1992:63). As for politicians, the semi-democracy under the military hegemony did not allow them to play an important role in Thai politics. By the time they had apparently limited chance to be appointed as members of the cabinet, let alone the prime minister. Under this situation an obvious political business cycle seems unexpected because most electoral candidates had no incentive for political investment in this election.

It is obvious in Table 3.1 that neither substantial rise of currency in circulation in the campaigning period nor its positive growth in the election month appeared in the 1979 election. Instead its growth rate went down from 0.1 percent in March to -1.5 percent in April, though the plunge was not so sharp as those in the same months of 1978 and 1980. Nevertheless the pattern of currency growth between March and May 1979 was, in general, similar to those in both years (see Appendix 1). An implication from the finding is that there was unlikely much spending among politicians in the 1979 general election. Their aggregate demand for currency was thus not high enough to reverse the negative trend in the normal movement of currency. As a consequent, no obvious political business cycle occurred.

Table 3.1

Currency in Circulation and Its Growth Rates, 1978-1980

(Millions of Baht and Percent)

	1978		1979		1980	
	Currency	Growth	Currency	Growth	Currency	Growth
January	33738	9.2	40731	10.6	46997	6.3
February	35003	3.7	40559	-0.4	50081	6.6
March	34297	-2.0	40602*	0.1*	48541	-3.1
April	33604	-2.0	39981**	-1.5**	46884	-3.4
May	33151	-1.3	39234***	-1.9***	45661	-2.6
June	32067	-3.3	38114	-2.8	44844	-1.8
July	31861	-0.6	37809	-0.8	45104	0.6
August	31572	-0.9	38290	1.3	45344	0.5
September	32119	1.7	38946	1.7	45217	-0.3
October	32769	2.0	39814	2.2	46001	1.7
November	33727	2.9	40365	1.4	47147	2.5
December	36830	9.2	44226	9.6	50911	8.0

* = Currency in circulation and its growth rate in month before election month.

** = Currency in circulation and its growth rate in election month

***= Currency in circulation and its growth rate in month after election month.

Source: Basic data from Bank of Thailand

Table 3.2
Selected Notes in Circulation between March and May 1979
(Millions of Baht and Percent)

Bank Note	March		April*		May	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	10,444	4.9	10,630	1.8	10,720	0.8
100 Baht	25,929	-1.6	25,210	-2.8	24,424	-3.1
20 Baht	1,853	-1.3	1,813	-2.2	1,770	-2.4
10 Baht	2,376	-1.4	2,328	-2.0	2,320	-0.3

*= Election month

Source: Basic data from Bank of Thailand

Once the growth of some bank notes during the period is taken into account, no trace of political business cycle is found either. Except 500 baht note, no other bank note had positive growth in the month before election month and in the election month. Unlike what expected in the model, their growth rates did not went up in March and April and down in May. Rather they plunged throughout the three months. As for 500 baht note, in spite of its successive positive growth, the growth, however, ceased to follow the pattern specified by the politicians-spending model. Certainly it mounted in March- the month before election month and April- the election month but it failed to decrease in May. The finding in this part tends to confirm that no political business cycle existed in the 1979 general election.

The 1983 General Election and Growth of Currency in Circulation

Four years after the previous general election, a new one was held in April 18, 1983. Compared to the pattern of relationship between election and expansion of currency circulation in 1979, its association with currency growth looks quite similar. We do not see any positive growth of currency in circulation in March and April 1983. After the seasonal expansion in January and February, the 1983 currency in circulation went down successively

from March to August. This form of currency growth was not different from those in 1981 and 1982 (see Appendix 2).

Table 3.3

Currency in Circulation and Its Growth Rates, 1981-1983

(Millions of Baht and Percent)

	1981		1982		1983	
	Currency	Growth	Currency	Growth	Currency	Growth
January	54,722	7.5	57,487	10.1	60,444	2.6
February	55,944	2.2	57,223	-0.5	65,281	8.0
March	54,395	-2.8	56,102	-2.0	62,194*	-4.7*
April	54,219	-0.3	55,326	-1.4	62,047**	-0.2 **
May	52,829	-2.6	54,479	-1.5	60,243***	-2.9***
June	49,314	-6.6	52,254	-4.1	58,511	-2.9
July	48,014	-2.6	51,606	-1.2	58,136	-0.6
August	47,903	-0.2	51,611	0.0	57,343	-1.4
September	47,466	-0.9	52,117	1.0	58,629	2.2
October	47,664	0.4	52,876	1.5	60,002	2.3
November	47,704	0.1	53,232	0.7	60,200	0.3
December	52,214	9.4	58,923	10.7	65,168	8.2

* = Currency in circulation and its growth rate in month before election month.

** = Currency in circulation and its growth rate in election month.

***= Currency in circulation and its growth rate in month after election month.

Source: Basic data from Bank of Thailand

Table 3.4

Selected Notes in Circulation between May and May 1983

(Millions of Baht and Percent)

Bank Note	March		April*		May	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	28,451	-2.0	28,933	1.7	28,404	-1.8
100 Baht	28,161	-7.0	27,512	-2.3	26,404	-4.0
20 Baht	2,392	-6.0	2,411	0.8	2,337	-3.1
10 Baht	3,190	-6.6	3,191	0.0	3,098	-2.9

* = Election month.

Source: Basic data from Bank of Thailand

While Table 3.3 seems to suggest that there was no political business cycle in 1983, Table 3.4 points out some implication. The 500 and 20 baht notes, in line with the model, grew up in April and went down in May. This pattern of growth, however, did not appear at all in 100 baht notes and clearly in 10 baht notes. The finding, therefore, is quite mixed. At most what we can say is that in general the spending by politicians during the election was not excessive enough to result in a clear political business cycle, though the growth of some bank notes seemingly showed a possible existence of mild vote buying.

The 1986 General Election and Growth of Currency in Circulation

Around three months after Prime Minister Prem's dissolution of the Parliament, Thai voters had to cast their ballots again in July 27, 1986. As the third general election since the promulgation of the 1978 Constitution, Thai people seemed increasingly familiar with this political process, whereas politicians became more confident in the parliamentary democracy. To some extent this was witnessed by the relatively high rate of popular participation in this election. Voting turnout in the 1986 election was reported to go up to 61.47 percent, compared to 43.90 percent in 1979 and 50.76 percent in 1983. At the same time candidates' number rose from 1626 in 1979 and 1893 to 3813. The increasing number of electoral contestants, however, went hand in hand with their higher spending.

Table 3.5
 Currency in Circulation and Its Growth Rates, 1984-1986
 (Millions of Baht and Percent)

	1984		1985		1986	
	Currency	Growth	Currency	Growth	Currency	Growth
January	71,213	9.3	69,100	0.1	72,818	2.3
February	68,139	-4.3	73,178	5.9	76,451	5.0
March	67,268	-1.3	69,855	-4.5	74,701	-2.3
April	66,777	-0.7	69,396	-0.7	73,481	-1.6
May	63,973	-4.2	67,349	-2.9	71,833	-2.2
June	62,129	-2.9	65,278	-3.1	70,022*	-2.5*
July	60,863	-2.0	64,541	-1.1	70,662**	0.9**
August	61,227	0.6	64,967	0.7	70,076***	-0.8***
September	61,405	0.3	64,625	-0.5	69,675	-0.6
October	61,090	-0.5	64,596	-0.0	71,363	2.4
November	62,656	2.6	65,930	2.1	72,684	1.8
December	69,025	10.2	71,149	7.9	78,937	8.6

* = Currency in circulation and its growth rate in month before election month.

** = Currency in circulation and its growth rate in election month.

***= Currency in circulation and its growth rate in month after election month.

Source: Basic data from Bank of Thailand.

Table 3.6
 Selected Notes in Circulation between June and August 1986
 (Millions of Baht and Percent)

Bank Note	June		July*		August	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	40,123	-2.0	40,246	0.3	40,082	-0.4
100 Baht	22,983	-4.5	23,100	0.5	22,833	-1.2
50 Baht	1,131	15.9	1,310	15.8	1,253	-4.3
20 Baht	2,298	-1.5	2,402	4.5	2,357	-1.9
10 Baht	3,487	-0.7	3,604	3.4	3,551	-1.5

* = Election month.

Source: Basic data from Bank of Thailand.

Despite the minus sign of currency growth in June, the observable surge of the growth with positive sign in the election month of July and the decrease of currency in circulation in August indicate a likely political business cycle. The expansion of currency in the election month and its immediate contraction afterward reflect a fluctuation of politicians' demand for currency before and after the 1986 election. This pattern of currency growth, albeit slight, fits fairly well the proposed model. In comparison to the growth rates in the same period of 1984 and 1985, a difference is fairly obvious (see Appendix 3). While the growth of currency in circulation in 1984 and 1985 became minus in June and July and turned positive in August, the one in 1986 became positive in July- the election month and turned negative in August. The difference, thus, denies a possibility of normal growth of currency in circulation.

A likelihood of political business cycle in the 1986 election is more confirmed, as the currency in circulation between June and August is broken down into some selected bank notes. Table 3.6 shows clearly that every kind of bank notes went up in July and down in August.. The growth of 50 baht note fits the politicians' spending model of political business cycle very well. It grew 15.9 and 15.8 percent in June and July and dropped 4.3 percent in August. A moderate increase of bank notes in the election month was also found in 20 baht and 10 baht notes. It is notable that these kinds of bank notes were reportedly in great demand before each election. They could be more easily and suitably used for vote buying than 100 baht and 500 baht notes. The substantial growth of the three kinds of notes, therefore, tends to suggest that the growth of currency in circulation in the election month resulted to certain extent from vote buying.

The 1988 General Election and Growth of Currency in Circulation

Apart from being held in the same month, the 1988 general election also brought about the same, though more obvious, pattern of currency growth as the 1986 one. As shown in Table 3.7, the 1988 growth rate of currency in circulation mounted 2.3 percent in July and plunged 3.0 percent in August. Although the 1987 pattern of currency growth in the same period looks similar to the one in 1988, the rates of growth do not fit the model so well as those in 1988. This is because the currency in circulation in 1987 grew just 0.8 percent in July and went down to just -0.4 percent. Nevertheless compared with the currency growth in

the same months in 1989 or even in 1984 and 1985, the one in 1988 shows a marked difference. An appearance of political business cycle in 1988 was, therefore, quite clear (see Appendix 4).

The political business cycle expresses it self more apparently, as the growth of some bank notes, especially 50 baht and 20 baht notes, is taken into consideration. The 3.7 and 12.9 percent expansion of 50 baht note in June and July respectively prior to its 8.6 percent contraction in August and the same pattern of expansion and contraction found in 20 baht note convinces that there was excessive spending by politicians, particularly for vote buying, in the 1988 general election. The extraordinary growth of both kinds of bank notes, widely used for vote buying, speaks for itself.

Table 3.7
Currency in Circulation and Its Growth Rates, 1987-1989
(Millions of Baht and Percent)

	1987		1988		1989	
	Currency	Growth	Currency	Growth	Currency	Growth
January	86,788	9.9	95,650	1.5	114,443	5.5
February	84,922	-2.1	101,258	5.9	114,603	0.1
March	83,644	-1.5	97,261	-3.9	113,711	-0.8
April	83,281	-0.4	98,372	1.1	114,148	0.4
May	80,881	-2.9	95,544	-2.9	111,086	-2.7
June	78,633	-2.8	95,531*	-0.0*	110,066	-0.9
July	79,238	0.8	97,755**	2.3**	109,627	-0.4
August	78,881	-0.4	94,771***	-3.0***	109,108	-0.5
September	79,794	1.2	96,188	1.5	110,580	1.3
October	81,877	2.6	96,034	-0.2	112,501	1.7
November	82,678	1.0	97,790	1.8	116,311	3.4
December	94,205	13.9	108,444	10.9	131,064	12.7

* = Currency in circulation and its growth rate in month before election month.

** = Currency in circulation and its growth rate in election month.

***= Currency in circulation and its growth rate in month after election month.

Source: Basic data from Bank of Thailand.

Table 3.8

Selected Notes in Circulation between June and August 1988

(Millions of Baht and Percent)

Bank Note	June		July*		August	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	61,672	0.7	62,593	1.5	61,144	-2.3
100 Baht	25,181	-1.8	25,830	2.6	24,746	-4.2
50 Baht	1,613	3.7	1,821	12.9	1,665	-8.6
20 Baht	2,584	0.1	2,796	8.2	2,678	-4.2
10 Baht	4,005	-0.4	4,252	6.2	4,105	-3.5

* = Election month

Source: Basic data from Bank of Thailand.

