

Did the Military spearhead the Fight against Corruption in Thailand?*

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Abstract

Public perception in Thailand considers the military beyond its designated role of providing national defence and security. The military is also the protector of the throne and the defender of the righteousness. This is why coup d'état in Thailand is welcomed and frequently perceived as anti-corruption by the public. Corruption is repeatedly alleged for the military to stage a coup. It is interesting to see how the military could lead the fight against corruption. However, this paper reveals that the military did not fight against corruption. In fact, it empirically worsens corruption situation in Thailand by intervening through the national budgetary process in the disguise of elite recruitments in public authorities. Distortion in budget allocation created by this intervention causes competition for political power and economic resources to proliferate and corruption is ensued.

1. Introduction

Thailand's military, unlike most countries in the world, is more than just a provider of national defence. It is perceived by large public as a defender of monarch and the national pride for honesty and bravery. Also, it cannot be denied that the military plays extremely important role in Thai politics; particularly, their roles in multiple and intermittent *coup d'état* since 1932 (Harvey, 2011).

Recent polls indicate such tremendous trust Thai public bestow upon its military: 40.91 per cent of the respondents see soldiers as highly disciplined, sacrificing, and enduring and 43.48 per cent of the same sample rated they are highly satisfied with the role of the military¹; 22.42 per cent of the respondents believe the military would be the answer to the current political standoff²; and 41.94 per cent of the respondents say the military should maintain its neutrality and work by the book the political conflict would be solved.³ Additionally, Thai people have the tendency to welcome military *coup d'état* and believe it is beneficial for the country. For instance, in a post 2006 coup period, a poll by Assumption University indicates 92.1 per cent of its respondents felt that the military is reliable and 87 per cent felt that the military belongs to the people⁴ and, similarly, a poll by Suan Dusit Rajabhat University says 83.98 per cent of the respondents support the coup.⁵

Corruption is always alleged as the one of reasons for many coups including two most recent coups in 1992 and 2006 (Chambers, 2013b). It has been reiterated as a pretext in the declaration of coup in 5 out of 13 coups in Thailand's political history.⁶ All of them argued that the military cannot withstand such detrimental practices which are harmful to the nation; so they have to come up and take the matter into their own hands.

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¹Suan Dusit Poll, 5 January 2014, retrieved from <http://www.dusitpoll.dusit.ac.th>

²Suan Dusit Poll, 20 April 2014, retrieved from <http://www.dusitpoll.dusit.ac.th>

³Suan Dusit Poll, 18 April 2014, retrieved from <http://www.dusitpoll.dusit.ac.th>

⁴ABAC Poll, Assumption University, 24 September 2006 (Matichon Newspaper, 25 September 2006).

⁵Suan Dusit Poll, 20 September 2006, retrieved from <http://www.dusitpoll.dusit.ac.th>

⁶There are 13 coups including the 1932 Revolution. 5 of them mentioned corruption as the pretext to change; 3 of them used the threat of communism; the rest were the mixture of political struggle, economic crisis, and limitation of basic rights.

If this argument is valid, corruption should be gradually removed from the government after subsequent coups. With such faithful belief, the Thai military should be able to exemplify its discipline, honesty, sacrifice, and endurance to the public. It should, then, spearhead the fight against corruption which plagued the country for a long time. Unfortunately, the situation is worsening overtime. Transparency International, in 2013, ranked Thailand at 102 out of 177⁷, plunging from 78 in 2010.

This paper wants to inspect why the exemplification by the military cannot be transfused to the general Thai people. In other words, whether coups were anti-corruption in nature? Employing the framework of institutional economics and Croissant and Kuehn (2010)'s Five Decision Making Areas of Civil-Military Relations plus secondary empirical data from various sources, this paper analyses the linkage between military and corruption which is structured as follow. Section 2 reviews and explains the analyses of military and corruption. Characteristics specific to Thailand are considered at the end of this section. Section 3 establishes the linkage between military and corruption and empirically tested. Section 4 is concluding remarks plus policy implications.

2. Military and Corruption

This section reviews and explains related literatures of military and corruption, mostly from the perspective of institutional economics and political sciences to establish linkages or mechanisms, if any, how the military gives rise to – or inhibits the society from – corruption, from the smaller to the larger scope. Studies with particular reference to Thailand are explored towards the end of this section. Ingredients from this section are used to establish this paper's proposed role of the military in corruption transmission (or deterrence) in the following section.

2.1 Military as an Organisation

National defence is one of the obvious examples of pure public goods with the characteristics of non-rivalry and non-exclusivity. Incentive to procure national defence is small, since everyone in the nation can free ride whoever provides it. Consequently, it will be undersupplied and the government must provide it through the organisation of military as a public monopoly in order to preserve its positive external effects (Kasper and Streit, 1998). Military could be seen as a public firm or a public organisation with internal line of command and financial control (Kasper and Streit, 1998) and a closed group of membership (Kasper, Streit, Boettke, 2012) in order to produce national defence. This closed group of membership is analogous to what North, Wallis, and Weingast (2009) called *limited access order* where the duties of defence is limited to a certain group of people and creates rent and this group would be more productive.