The 1992 Two Elections and Growth of Currency in Circulation

Thailand experienced another military coup in February 23, 1991, which disrupted but did not halt her democratization. A promise by the military junta- the National Peace Keeping Council or NPKC- to bring back democracy within short period and not to ban the existing political parties was well kept. Nonetheless two political developments after the power seizure produced some important impacts on the general elections in 1992. On the one hand a political collusion between the junta and some politicians to support the rise of General Suchinda Kraprayoon as non-elected prime minister after the 1992 first election triggered a mass opposition and a following blood-shed suppression by the government, which resulted in his step-down and a dissolution of the Parliament. Consequently another election was held in the same year. On the other hand the appointment of Mr. Anan Panyarachun, a bureaucrat-turned businessman with liberal and democratic mind, as the care-taker prime minister for the first time after the coup and for the second time after the resignation of General Suchinda made vote-buying more difficult. To make election clean and fair, Prime Minister Anan set up an independent committee called "Poll Watch" to supervise electoral process all over the country and report about any irregularities to concerned officials and the government. In both general elections the Poll-Watch played a significant role in discouraging unlawful spending by politicians and vote selling by voters though it had no real power.

Under these developments a less obvious political business cycle in each of the two elections is expectable.

The first 1992 election was held in March 22 -one year after the coup. Although a political business cycle was observable it was less clear and more dubious than those in 1986 and 1988. Of course the growth rate of currency in circulation became positive in March but did not turn negative in the following month as predicted by the model. Its positive growth in April was probably influenced by normal expansion of currency. The growth of currency in circulation in the same month of the two preceding years also showed positive sign. Given the influence of normal expansion, it means that the political business cycle was not strong enough to reverse some part of the normal fluctuation of currency. As a result, the positive growth of currency in April- the post-election month, was not in line with the model(see Appendix 5).

The existence of political business cycle was, however, confirmed after the currency in circulation between February and April 1992 was broken down into some selected bank notes. The pattern of currency growth specified by the model showed itself clearly in the growth of 100 baht, 50 baht and 20 baht notes. The three kinds of bank notes apparently rose in the election month and declined in April. Certainly their pattern of expansion implies some vote buying in this general election. What did not follow the model were the growth rates of 10 baht and especially 500 baht notes. The positive growth of 500 baht note with its great amount in April 1992 obscured the negative growth of other bank notes. It is obvious in Table 3.10 that the amount of 500 baht note in April was higher than the total amount of other notes . Since 500 baht note has been usually used more for other purposes than for vote buying, its positive growth in stead of negative one in April was possibly caused by a normal expansion of the bank note.

The second 1992 election took place in September 13. Again electoral contestants were under the close supervision of the Poll Watch. Most politicians, particularly those who used to support the military junta, seemed more careful in their spending for campaign and vote buying, otherwise risked increasing contempt by the public. As a consequence the growth of currency in the election month was, though positive, not high. As shown by Table 3.9, currency in circulation increased 1.0 and 0.3 percent in August and September respectively. But its positive growth in October ran against the expectation of the model. It is therefore questionable whether there was actually a political business cycle (see Appendix 5).

Table 3.11

Selected Notes in Circulation between August and October 1992

(Millions of Baht and Percent)

Bank Note	August		September*		October	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	123,316	-1.9	120,942	-1.9	123,103	1.8
100 Baht	29,878	1.4	30,434	1.9	30,310	-0.4
50 Baht	3,258	8.6	3,436	5.5	3,290	-4.2
20 Baht	4,657	5.6	4,801	3.1	4,819	0.4
10 Baht	5,307	0.8	5,222	-1.6	5,115	-2.0

* = Election month

Source: Basic data from Bank of Thailand.

It is found in Table 3.11 that only the growth of 100 baht and 50 baht notes fits the model of political business cycle, while that of 500 baht note do not agree to it at all. Regarding the growth of 20 baht and 10 baht notes, their pattern is mixed. On the one hand the increase of 20 baht note in August and September is quite well compatible with the model but its still positive growth, albeit slight, in October does not correspond with the expectation of the model. At most what we can suggest is that this is influenced by a normal expansion of this note in October. On the other hand the amount of 10 baht note rose in the campaigning month and went down in the election month and its following one. In this case its is likely that either this kind of note was demanded and used by politician mostly in August because of the early September election or it was just influenced by a normal fluctuation.

General Elections and Growth of Currency in Circulation: A Comparison

In the first part a relationship between each election and growth of currency in circulation has been detected to find out whether there was some political business cycle. It is observable that among the six general elections the political business cycle is not equally obvious. In some case it is easily visible while in other no association is seen. To reveal their diversity, the growth of currency in circulation in five years with six general elections are taken into comparative consideration in this part

Table 3.12

Growth of Currency in Circulation in Five Election Years (Percent)

	1979	1983	1986	1988	1992
January	10.6	2.6	2.3	1.5	5.1
February	-0.4	8.0	5.0	5.9	-3.8*
March	0.1*	-4.7*	-2.3	-3.9	0.6**
April	-1.5**	-0.2**	-1.6	1.1	1.5***
May	-1.9***	-2.9***	-2.2	-2.9	0.6
June	-2.8	-2.9	-2.5*	-0.0*	-4.0
July	-0.8	-0.6	0.9**	2.3**	-0.2
August	1.3	-1.4	-0.8***	-3.0***	1.0*
September	1.7	2.2	-0.6	1.5	0.3**
October	2.2	2.3	2.4	-0.2	2.5***
November	1.4	0.3	1.8	1.8	0.7
December	9.6	8.2	8.6	10.9	14.5

* = Growth of currency in month before election month.

** = Growth of currency in election month.

***= Growth of currency in month after election month.

Source: Basic data from Bank of Thailand.

As shown in Table 3.12, Four elections in 1986, 1988 and 1992 are discovered to have positive growth of currency in circulation in their election months. On the contrary in the 1979 and 1983 elections no positive growth of currency was found in April-

the month in which the two general elections were held. This suggests that among the six general elections political business cycle was likely to appear in just four elections. Nevertheless in terms of their conformity with the model, only the relationship between general election and currency growth in 1988 and 1986 fit the model closely, because the growth of currency in circulation in both cases went up in election month and down in following month. In the two general elections in 1992 though the growth of currency in circulation in election month was positive in the election month, it did not turn negative in the following month as expected by the model. The political business cycle in the two cases is, therefore, still questionable. However once the growth of bank notes in each election is taken into consideration, some trace of political business cycle is found in the three elections in 1983 and 1992. In terms of obviousness, we have two political business cycles with a high degree of obviousness and three political business cycles with a low degree. This, however, may result from the aggregate nature of the data at the national level. They will be broken down into regional level in the next chapter.

CHAPTER 4

ELECTION AND CURRENCY GROWTH AT REGIONAL LEVEL

The previous chapter has shown that a pattern of relationship between general election and growth of currency in circulation as pointed out by the politicians spending model of political business cycle was likely to exist in some of the recent elections. On the national scale the general elections since 1986 is found to have certain association with the growth of currency in election months. In some cases the relationship, however, does not fit the model of political business cycle so closely as expected. Probably the national level of analysis may obscure the real association. An analysis of the political business cycle at a subnational level is therefore required. In this chapter, owing to the limit of regional data, only the relationship between the general elections and the growth of currency in circulation from 1986 to 1992 is analyzed at regional level. The relationship is hypothesized to be unequally obvious among the four regions and more visible in the Northeast, the North and the Central respectively than in the South. Thus the political business cycle in Thailand is less likely to exist in the South than in any other regions.

General Elections and Growth of Currency in the North

Between 1986 and 1992 the North saw two obvious political business cycles in 1986 and 1988. There were a positive growth of currency in circulation in the campaigning and the election month and a negative growth in a following month of the 1986 and the 1988 election (see Appendix 6). The association between the two general elections and the changes of currency fits very well the electoral spending model of political business cycle. In 1986 the currency increased 22.5 percent in June and 4.3 percent in July before plunging 21.4 percent in August. This pattern is also found in 1988, as it grew 8.7 percent in June and 24.5 percent in the election month and went down 15.7 percent in the month after election month. The difference between the two elections is that the growth of currency in circulation in 1986 is higher in the month before election month and lower in the election month than in 1988. The high rates of currency growth in both elections seem to reflect clearly some vast spending by electoral candidates for campaign and vote buying.

As for the two elections in 1992 the association between each general election and growth of currency in circulation did not follow the model. In the March election the currency growth turned negative in both February and March and became positive in April after the election. Although in the September election it had a high positive rate in campaigning period, in the election month the currency growth showed a negative sign.

To elaborate the relationship in 1986 and 1988 and to lessen the existing confusion in the case of the two 1992 elections, the currency is broken down into several widely used notes. In the 1986 election, as shown in Table 4.2, except 500 baht note all kinds of bank notes increased considerably in the campaigning and election months. Most of them decreased in the month following the election month. In this case the growth of 100 baht, 50 baht and 10 baht notes was in accordance with the model and the amount of increase was big enough to reveal an obvious political business cycle. The expansion of the notes also implies some vote buying by politicians. Although the growth of 500 baht and 20 baht notes did not conform with the model, it could not obscure the association between election and currency growth.

Table 4.1
 Currency in Circulation and Its Growth Rates in the North
 1986-1992 (Millions of Baht and Percent)

	1986		1988		1992	
	Currency	Growth	Currency	Growth	Currency	Growth
January	1,018	-	1,195	-	1,863	-
February	664	-34.8	859	-28.1	1,401*	-24.8*
March	507	-23.6	788	-8.3	1,364**	-2.6**
April	642	26.6	818	3.8	1,471***	7.8***
May	581	-9.5	709	-13.3	1,520	3.3
June	712*	22.5*	771*	8.7*	1,369	-9.9
July	743**	4.3**	960**	24.5**	1,374	0.4
August	584***	-21.4***	809***	-15.7	1,768*	28.7*
September	806	38.0	798	-1.4	1,515**	-14.3**
October	728	-9.7	906	13.5	1,559***	2.9***
November	784	7.7	808	-10.8	1,556	-0.2
December	800	2.0	1,059	31.1	2,315	48.8

* = Currency in circulation and its growth rate in month before election month.

** = Currency in circulation and its growth rate in election month.

*** = Currency in circulation and its growth rate in month after election month.

Source: Basic data from Bank of Thailand.

Table 4.2
 Selected Notes in Circulation in the North between June and August 1986
 (Millions of Baht and Percent)

Bank Note	June		July*		August	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	328	32.3	317	-3.3	244	-23.0
100 Baht	267	10.8	292	9.4	221	-24.3
50 Baht	55	30.9	58	5.4	45	-22.4
20 Baht	22	4.8	30	36.4	31	3.3
10 Baht	40	37.9	45	12.5	44	-2.2

* = Election month

Source: Basic data from Bank of Thailand

Table 4.3
Selected Notes in Circulation in the North between June and August 1988
(Millions of Baht and Percent)

Bank Note	June		July*		August*	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	356	11.9	464	30.3	402	-13.4
100 Baht	264	11.9	289	9.5	261	-9.7
50 Baht	72	-5.3	101	40.3	66	-34.6
20 Baht	33	-5.7	50	51.5	35	-30.0
10 Baht	46	4.5	55	19.6	46	-16.4

* = Election month

Source: Basic data from Bank of Thailand.

A political business cycle is expressed clearly in 1988. Table 4.3 shows that the amount of every bank note in the North rose considerably in the election month and decreased in August -the month after the election. It is, however, remarkable that the expansion of 50 baht and 20 baht notes, which were widely used for vote buying, increased sharply only in the election month, while other kinds of notes had already risen since June. Certainly this also suggests a possible vote buying in the northern part of Thailand in the 1988 election. Relatively it is more likely than the one in the 1986 election.

Table 4.4
Selected Notes in Circulation in the North between February and April 1992
(Millions of Baht and Percent)

Bank Notes	February		March*		April	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	1,053	-22.6	948	-10.0	1,135	19.7
100 Baht	216	-34.5	251	16.2	211	-15.9
50 Baht	66	-12.2	78	18.2	52	-33.3
20 Baht	33	-30.9	43	30.3	33	-23.3
10 Baht	33	-32.2	44	33.3	40	-9.1

* = Election month

Source: Basic data from Bank of Thailand

The confusion found in Table 4.1 on the growth of currency in the March 1992 election is removed when the currency is broken down. The relationship between election and currency expansion in the North in this case is clouded by the big amount of 500 baht growth. It is quite clear in Table 4.4 that except that of 500 baht note, the amount of every note mounted dramatically in March and plunged steeply in the following month. In fact a political business cycle in the North did happen in the first general election of 1992. Again a possible vote buying is discovered.

Table 4.5

Selected Notes in Circulation in the North between August and October 1992
(Millions of Baht and Percent)

Bank Note	August		September*		October	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	1,104	3.9	1,044	-5.4	1,156	10.7
100 Baht	299	34.1	245	-18.1	228	-6.9
50 Baht	73	128.1	64	-12.3	54	-15.6
20 Baht	49	88.5	43	-12.2	45	4.6
10 Baht	52	73.3	25	-51.9	25	0.0

* = Election month

Source: Basic data from Bank of Thailand.

In the second election of 1992 a different pattern of association between general election and currency growth appeared. The growth rate of every note rose in the month before election month and went down in the election month. In the following month after election the amount of some bank notes increased again, whereas that of the other two still decreased. Of course this does not conform with the model. Nevertheless since the election was held in early September, politicians had probably withdrawn their money before the end of the month preceding the election. As a consequence the currency growth went up substantially in August instead of September and down considerably in September instead of October. However if this is the case, there was possibly a big vote buying in the region. Except 500 baht note, every kind of bank notes went up steeply. It ranged from 34 percent for 100 baht note to 128 percent for 50 baht one.

The political business cycle in the North can be said in general to exist apparently in three out of four elections between 1986 and 1992. Only in the election in September 1992 its existence is still questionable.

General Elections and Growth of currency in the Northeast

As expected, the relationship between the general election and the growth of currency in circulation in the Northeast from 1986 to 1992 was very obvious. Observably the amount of currency went up in the election month and down in the following month of each election (see Appendix 7). Of course this fits the model very well. Nevertheless the currency growth in three elections began from the campaigning period, while in another one it was seen only in the election month. In addition, the rate of currency growth in election month was much higher in the 1986 and 1988 than in 1992.

Table 4.6

Currency in Circulation and Its Growth Rates in the Northeast 1986-1992(Millions of Baht and Percent)

	1986		1988		1992	
	Currency	Growth	Currency	Growth	Currency	Growth
January	1,746	-	2,178	-	3,337	-
February	1,377	-21.1	1,553	28.7	2,481*	-25.6*
March	893	-35.1	1,449	-6.7	2,635**	6.2**
April	801	-10.3	1,340	7.5	1761***	-33.2***
May	968	20.8	1,032	-23.0	2,150	22.1
June	974*	0.6*	1,357*	31.5*	2,466	14.7
July	1,156**	18.7**	1,535**	13.1**	2,413	-2.1
August	1,111***	-3.9***	1,346***	-12.3***	2,913*	20.7*
September	1,358	22.2	1,556	15.6	2,989**	2.6**
October	1,308	-3.7	1,567	0.7	2,884***	-3.5***
November	1,549	18.4	1,756	12.1	3,304	14.6
December	1,808	16.7	2,255	28.4	4,722	42.9

* = Currency in circulation and its growth rate in month before election month

** = Currency in circulation and its growth rate in election month.

*** = Currency in circulation and its growth rate in month after election month.

Source: Basic data from Bank of Thailand.

When each election and each kind of bank notes in circulation are related to clarify each political business in the northeastern part of Thailand, some interesting associations become visible. In the 1986 election the movements of 50 baht, 20 baht and 10 baht notes were well consistent with the model. On the contrary those of 500 baht and 100 baht notes did not follow closely its expectation, because they were not down in August. The growth rates of the former in the pre-election period were also extraordinarily high. The amount of 50 baht and 20 baht notes, for in stance, rose in June 437 percent and 57 percent and in July 25 percent and 72 percent respectively. This seems to suggest that the political business cycle resulted mainly from the fluctuation of the former rather than the latter and from spending for vote buying rather than for campaigning. A basic reason is that 50 baht, 20 baht and 10 baht instead of 500 baht notes are more convenient and suitable for vote buying than for any other electoral purposes.

Table 4.7

Selected Notes in Circulation in the Northeast between June and August 1986
(Millions of Baht and Percent)

Bank Note	June		July*		August	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	317	-4.2	331	4.4	340	2.7
100 Baht	507	20.4	590	16.4	661	12.0
50 Baht	43	437.5	54	25.6	49	-9.3
20 Baht	44	57.1	76	72.7	24	-68.4
10 Baht	62	26.5	105	69.3	37	-64.8

* = Election month

Source: Basic data from Bank of Thailand.

The same pattern is also found in 1988. Table 4.8 reveals that the amount of 50 baht, 20 baht and 10 baht notes in the Northeast moved up steadily in June and July and down in the month following the election. As for 500 baht and 100 baht notes, though their amount expanded considerably in the same period, it did not contract after the election. The change of their amount, therefore, did not conform with the model of political business cycle.

Regarding the three kinds of bank notes, their steep growth in June and downward plunge in July still indicate a possibility of vote buying in this region's 1988 election.

Table 4.8

Selected Notes in Circulation in the Northeast between June and August 1988
(Millions of Baht and Percent)

Bank Note	June		July*		August	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	515	25.3	572	11.1	588	2.8
100 Baht	622	29.8	630	1.3	640	1.6
50 Baht	74	34.5	104	40.5	65	-37.5
20 Baht	57	78.1	95	66.7	20	-78.9
10 Baht	89	61.8	133	49.4	32	-75.9

* = Election month

Source: Basic data from Bank of Thailand.

Table 4.9

Selected Notes in Circulation in the Northeast between February and April 1992
(Millions of Baht and Percent)

Bank Note	February		March*		April	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	1,418	-33.4	1,513	6.7	1,279	-15.5
100 Baht	730	-22.7	607	-16.8	419	-31.0
50 Baht	96	6.7	246	156.2	28	-88.6
20 Baht	111	46.0	132	18.9	14	-89.4
10 Baht	126	27.3	136	7.9	21	-84.6

* = Election month

Source: Basic data from Bank of Thailand.

Unless the growth of 500 baht note and the successive contraction of 100 baht note are taken into account, the same pattern of relationship between general election and currency growth in the Northeast is seen again in Table 4.9. The amount of 50 baht, 20

baht and 10 baht notes grew up in the month before election and the election month and down after the election. Observably the growth of 50 baht note was very high. It increased 156.2 percent in March-the election month. At the same time the drop of 50 baht, 20 baht and 10 baht growth in April was also remarkably sharp. An occurrence of political business cycle and an implication of vote buying in this case are, therefore, very obvious. Regarding the growth of 500 baht note, it, unlike those in the 1986 and 1988 election months, turned positive in March and negative in April as expected by the model.

Table 4.10

Selected Notes in Circulation in the Northeast between August and October 1992
(Millions of Baht and Percent)

Bank Note	August		September*		October	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	1,610	-4.6	1,726	7.2	2,030	17.6
100 Baht	633	14.5	709	12.0	598	-15.7
50 Baht	141	171.1	171	21.3	35	-79.5
20 Baht	115	155.6	118	2.6	21	-82.2
10 Baht	119	56.6	113	-5.0	47	-58.4

* = Election month

Source: Basic data from Bank of Thailand.

What make the association between the currency growth and the 1992 second election different from the previous ones in the Northeast is that the fluctuation of 10 baht note did not fit the model. Its amount went down slightly in the election month after increasing considerably in the preceding month. This looks quite similar to the growth pattern of several bank notes in the North during the same period (see Table 4.5). Nevertheless, the amount of 100 baht note, in addition to that of 50 baht and 20 baht ones, also moved up and down in accordance with the model. Certainly this shows an implication of vote buying.

Unlike the North, the Northeast has seen a relatively obvious political business cycle in every election between 1986 and 1992. The relationship between general election and currency growth was, however, most easily seen in 50 baht and 20 baht notes.

Further more, the steep movement of the two bank notes suggests that each political business cycle in this region was likely generated by vote buying rather than by spending on campaign.

General Elections and Growth of Currency in the Central Plain

Any political business cycle in the Central Plain, if existed, is expected to be less obvious than those in the North and the Northeast for two reasons. Firstly, the big economy and huge monetary transactions in this region, particularly in Bangkok, tend to overshadow the currency growth as a result of politicians' spending. Secondly, the difference between the capital and the other parts of the region in the voting behavior is likely to obscure the relationship between general election and currency growth. It is widely known that voters in Bangkok has been much less prone to sell their votes than those in other provinces of the Central Plain.

The argument is supported by the finding (see also Appendix 8). In each election month the growth of currency in the region was much lower than those in the North and the Northeast. At first glance only two obvious political business cycles are discovered in the four elections. Although the currency growth, as Table 4.11 shows, turned positive in every election month, its rates ranged from just 0.3 percent in September 1992 to 2.4 percent in July 1988. In addition, the rates of currency growth in the post-election months of the two elections in 1992 did not turn negative as expected by the model. However a close check of notes in circulation is required in order to know whether a political business cycle was actually invisible in the two elections. In some case, an election-generated cycle of currency fluctuation may be clouded by just a movement of a bank note with very big amount.

As for the 1986 election, the growth of 50 baht and 100 baht notes in Table 4.12 is found not only to follow the model quite closely but also to indicate a vote-buying implication. Like the cases of the North and the Northeast, the 1986 political business cycle in the central part of Thailand was expressed most apparently in the fluctuation of 50 baht note. Nevertheless, the amount of 500 baht note did not grow in response to the election, whereas that of 20 and 10 baht note though moved up in June and July did not go down in August.

Table 4.11
 Currency in Circulation and Its Growth Rates in the Central Plain
 1986-1992 (Millions of Baht and Percent)

	1986		1988		1992	
	Currency	Growth	Currency	Growth	Currency	Growth
January	68,774	-	90,012	-	169,164	-
February	73,082	6.3	96,992	7.7	164,363*	-2.8*
March	72,404	-0.9	94,114	-3.0	165,669**	0.8**
April	71,149	-1.7	95,048	1.0	168,768***	1.9***
May	69,443	-2.4	92,472	-2.7	169,422	0.4
June	67,379*	-3.0*	91,332*	-1.2*	161,748	-4.5
July	67,645**	0.4**	93,533**	2.4**	161,129	-0.4
August	67,372***	-0.4***	90,999***	-2.7***	161,947*	0.5*
September	66,571	-1.2	92,150	1.3	162,448**	0.3**
October	68,333	2.6	92,222	0.1	167,172***	2.9***
November	69,359	1.5	94,278	2.2	168,314	0.7
December	75,088	8.3	103,282	9.5	190,229	13.0

* = Currency in circulation and its growth rate in month before election month.

** = Currency in circulation and its growth rate in election month.

*** = Currency in circulation and its growth rate in month after election month.

Source: Basic data from Bank of Thailand.

Table 4.12
 Selected Notes in Circulation in the Central Plain between June and August 1986
 (Millions of Baht and Percent)

Bank Note	June		July*		August	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	39,841	-0.2	39,003	-2.1	38,972	-0.1
100 Baht	21,822	-5.6	21,882	0.3	21,558	-1.5
50 Baht	978	11.3	1,137	16.3	1,114	-2.0
20 Baht	2,208	-2.7	2,270	2.8	2,283	0.6
10 Baht	3,353	-1.7	3,413	1.8	3,444	0.9

* = Election month

Source: Basic data from Bank of Thailand.

Table 4.13

Selected Notes in Circulation in the Central Plain between June and August 1988
(Millions of Baht and Percent)

Bank Note	June		July*		August	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	59,552	-0.3	60,551	1.7	59,158	-2.3
100 Baht	23,638	-3.6	24,337	3.0	23,367	-4.0
50 Baht	1,384	1.2	1,546	11.7	1,470	-4.9
20 Baht	2,458	-0.8	2,618	6.5	2,588	-1.1
10 Baht	3,824	-1.4	4,018	5.1	3,982	-0.9

* = Election month

Source: Basic data from Bank of Thailand.

A very close and clear relationship between electoral process and currency fluctuation in the central region is found in 1988. As seen in Table 4.13, all kinds of bank notes had positive growth in the election month and negative growth in the month following the general election. The hypothesis is strongly confirmed by the finding. Again the movement of 50 baht note is most responsive to the electoral activity. The expansion of every bank note from 10 baht to 100 baht also shows a trace of vote buying .

Table 4.14

Selected Notes in Circulation in the Central Plain between February and April 1992
(Millions of Baht and Percent)

Bank Note	February		March*		April	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	120,432	-2.4	121,278	0.7	125,460	3.4
100 Baht	30,286	-4.2	30,776	1.6	29,900	-2.8
50 Baht	3,520	-7.0	3,481	-1.1	3,312	-4.8
20 Baht	4,520	-3.8	4,559	0.9	4,518	-0.9
10 Baht	5,365	-2.0	5,336	-0.5	5,338	0.0

* = Election month

Source: Basic data from Bank of Thailand.

It is fairly evident that the political business cycle in the first 1992 election was obscured by the amount of 500 baht note in April. Although the amount of 100 baht, 50 baht and 20 baht note decreased in the month after election month, it still increased. The rise 500 baht note with the biggest amount in the month, therefore, made the downward plunge of other notes invisible. Nevertheless the political business cycle was not obvious. Apart from its low positive rate in the election month, the growth of currency in circulation between February and April 1992 seems to conform well with the model only in the growth of 100 baht and 20 baht notes. Unlike its fluctuation in 1986 and 1988, the amount of 50 baht note did not move in the expected way. It decreased successively from February to April. Regarding the increase of only 100 baht and 20 baht notes, it implies that given a possible vote buying in the Central Plain, the 50 baht note was not so widely used for the purpose as the former time.

Table 4.15

Selected Notes in Circulation in the Central Plain between August and October 1992

(Millions of baht and Percent)

Bank Note	August		September *		October	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	118,672	-1.5	115,897	-2.3	117,886	1.7
100 Baht	28,486	1.4	28,911	1.5	29,012	0.3
50 Baht	3,001	4.4	3,159	5.3	3,165	0.2
20 Baht	4,451	3.7	4,579	2.9	4,705	2.8
10 Baht	5,099	-0.4	5,057	-0.8	5,020	-0.7

* = Election month

Source: Basic data from Bank of Thailand.

Already revealed by Table 4.11, the currency growth in the central region between August and October 1992 did not move in response to the second election of the year. A close look at its detail is taken in order to know why there was no trace of political business cycle. It is discovered in Table 4.15 that most kinds of bank notes did not grow negatively after the election, though 100 baht, 50 baht and 20 baht notes increased impressively in the pre-election and election months. This may result from a normal

expansion of currency in the month which obscured the election-generated contraction. However the argument is empirically neither supportable nor rejectable.

In general the relationship between general election and currency growth in the Central Plain is not so close and clear as those in the Northeast and the North. While a political business cycle was clearly visible from the beginning in 1986 and 1988, it was partially seen in the 1992 first election and completely unseen in the second election.

General Elections and Growth of Currency in the South

In the South the association between general election and currency growth is expected to be weak and inconclusive, because the Southerners have been regarded more politically active and therefore less susceptible to vote buying than voters in the other three regions. Consequently a political business cycle is hardly seen in each election.

Table 4.16

Currency in Circulation and Its growth Rates in the South 1986-1992 (Millions of Baht and Percent)

	1986		1988		1992	
	Currency	Growth	Currency	Growth	Currency	Growth
January	1,310	-	1,725	-	3,210	-
February	1,328	1.4	1,854	7.5	2,589*	-19.3*
March	897	-32.4	1,210	-34.7	2,200**	-15.0**
April	889	-0.9	1,166	-3.6	2,410***	9.5***
May	841	-5.4	1,331	14.1	2,357	-2.2
June	957*	13.8*	2,071*	55.6*	2,816	19.5
July	1,118**	16.8**	1,727**	-16.6**	3,170	12.6
August	1,009***	-9.7***	1,617***	-6.4***	3,100*	-2.2*
September	940	-6.8	1,684	4.1	3,277**	5.7**
October	994	5.7	1,339	-20.5	2,867***	-12.5***
November	992	-0.2	948	-29.2	2,586	-9.8
December	1,241	25.1	1,848	94.9	4,028	55.8

* = Currency in circulation and its growth rate in month before election month.

** = Currency in circulation and its growth rate in election month.

*** = Currency in circulation and its growth rate in month after election.

Source: Basic data from Bank of Thailand.

Table 4.16 unveils that among the four general elections two of them had some clear relationship with the growth of currency in circulation in the South. The movement of currency growth in the election month of 1986 and 1992 second election was up and in the following month down as specified by the model. Nonetheless, in the other two cases the currency growth seems unresponsive to the general elections (see Appendix 9). While in the 1992 first election it did not fit the model, in 1988 whether the growth of currency followed the expected pattern or not is still inconclusive.

Table 4.17

Selected Notes in Circulation in the South between June and August 1986
(Millions of baht and Percent)

Bank Note	June		July*		August	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	536	14.0	594	10.8	525	-11.6
100 Baht	311	9.5	396	27.3	393	-0.8
50 Baht	55	17.0	62	12.7	46	-25.8
20 Baht	24	60.0	26	8.3	19	-26.9
10 Baht	32	33.3	40	25.0	26	-35.0

* = Election month

Source: Basic data from Bank of Thailand

In Table 4.17 a political business cycle manifested itself quite clearly in the South since the growth of every kind of bank notes in 1986 went up markedly in June and July and down in August. The fluctuation of bank notes seems to relate closely with the electoral process. An excessive spending of politicians for campaigning and vote buying is much likely because not only those widely used for vote buying like 50 baht and 20 baht notes but also those expected to spend for campaigning costs like 500 baht and 100 baht note grew up in the election month and a month before and down in the post-election month.

Table 4.18
Selected Notes in Circulation in the South between June and August 1988
(Millions of Baht and Percent)

Bank Note	June		July*		August	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	1,248	56.6	1,005	-19.5	996	-0.9
100 Baht	658	65.3	573	-12.9	478	-16.6
50 Baht	82	43.9	70	-14.6	64	-8.6
20 Baht	36	2.9	33	-8.3	35	6.1
10 baht	47	6.8	45	-4.2	45	0.0

* = Election month

source: Basic data from Bank of Thailand.

Beginning with a positive sign in the month preceding election month, the growth of every bank note turned negative in the election month of 1988. In the following month most kinds of the bank notes, except 20 baht and 10 baht notes, kept growing negatively. This confusing relationship makes it very difficult to interpret the finding. On the one hand the absence of positive growth of bank notes in the election month means that not only there was no excessive spending by politicians in the South in this election but also the substantial and positive growth in a month before resulted from normal expansion of currency. On the other hand the growth in the month preceding the election month may be caused by politicians' withdrawal of money in preparation for their campaign and vote buying. Both ways are possible.

Table 4.19
Selected Notes in Circulation in the South between February and April 1992
(Millions of Baht and Percent)

Bank Note	February		March*		April	
	Amount	Growth	Amount	Growth	Amount	Growth
500 Baht	1,960	-17.3	1,762	-10.1	1,972	11.9
100 Baht	501	-22.4	345	-31.1	357	3.5
50 Baht	61	-4.7	38	-37.7	29	-23.7
20 Baht	35	-48.5	31	-11.4	31	0.0
10 Baht	30	-50.8	24	-20.0	22	-8.3

* = Election month

Source: Basic data from Bank of Thailand.

Breaking down the currency in circulation from February to April 1992 into selected bank notes, Table 4.19 shows that no association existed during the period between currency fluctuation and electoral process. The growth in every kind of bank notes had minus sign both in the election month and the month preceding election month. It can be said that no political business is visible in the South in this election.

Nevertheless some traces of a political business cycle in the South can be seen in the second election in 1992. As revealed in Table 4.20 the amount of 500 baht, 100 baht and 20 baht notes grew up significantly in the election month and plunged remarkably thereafter. An excessive spending by politicians for their campaign and vote buying was, therefore, likely made in this region. Given the vote- buying implication, voters in the South were seemingly paid much more than those in any other regions because the growth of 500 baht and 100 baht notes was quite substantial.

Table 4.20
Selected Notes in Circulation in the South between August and October 1992
(Millions of Baht and Percent)

Bank Note	August		September *		October	
	Amount	growth	Amount	Growth	Amount	Growth
500 Baht	1,930	-21.5	2,275	17.9	2,031	-10.7
100 Baht	461	-21.6	568	23.2	472	-16.9
50 Baht	43	-2.3	42	-2.3	36	-14.3
20 Baht	42	-4.5	60	42.9	47	-21.7
10 baht	37	2.8	27	-27.0	23	-14.8

* = Election month

Source: Basic data from Bank of Thailand.

By and large, it can be summarized that the relationship between general election and growth of currency in circulation or, in other words, the political business cycle was in fact not equally visible among the four regions. Of the four general elections held between 1986 and 1992 each had a clear association with currency growth in the Northeast. In the North, at first glance the relationship was observable in two elections, but after breaking down the currency in circulation in the period of study three elections were counted. Like the North, the actual relationship in the Central Plain was found at first, before looking into detail, to exist in two elections but later on in three elections. As for the South, an apparent impact of each election on currency growth was seen in two elections. For the other two elections, one had an inconclusive and the other no relationship with the currency growth.

CHAPTER 5

CONCLUSION AND DISCUSSION

This study attempts to answer two basic questions about political business cycles in Thailand between 1979 and 1992. First, was there at least one political business cycle during the period? Second, if it existed, what form did it take? It is argued here that the political business cycles have occurred in Thailand and their form differs from that of Western democracies. To support the argument a model and an empirical test have to be developed and conducted respectively. Nevertheless, the existing models of political business cycles are unlikely to be applicable to the case of Thailand during the period. Based conceptually on the government's manipulation of fiscal or monetary policy to maximize popular votes in an approaching election, the models define a political business cycle as an association between a general election and some changes in the growth of, for example, gross domestic product, income per capita, employment, interest rates and inflation. Convinced by the brief empirical test in Chapter 2 that the policy-manipulation models do not fit the recent elections, this study proposes a new model of the political business cycle instead. This model of political business cycles takes a close look at the relationship between general elections and growth of currency in circulation. A political business cycle is expressed as a pre-electoral rise of currency in circulation and its post-electoral fall. Inordinate campaign spending by electoral candidates and particularly vote buying in the month preceding elections and the election month is argued to cause some observable growth of currency during the period and its obvious decline in the following month. We therefore call this the electoral-spending model.

To test the model three hypotheses are proposed. First, that there was at least one political business cycle between 1979 and 1992. Second, owing to vote buying, the growth of 10, 20, 50 and 100 baht notes surpassed that of 500 baht notes. And third, the political business cycle was not equally obvious among the four geographical regions. It was likely to be more visible in the Northeast, the North and the Central Plains, respectively, than in the South.

In terms of the empirical test, it begins with a brief test of the policy-manipulation models to make sure that they are not applicable to the six general elections in

Thailand between 1979 and 1992. It is discovered that each general election did not have any unusual effect on the growth rate of GDP per capita, the rates of employment, inflation and the reduction of interest rates during the period. This is probably because the care-taker prime ministers and ministers of finance at the time did not run for election and were political outsiders. It does not mean, however, that there were no attempts by politicians to manipulate some public policies to increase their popularity. In fact the government budget, for instance, was found to be manipulated by MPs to benefit their political and economic interests, though normally they could not do so just before a general election.

The empirical test of the electoral-spending model is divided into two parts. The first part deals with political business cycles on a national scale, while the second one pays attention to the cycles at a regional level. In the former, a political business cycle is found to be obvious in the 1986 and 1988 elections. In 1983 and 1992 (first and second elections), initially no political business cycle is seen. However after examining the growth of bank notes, some traces of a political cycle are discovered. Among the five general elections the political business cycle was most clearly seen in the 1988 election. Regarding the effect of a general election on the growth of each bank note, this study finds, in addition, that the growth of currency in circulation in response to an election is shown much more clearly in 50 baht and 20 baht denominations, respectively.

Owing to limitations in regional data, only political business cycles between 1986 and 1992 in each region are taken into consideration in the latter part. After looking at the growth of not only currency but also bank notes in circulation in the four elections, this study discovers that a political business cycle was visible in every election in the Northeast. Three political business cycles were found in the North and the Central Plains. In the South two obvious and one inconclusive political business cycles appeared. In every possible political business cycle, the fluctuation of 50 baht notes was usually the most substantial, followed by 20 baht, 10 baht and 100 baht notes. The least substantial fluctuation was of 500 baht note.

It is clear that the hypotheses are fairly well supported empirically. We know that there were several political business cycles in the form of currency fluctuations before and after an election and many macro level traces of vote buying in Thailand since 1979. However, some other related questions are not yet raised and answered by this study. Given the vote buying, the most important question is certainly why it has been recently and

unevenly rampant in Thailand. Some possible explanations will be roughly discussed in the following part.

Direct Participation of Businessmen and Their Political investment

As pointed out in Chapter 1, the term “political business” in Thai means playing electoral politics in a business-like way. Someone is called a political businessmen if he spent a great amount of money just to get elected. In this sense he has made an investment in order to acquire a political position, which enables him to maximize some interests. As the term originates from the lavish spending of many businessmen-turned politicians in recent elections, their active participation in electoral politics has been thought to have some connection with the spread of vote buying.

Classified by occupational background, the members of the House of Representatives have been successively outnumbered by businessmen and merchants since the 1975 election (see Ransan,1989:171-173). As the biggest group, their reported number from 1979 to 1992 ranged between 24 percent in the 1988 election and 45 percent in the March 1992 election. Normally the number fluctuated between 35 and 40 percent.. Nevertheless it should actually be higher, because some veteran politicians with business background often identified themselves as professional politicians instead of businessmen when asked about their occupation. Of course this proportion of businessmen-turned politician in the parliament shows quite clearly how dominant their role in the legislature has been.

As for electoral candidates, businessmen and merchants have also surpassed other occupational groups in terms of number. Between 1986 and 1992 the number of contestants with business backgrounds reportedly ranged between 630 and 1149. The second biggest group has usually been that of lawyers who numbered between 261 and 527 in the same period. Despite the lack of entirely reliable figures, the statistics reflect a high degree of businessmen's participation in electoral politics.

Table 5.1
Electoral Candidates and MPs by Occupation, 1986-1992

Occupation	Dates of General Elections							
	July 27, 1986		July 24, 1988		March 22,1992		September 13,1992	
	Candidates	MPs	Candidates	MPs	Candidates	MPs	Candidates	MP
Businessmen	630	86	661	132	1149	165	1006	129
Govt. officials	277	24	238	42	282	40	186	27
Lawyers	436	32	527	43	281	37	261	34
Politicians	96	41	167	72	179	70	267	133
Farmers	288	12	380	23	335	10	239	11
Private Employees	588	8	660	4	411	10	370	6
Others	1041	103	891	35	214	28	88	20
No Information	438	41	88	6	-	-	-	-
Total	3813	347	3612	357	2851	360	2417	360

Sources: 1) The National Parliament

2) Department of Local Administration, Ministry of Interior.

3) Matichon, September 15,1992

Table 5.2
Businessmen-turned Politicians as Proportion of Total Candidates and MPs
1986-1992 (Percent)

	Dates of General Elections			
	July 27,1986	July 24,1988	March 22,1992	September 13,1992
As % of total candidates	16.5	18.3	40.3	41.6
As % of total MPs	24.8	37.0	45.8	35.8
Candidates as % of businessmen MPs	13.7	20.0	14.4	12.8

Source: The same as Table 5.1

Roughly assessed, the degree of businessmen's participation and success in electoral politics between 1986 and 1992 can be seen in Table 5.2. It is remarkable that the proportion of candidates with business background has successively increased from 16.5 percent of total candidates in 1986 to 41.6 percent in the 1992 second election. As the biggest and usually richest group of candidates, businessmen were likely to spend more than other groups on vote buying. In comparison to other occupational groups they have also been more successful, since they always have a lion's share of the seats in the House of Representative. For example, after the March, 1992 election the proportion of businessmen-turned MP went up to 45.8 percent of total MPs. Thus it seems quite cost-effective to invest in electoral politics. However, as shown by Table 5.2, they have not achieved so much as expected. Among the businessmen who were candidates in the past four elections, at most 20 percent of them succeeded, and certainly at least 80 percent failed.

Although there is an implication that by their number of candidates and relative wealth, businessmen-turned politicians seemed to play a major role in money politics in the recent elections, the participation of this group in electoral politics alone cannot explain the rampant vote buying entirely. A simple reason is that they were the biggest occupational group playing parliamentary politics before the spread of vote buying. Besides, without bringing in some other explanations, we cannot understand why vote buying has been concentrated in some regions for a long time. Thus, as an explanatory trial, other two factors- the poverty of people and the degree of electoral competitiveness- are added.

Poverty, Competitiveness and Regional Difference

As a political exchange, vote buying cannot take place without vote selling. The success of the so-called political businessmen in the past elections relied not only on their own money but also voters' response to their offer. Without cooperation by voters in terms of accepting and committing themselves to the deal, vote buying would never be rampant. Why did people sell their votes? A simple answer is because they were poor. This reason also explains why vote buying has not been equally widespread among the four regions. The unequal distribution of income in Thailand has created a widening gap among people and regions. This relative poverty made voters in such region as the Northeast more susceptible to vote buying than those in the South. However it cannot give a satisfactory explanation of the

recentness of rampant vote buying, as the unequal distribution of income has existed in this country for a long time. In this aspect one has to pay attention to the increasing poverty of people in several regions.

Table 5.3

Gross Regional Product Per Capita at Current Market Price, 1979-1992

(Baht and Percent)

	1979	1983	1986	1988	1992
1) GDP Per Capita	10,571	18,584	20,790	27,632	49,052
2) GRP Per Capita					
North	8,289	12,375	12,208	17,097	24,680
as % of 1)	78.4	66.6	58.7	61.9	50.3
Northeast	4,896	8,107	7,897	10,698	16,237
as % of 1)	46.3	43.6	38.0	38.7	33.1
Central Plain*	21,184	27,703	32,280	42,026	76,856
as % of 1)	200.4	149.1	155.3	152.1	156.7
South	12,327	15,088	16,339	20,329	30,885
as % of 1)	117.1	81.0	78.6	73.6	63.0

* = Composed of the East, the West, the Central and Bangkok and its vicinities

Source: Basic data from the National Economic and Social Development Board

Table 5.3 shows not merely the vast economic disparity among regions in terms of gross regional product or GRP per capita but also an increasing poverty in three regions between 1979 and 1992. Apparently the Northeast is the poorest. Its GRP per capita as a proportion of GDP per capita in 1992 was just 33.1 percent, compared to 50.3 percent of the North, 63.0 percent of the South and 156.7 percent of the Central Plain. This in part can account for the obvious differences in vote buying among the regions. Apart from the obvious disparity among the four regions, it is fairly clear that the relative poverty of people in the Northeast, the North and the South between 1979 and 1992 has increased over time. The GRP per capita as a proportion of GDP per capita has gone down in the Northeast from 46.3 percent in 1979 to 33.1 percent in 1992, in the North from 78.4 percent to 50.3 percent, and in the South from 117 percent to 63.0 percent. In contrast, it has not faced any substantial

change in the central Plain after a sharp drop from 200.4 percent in 1979 to 149.1 percent in 1983. However, among the four parts of the central Plain- the East, the West, the central and Bangkok and its vicinities there are some more or less differences in GRP per capita, especially between Bangkok and the other parts. This is probably why vote buying was recently found everywhere.

Apart from the voters' side of explanation, to account for the regional difference in vote buying, some explanations from politicians' side should be also taken into consideration. Here the different degree of electoral competitiveness among the four regions is examined to see whether it has any possible relationship with vote buying. It is arguable that without a high degree of competitiveness among candidates, no electoral contestant wants to buy votes, despite a great amount of money in his hands and voters' willingness to sell their votes.

Table 5.4

Degree of Electoral Competitiveness by Region, 1979-1992

(Candidates/ MP Seat Ratio)

	Election Year					
	1979	1983	1986	1988	1992 (1)	1992 (2)
North	4.3	5.3	9.5	8.7	6.3	5.5
Northeast	6.4	6.7	12.1	11.9	10.7	8.6
Central Plain	5.3	5.4	11.6	10.1	6.7	6.3
South	4.7	5.3	8.5	7.1	5.5	4.1
Total	5.4	5.8	11.0	10.1	7.9	6.7

Source: Basic data from Department of Local Administration, Ministry of interior

Cut-throat competition among or between candidates in an election is usually conducive to increased spending on vote buying, since the candidates are determined to win at all costs. This correspondingly suggests that in a region with high degree of competitiveness, vote buying is likely to be rampant. The argument seems to be confirmed by Table 5.4. The highest degree of competitiveness, as measured by the ratio of electoral contestants per an MP seat, has been found in the Northeast in every general election since 1979, while the lowest one has been mostly discovered in the South. In comparison to the two regions, the North and

the Central Plain have had a moderate degree of electoral competitiveness. These findings can be matched quite well with the regional pattern of electoral spending. It is obvious that the Northeast has experienced not only the highest number of political business cycle but also the highest degree of electoral competitiveness, while the South has seen the lowest one in both aspects. This implies a close association between the electoral competitiveness and the widespread vote buying.

Vote Turnout and Implication for Further Study

Besides the possible causes of political business cycles and vote buying, the relationships between voter turnout, political business cycle or vote buying and those causes also deserve some further study. Voter turnout is usually seen to have certain links with various causes of electoral behavior. In the case of political business cycles it is interesting to know, for example, whether there are any significant associations between voter turnout in each region on the one hand and political business cycles, income per capita and electoral competitiveness on the other hand. An indication of the associations is found in Thailand between 1986 and 1992, once a quick look at the voter turnouts during the period is taken.

Table 5.5
Actual Voters as Proportion of Eligible Voters, 1986-1992
(Percent)

	Dates of Elections			
	July 27,1986	July 24,1988	March 22,1992	September 13,1992
Whole Kingdom	61.47	63.56	59.24	61.59
North	64.61	68.33	62.24	63.91
Northeast	75.56	75.41	64.81	67.77
Central Plain	54.44	55.96	54.52	56.66
South	57.77	60.32	58.94	60.11

Source: Basic data from Department of Local Administration, Ministry of Interior

Table 5.5 shows that in terms of voter turnout, as usual, the Northeast has taken a leading position during the period, while the North, the South and the Central Plain have followed respectively. In the four elections since 1986 their relative positions have not changed. This suggests a likelihood of the associations. In addition, a model of relationship among voter turnout, relative poverty, degree of electoral competitiveness and political business cycle should be developed to detect the pattern of their associations. Of course political business cycle or vote buying can be linked more or less, to relative poverty and degree of competitiveness, as shown above, but directions of relationships between voter turnout and the three variables are unclearly known. Some more work on both theoretical and empirical aspects is therefore needed.

Additionally, further studies on political business cycle in Thailand can be developed in two ways. On the one hand, they may include other politico-economic variables in their models. On the other hand, a politico-economic model, in which political business cycles are a part, should be built, if possible, in the same way as those proposed by, for example, Frey (1978-b) and Alesina, Londregan and Rosenthal (1993). Both ways of theoretical development and empirical study would deepen our understanding of political and economic interactions and familiarize students in Social Sciences with another approach to study on electoral behavior and political economy.

Electoral Spending and Thai Politics

It is fairly apparent in this study that Thailand has experienced some excessive spending by politicians in each general election at least since 1986. Despite an important agenda, no effective policy on this issue has been formulated and implemented. Thus spending for vote buying seems increasingly obvious and rampant. In the latest July 2, 1995 election, for instance, two canvassers in Buriram Province were arrested with 11 million baht in hands and charged with vote buying. Furthermore, the Poll Watch reported that in this general election a number of canvassers representing politicians from every big party were caught red handed while buying votes (Matichon, July 5, 1995:12). Vote buying for Thai politicians has become so normal that an MP of the ruling Chat Thai Party dared say recently that all MPs bought votes (Nation, August 25, 1995: A1-A3). The situation became more desperate when the Police Department decided not to take legal action against alleged

vote buying by two canvassers known to be a deputy minister's men. Accordingly the argument that elections in Thailand have been completely political business or money politics is highly convincing.

In addition to the widespread spending on vote buying, a new development in spending on campaigns was found in the 1995 election. Some political parties hired advertising agencies to run extensive advertising campaigns for them through the mass media, particularly television. This form of image-making campaign has never been made to such a great extent before because it is very costly. As a consequence, parties choosing to advertise in this way had to spend much more on the electoral campaign. Palang Dharma Party, for example, was reported to spend more than 40 million baht on its advertising campaign (The Nation, July 7, 1995: B2). Owing to a legal loophole, this kind of spending is not against existing law. Since the one million baht limit of electoral expenditure is applied only to individual politicians, it has no effect on political parties. It is quite probable that there will be skyrocketing spending on this kind of campaign in next general election, unless the loophole is removed.

Such money politics has been seen not only in Thailand but also in many other Asian countries. It is reported by Asiaweek (April, 21, 1995:27) that in the previous election individual voters were paid in kind or in cash \$3.25 in India, \$4.00 in the Philippines, \$125.00 in Japan and \$200.00 in Taiwan. For most developing countries, this problem is threatening the survival of their fragile democracy. A quick and appropriate solution is certainly needed. In Thailand many constitutional measures have been continually proposed to get rid of this phenomenon. For instance, setting up a permanent, independent and authorized organization for electoral management and supervision to replace the powerless and ad hoc Poll Watch is one among many propositions. The Political Reform Committee recently created by the Banham Administration also claimed to design some measures to prevent vote buying.

It is noteworthy that those constitutional measures are mostly election-related. Single-member constituencies instead of the multi-member one, for example, were proposed as a means of enabling able and well qualified candidates with limited funds to compete with big spenders. But its opponents pointed out that a smaller size of constituency would become likely to facilitate rather than discourage vote buying (Bangkok Post, December 2, 1993:2). The lowering of the voting age from 20 to 18 as a constitutional amendment expected in part

to reduce the success chance of "political businessmen" has been proved useless by the 1995 election.

By and large, the enormous spending on campaigns and vote buying has resulted from the electoral interactions not only among politicians but also between politicians and voters. On the one hand, to win an election, most politicians had to expend more when their rivals had increased their spending. Nobody wanted to waste a lot of money and violate the law unnecessarily aimlessly. A straightforward solution of the spending problem seems to be the effective control of electoral spending. However, up to the present legal measures have failed successively to achieve the spending control, though to have the spending limit is still much better than to let candidates spend freely. In view of this, it seems impossible to curb illegal expenditure, so long as an election is such a crucial means to a highly powerful end.

On the other hand, politicians have been able to buy votes because poor voters were ready to sell their votes. But people sell their votes not simply because they were poor. Of course it is much easier for the poor than other higher economic classes to accept money or services from politicians. The basic reason behind their vote-selling is probably that the election was meaningless to them. To have cast their ballot and subsequently to have had their representatives had not made their standard of living or their community as materially better off as they had expected. In many people's view politicians- vote buyers or not - are equally useless power-seekers. Thus it is better to get some money from going to vote. Phat Longthon, a farmer in Nakorn Ratchasima, once said that he did not see much difference among politicians and what these people could do for him. An election for him was just a chance to earn some vote-buying money and to watch free movies(Asiaweek, April 21,1995:27).

The excessive spending could take place because most of the candidates and voters wanted to maximize their different utilities through election. For politicians, they were willing to spend lavishly as long as being elected meant gaining powerful positions not only as MPs but also probably as cabinet members. Without such power together with its associated interests and prestige, they did not want to waste their money. This suggests that the centralization of power in Thailand may be a structural factor which underlies the excessive spending by politicians. One may question, however, why money politics has been so rampant recently, whereas power centralization has long existed in this country. It is because, as the process of political leader recruitment has become more democratic, the

opportunities for politicians to occupy powerful positions in the Thai state have increased. In the centralized state where decisions on almost every important matter are made by central government, especially the cabinet, investment in these powerful and mostly lucrative positions is quite cost-effective.

For voters, the election of MPs was normally an important means to obtain better services and facilities from the central government. Since those voters could not rely on the public bureaucracy, they expected their MPs to fulfill these needs. Their expectations, however, have not been met. Becoming disillusioned with elections, people usually did not reject vote selling, because at least they could maximize some utility from an election. Only on this occasion they could transform not only their individual votes into money, gifts and special help but also their communal votes, as found in many villages, into buildings and infrastructures.

A structural solution of the illegal spending by politicians is political decentralization. Local governments should have more decision making power over the provision of public goods and services to people. Reduction of men, money and authority under the control of politicians in the central government is likely to lessen the attractiveness of membership of the House of Parliament and particularly the cabinet. No rational man wants to be a big spender in an election just to get a position with limited power and interests. At the same time people can obtain better and quicker services from their local governments over which they have closer control than the central government. In addition, limited though increased power and resources of each local government is not worth excessive political investment. As a result the illegal spending by politicians for campaigns and vote buying would decline. Of course, political decentralization alone cannot remove vote buying. Money politics has still played an important role in winning many elections at local level. A combination of legal measures and this structural solution would, however, make the situation much better. Single-member constituencies and an efficient organization for electoral management and supervision, as mentioned above, together with the limited authority of the central government, would at least, discourage rich, power-seeking and interest-conscious politicians from playing money politics.

SELECTED BIBLIOGRAPHY

- Alesina, Alberto, and Nouriel Rubini
 1992 "Political Cycles in OECD Economies" **Review of Economic Studies** 59: 663-688.
- Alesina, Alberto, John Londregan, and Howard Rosenthal
 1993 "A Model of The Political Economy of The United States" **American Political Science Review** 1: 12-33.
- Alt, James E., and K. Alec Chrystal
 1983 **Political Economics** Berkeley: University of California press.
- Alexander, Herbert E.
 1984 **Financing Politics: Money, Election and Political Reform** Washington, DC: C.Q. Press.
- Andrain, Charles
 1980 **Politics and Economic Policy in Western Democracies** North Scituate: Duxbury.
- Asiaweck
 1995 April 21
- Bangkok Post
 1993 December 2
- Banjunid, Omar Farouk
 1989 **The 1986 General Election in Thailand** Kuala Lumpur : Pustaka Antara.
- Chai-anan Samudavanija, et.al
 1992 **Basic data: A Half Century of Political Change in Thailand** Bangkok: Institute of Public Policy studies, The Social Science Association of Thailand. (in Thai)
- Frey, Bruno
 1978-a "The Political Business Cycle: Theory and Evidence" pp. 93-108 in James Buchanan, et.al **The Economics of Politics** London: I.E.A
 1978-b **Modern Political Economy** London: Martin Robertson
- Grier, Kevin B.
 1987 "Presidential Elections and Federal Reserve Policy: An Empirical Test" **Southern Economic Journal** 54: 475-486
- Handley, Paul
 1992-a "Open to Offers" **Far Eastern Economic Review** February 13: 16-17.

- 1992-b "Where Money Talks" **Far Eastern Economic Review** April 2: 12.
- Issara Suwannabol, et.al
- 1992 **Election Rigging Tactics** Bangkok: Sukhothaimathiraj University (in Thai).
- Klaew Norapati
- 1988 "Electoral Costs" **Matichon** October 10(in Thai).
- Kosoom Haktongkwang
- 1992 "10 Billion Baht and Electoral 'Business': The Changing Face of 'Politics' in Thai Society" **Matichon** March 18 (in Thai).
- Kraisorn Tantipong
- 1992 "Vote Buying, Election Rigging and Prevention and Solution" **Siamrath** February 6 (in Thai).
- Krirkkiat Phipatsritham
- 1989 "Democracy and Politicians' Spending and Malpractice" **Siamrath Weekly Review** December 25: 33-38 (in Thai).
- Kutep Saikrajang
- 1994 "Confusion over the MP's Provincial Development Fund Which Actually Is Not MP's Fund" **Siam Post** August 17:3 (in Thai).
- Lakthai
- 1992 June 29-July 5 (in Thai).
- MacRae, C. Duncan
- 1977 "A Political Model of the Business Cycle" **Journal of Political Economy** 2:239-263.
- McCallum, Bennett T.
- 1978 "The Political Business Cycle: An Empirical Test" **Southern Economic journal** 44: 504-515.
- Malloney, Kevin J., and Michael L. Smirlock
- 1981 "Business Cycles and the Political Process" **Southern Economic Journal** 48: 377-392.
- Matichon
- 1988 October 10.
- 1992 January 27.
- October 3.
- 1995 February 6.
- The Nation
- 1994 August 25.
- December 8.

- 1995 July 7.
August 25
- Nipith Intarasombat
1993 "The Defeat of the Majority" **Matichon** March 23:3 (in Thai).
- Nordhaus, William D.
1975 "The Political Business Cycle" **The Review of Economic Studies** 130: 169-190
1989 "Alternative Approaches to the Political Business Cycle" **Brookings Papers on Economic Activity** 2: 1-68.
- Paisal Sricharatchanya
1988 "Campaigning With Cash: Efforts to Curve Vote Buying Seem Futile" **Far Eastern Economic Review** July 21: 24-25.
- Pichai Kaosamran
1987 "Money and Election: Problems of Local Government and Lack of Party Branches in the Rural Areas of Thailand" **Ratthasapha Sarn** 6: 62-78 (in Thai).
- Pichai Ratanadilok Na Phuket
1994 **Election Rigging System** Bangkok: Krirk Institute of Social Technology (in Thai).
- The Poll Watch
1992 **The March 22,1992 Election** Bangkok: Yellow Press (in Thai).
1994 **The September 13,1992 Election** Bangkok: Kaenjan Press (in Thai).
- Pornchai Luenchawee
1991 **Research Report on Legal Measures For Preventing Election Rigging and Vote Buying** Bangkok: Dhurakij Pundit University (in Thai).
- Pravit Rojanaphruk
1992 "Election in Thailand's Lesser Society" **The Nation** September 7: c1.
- Rangsan Thanapompan
1989 **Process of Economic Policy Formulation in Thailand: A Historical Analysis of Political Economy** Bangkok: The Social science Association of Thailand (in Thai).
1993 "The Elected Government Will Use the Deficit Budget By Its Nature" **Manager Daily** June 30:31 (in Thai).
- Rattana Buason
1992 "Rural Areas and Vote buying" **Siamrath Weekly Review** July 5-11: 16-17 (in Thai).
- Rogoff, Kenneth
1990 "Equilibrium Political Budget Cycles" **The American Economic review** 1: 21-36

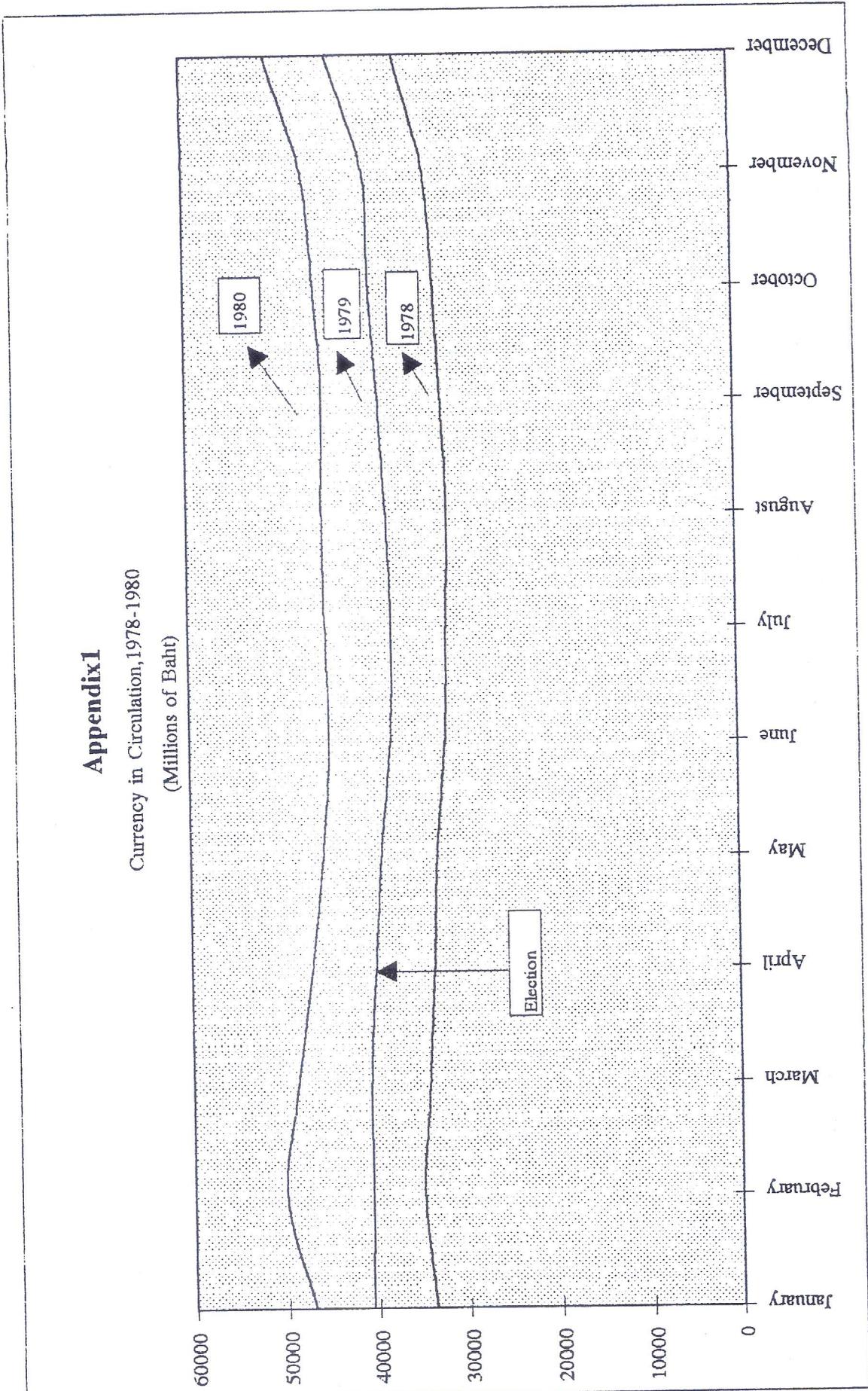
- Rogoff, Kenneth, and Anne Sibert
 1988 "Elections and Macroeconomic Policy Cycles" **Review of Economic Studies** 55: 1-16.
- Sesthaporn Kusripitak
 1991 **If You Want To Be An MP** Bangkok: Institute of Policy Studies, Social Science Association of Thailand (in Thai).
- Siam Newsletter
 1988
- Siam Post
 1994 August 13
- Siamrath
 1994 July 25.
 August 22.
- Siam Rath Weekly Review
 1992 "Open Purple Bullet Warehouse: Chart Thai and Chart Pattana Parties" July 19-25: 6-7 (in Thai).
- Sombat Chantornwong
 1991-a "Electoral Expenses: Politicians' Examination Fee For License (8)" **Matichon Weekly** June 9 : 26-28 (in Thai).
 1991-b "Electoral Expenses: Politicians' Examination Fee For License(9)" **Matichon Weekly** June 16 : 26-28 (in Thai).
 1993 **Thai Election in Crisis : Problems and Solution** Bangkok: Kobfai (in Thai).
- Sompan Techa-athik
 1988 "Why Northeastern Voters Can Be Bought" **Matichon** July 25 (in Thai).
- Sompan Techa-athik, et.al
 1992 "Election and Democracy, What Have We Seen and Obtained?" **Matichon** May 3 (in Thai).
- Sompoch Nophakoon
 1979 **An Analysis of Budgetary Appropriations in Thailand From 1960 to 1976 : Incremental or Rational Decision Making** Unpublished Ph.D. Dissertation, University of Southern Mississippi.
- Thithinantana Wettiwong
 1992 "Behavior and Campaigning Process in the 1988 General Election: A Case Study of A Province in the Central Plain" **Rathasartsarn** 2: 67-114.
- Tufte, Edward
 1980 **Political Control of The Economy** Princeton: Princeton University press.

Williams, John T.

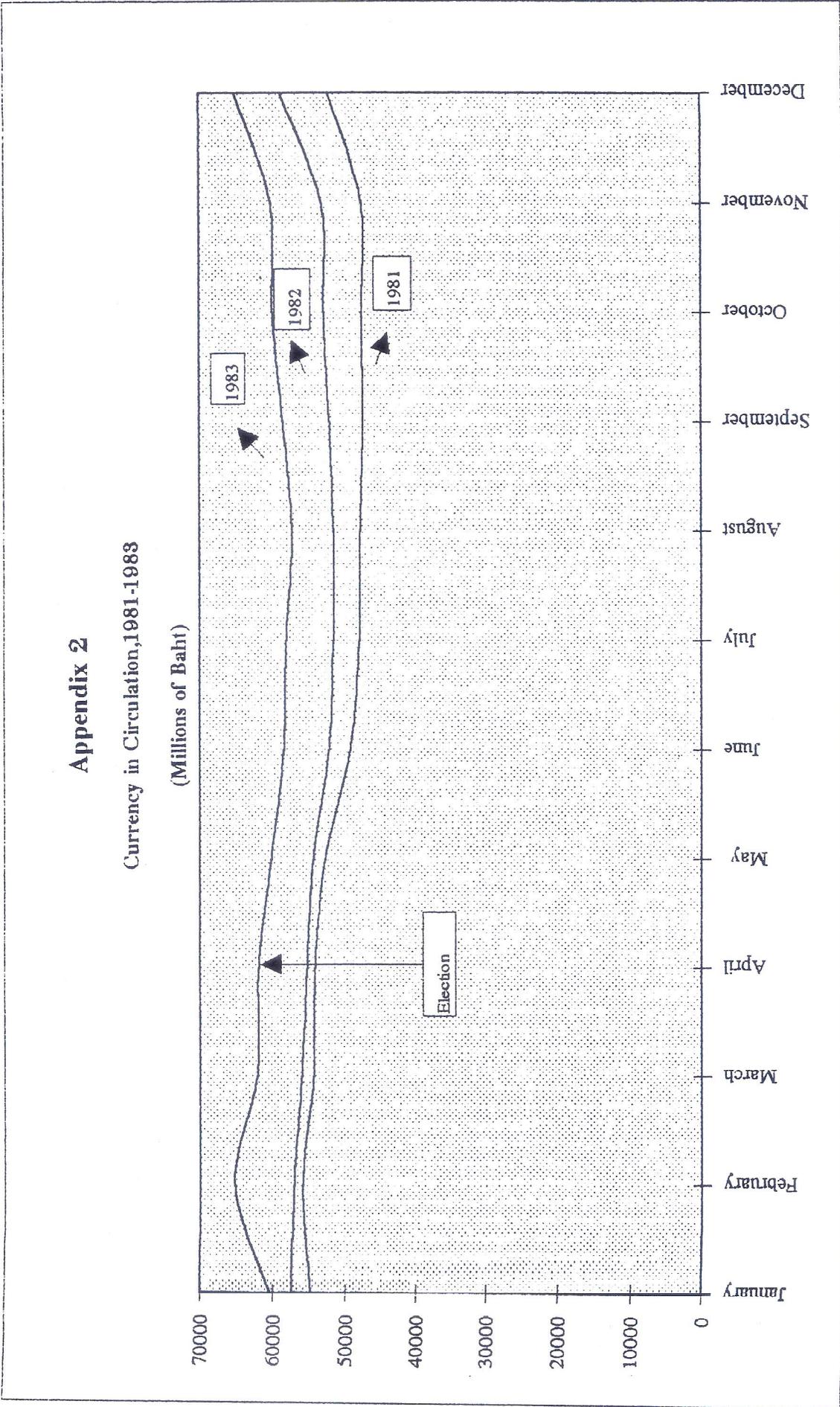
1990

“The Political Manipulation of Macroeconomic Policy” **American Political
Science Review** 3: 767-795

Appendix 1
Currency in Circulation, 1978-1980
(Millions of Baht)



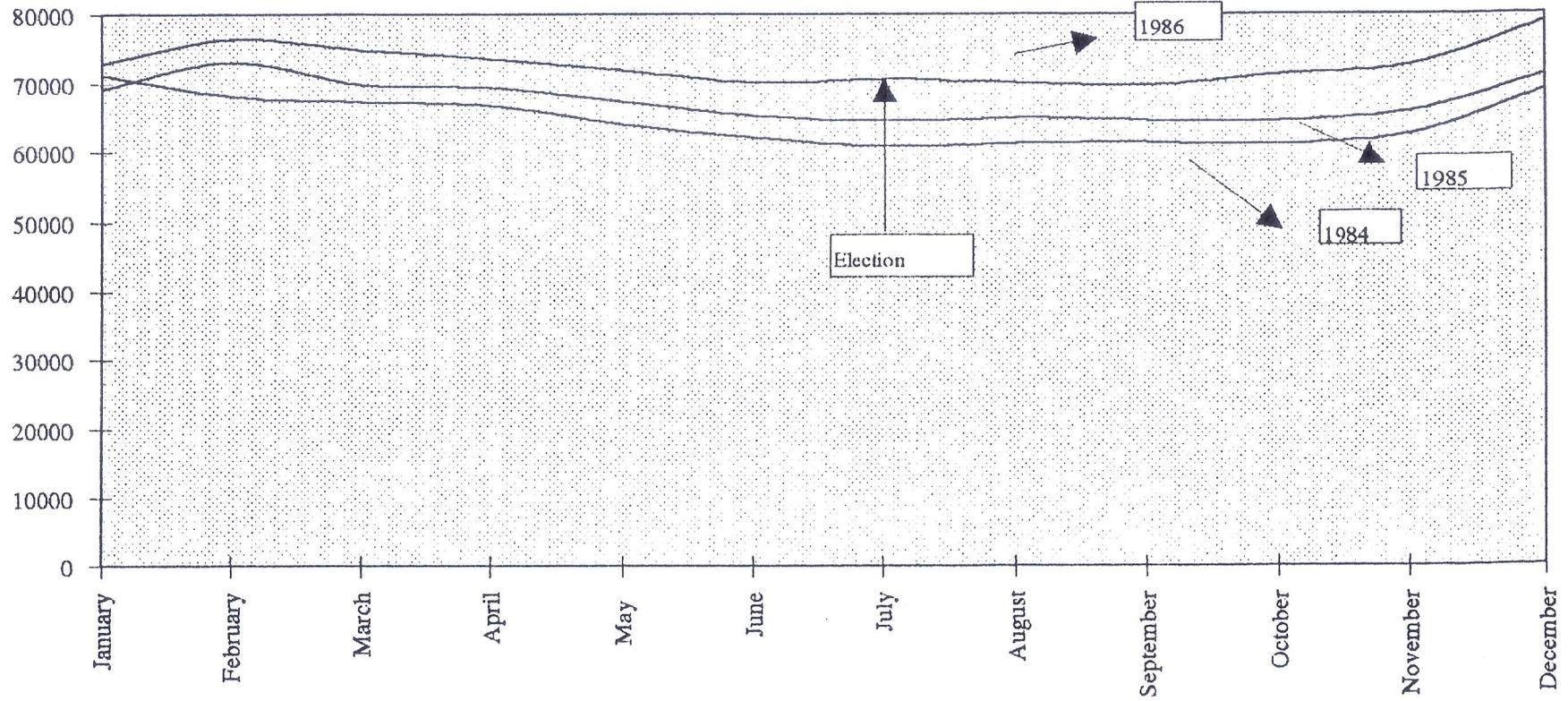
Appendix 2
Currency in Circulation, 1981-1983
(Millions of Baht)



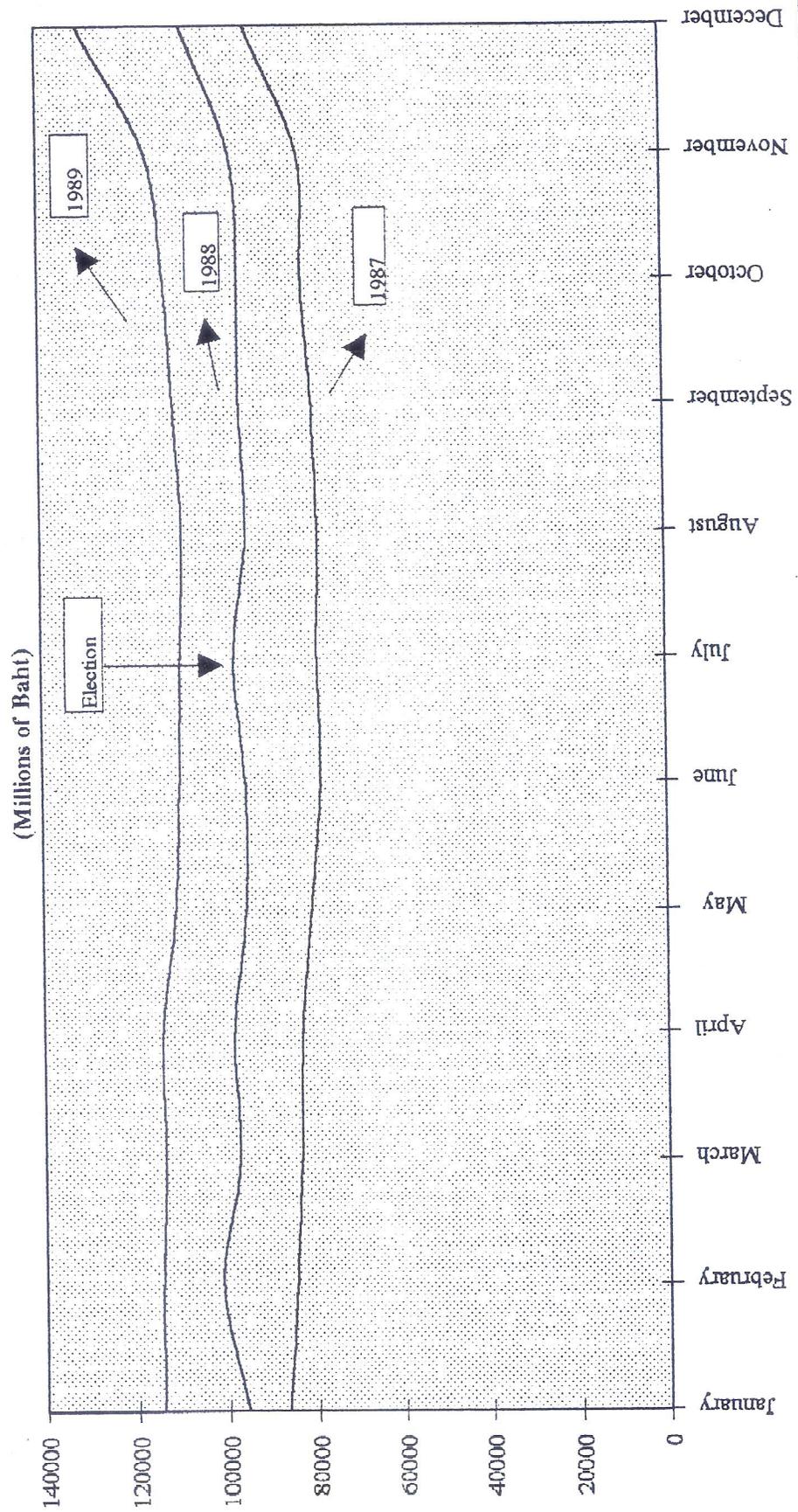
Appendix 3

Currency in Circulation, 1984-1986

(Millions of Baht)



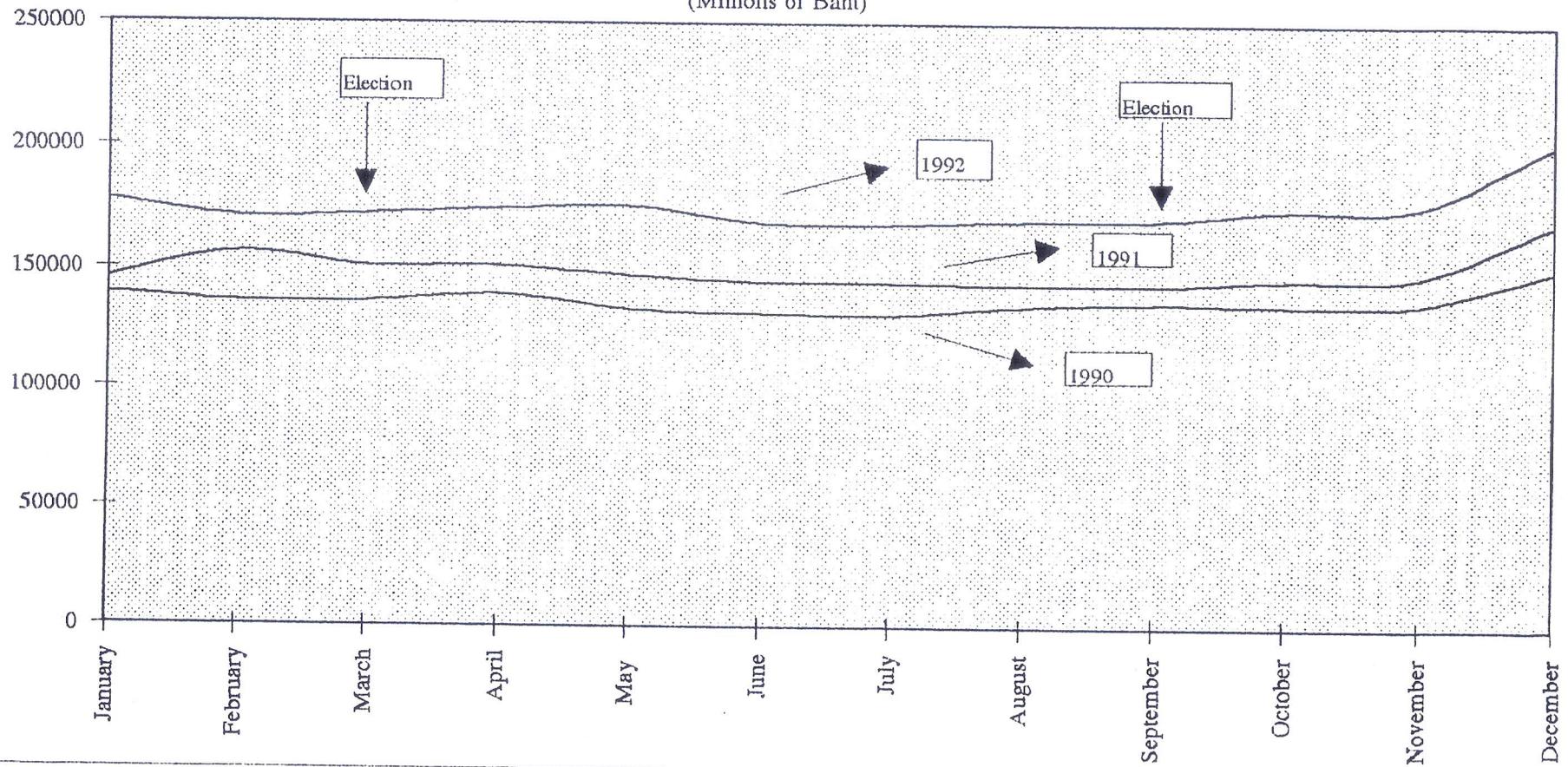
Appendix 4
Currency in Circulation, 1987-1989



Appendix 5

Currency in Circulation, 1990-1992

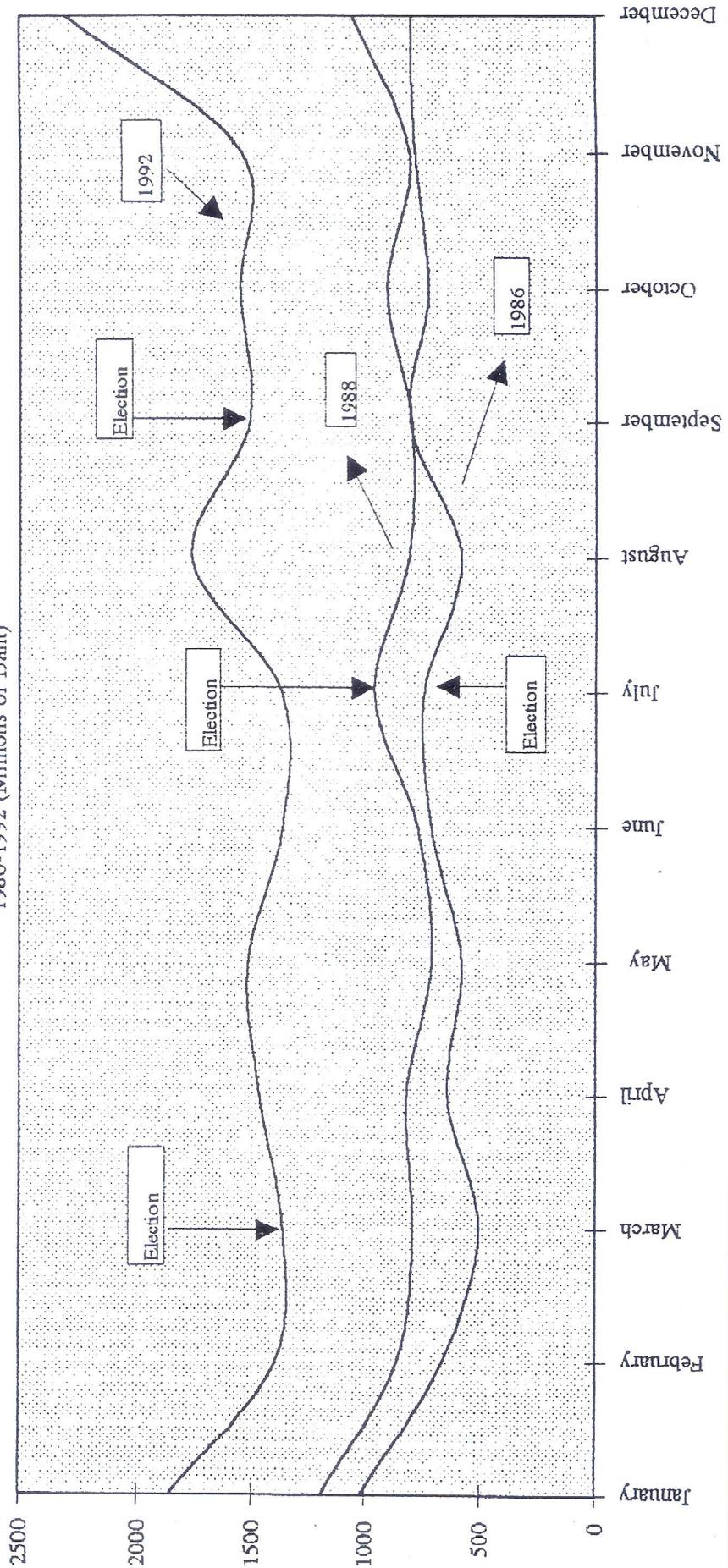
(Millions of Baht)



Appendix 6

Currency in Circulation in the North

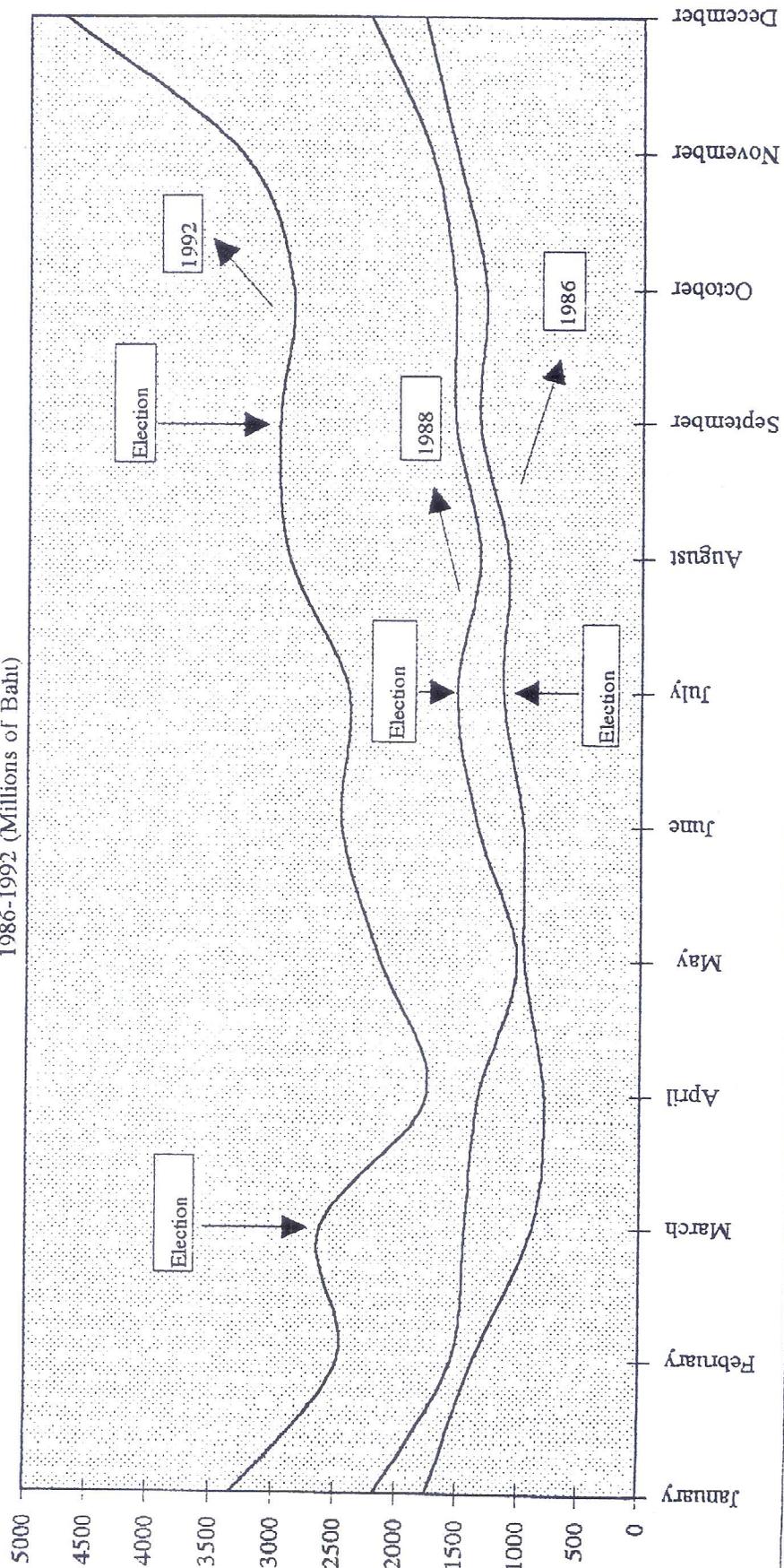
1986-1992 (Millions of Baht)



Appendix 7

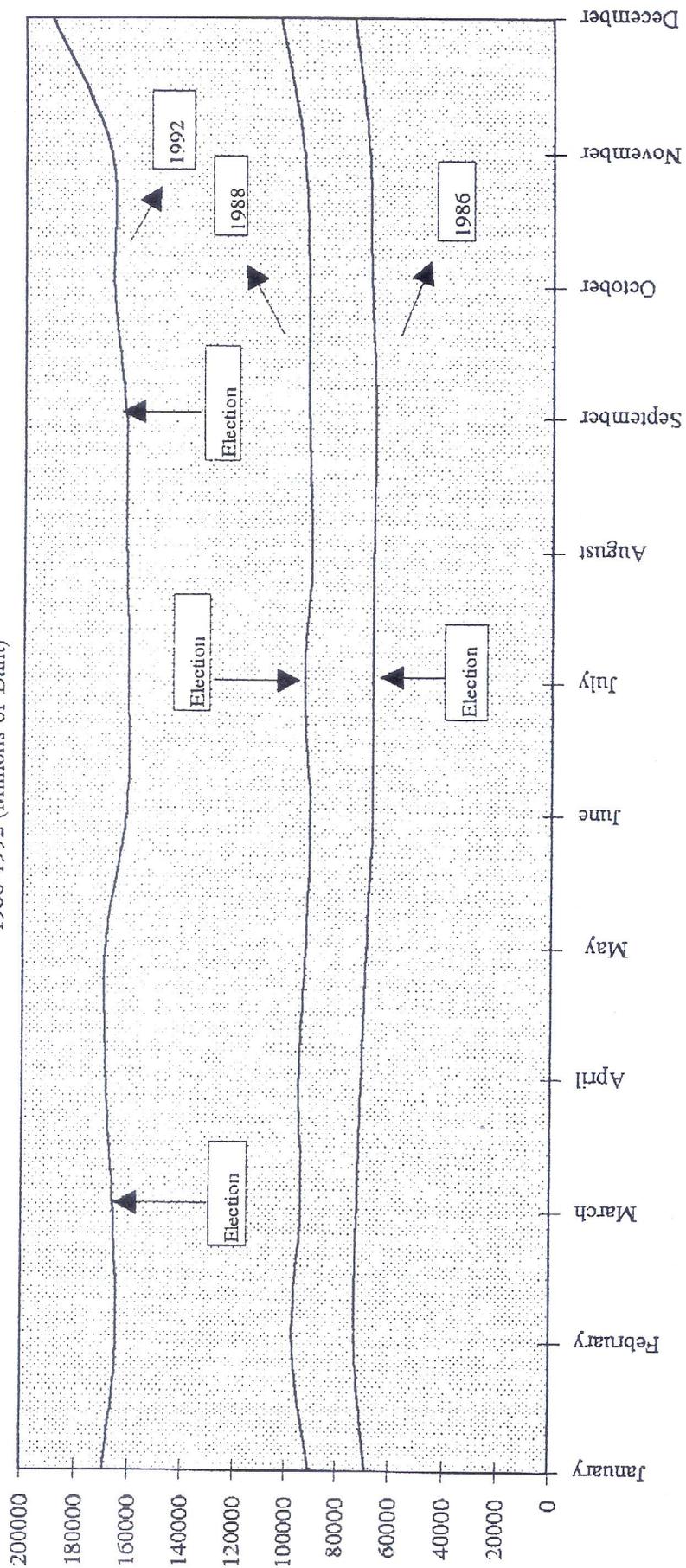
Currency in Circulation in the Northeast

1986-1992 (Millions of Baht)



Appendix 8 Currency in Circulation and in the Central Plain

1986-1992 (Millions of Baht)



Appendix 9

Currency in Circulation in the South

1986-1992 (Millions of Baht)