Since military must be swift and responsive to external threats, its organisational structure is designed in such a way that the commands and orders are executed promptly; the transaction costs of doing so must be reduced for the military to be effective which are much lower than other civil institutions (North, 1981). Rules and disciplines as well as obedience to superiors, thus, are essential for military to achieve that. Moreover, Bamrungsuk (2007) explains the modern army as a purposive instrument of the nation: it is cohesive and hierarchical resulting in high concentration of power in the line of command, acceptance of rigorous hierarchy, ranking, and seniority, high discipline, independent communication, *esprit de corps*, and self reliance. Hence, the military is a monopoly by design and its assets are not subject to rivalry (Kasper, Streit, and Boettke, 2012). The competition against it would be very costly and counterproductive for the society, except when the military cannot deliver national security it supposed to.

By its organisation structure, it gives more direct, non-violent, control to political authorities (a ruler, ruling elites, or civilian elected government depending on political systems) by professionals (soldiers) (Kasper and Streit, 1998). Moreover, Kasper and Streit (1998) argue that this kind of

⁷<http://www.transparency.org/country#THA>

organisation usually leads to the control problems in term of coup and corruption and its funding is always faced with unrestricted opportunism, but the direct control over the military usually prevail to its accountability. Notably, by design of its organisation, its effectiveness (ability to defense) is traded-off at the expense of its transparency/accountability. Thus, the military is prone to corruption.

2.2 Military and Other Institutions

In the wider context, the military interacts with other social institutions causing institutional changes as well as being affected by such changes requiring it to adapt. The most obvious institutional role of military to the economy is offering protection of property and stability which affect economic performance. The better military organisation could improve the economic performance (North, 1991). Allocating resource to the military in order to produce national defence and subsequent national security shall be well-balanced with the size of economy it supposed to protect. This is required to make credible threat against national enemies and inducing private sectors to function efficiently (Owen, 2000).

As a pure public good, financing the military must be done through the non-market mechanism – budget allocation. Given that the budget is always limited, the competition among public goods and services are inevitable. The military has the advantage over other public utilities in the sense that it deals with security and its operations are secret allowing its budget to be approved in a less stringent manner (Kasper and Streit, 1998); while other public services are easier to be measured in terms of their efficiency and effectiveness. Obviously, a perfectly and publicly transparent and accountable military budget is somewhat like exposing the whole defence system to all potential enemies. A state as an allocator of limited public resources has to balance between two contradictory administrative problems: (i) providing sufficient national defence or security (to allow the society and economy to prosper) (ii) efficiency and transparency of public finance system (to use public funds efficiently) (Owen, 2002).

It is quite likely that the military has frequently won over other public goods, probably due to its security-related nature. According to Schweitzer (2005), North, Wallis, and Weingast (2009), and Allen (2012), the military is very difficult to change and very slow to adapt itself to changes in the environment where it functions. Schweitzer (2005) and Allen (2012) noticed that the system of purchasing a military commission withstand social changes for a considerable period of time. While Allen (2012) pointed out the importance of this system to self-select military officers because their talents and abilities were difficult to be observed given the limitation of alternative quality screening devices, Schweitzer (2005) argued selling officers' commissions lead to apparent corruption.

From the view of political sciences, Croissant and Kuehn (2010) developed the framework to explain civilian-military relations for democratic development. They identified the worldwide recent trend of democracy that is replacing military dominance. However, both civilians and military in the public sphere are trying to make decisions on power. Croissant and Kuehn (2010), thus, proposed Five Decision Making Areas which determine power struggle between the two, namely: (i) elite recruitment (recruiting key persons to make decisions in various public organisations/institutions); (ii) public policy (how can a certain policy being pushed forward to be implemented); (iii) internal security (how to fight against terrorism, insurgencies, and natural disasters); (iv) national defence (a core function of military but requires civilians participation to a certain extent in order to deliver what citizens are expecting); and (v) military organisation (how the military is organised, function, and changed (or adapting) to play its role in (i)-(iv)). These five areas are where civilians and military exercise their respective power to establish what the best for the country is. This explanation seems to be in line with what North, Wallis, and Weingast (2009) described as the “transition from limited to open access order,” particularly in the “doorstep conditions,” which are (i) rule of law for elites, (ii) perpetually lived organizations in the public and private spheres, and (iii) consolidated control of the military.

Therefore, it can be seen that, if the civilian institutions are relatively weaker, the military is dominating in the society and *vice versa*. It is also apparent why the military is reluctant or slow to

change since at least two decision making areas are under military control. Strengthening civilian institutions is necessary to create a modern civil society and a professional military (or, in other words, civilian supremacy and civilian control of the military (Bamrungsuk, 2007; 2008; Owen, 2000; Thavorniyutikarn, 2012)).

2.3 Corruption from the Perspectives of Institutional Economics

Despite wide range of debates, the most commonly accepted definition of corruption is the 'misuse of public power for private benefit' (Lambsdorff, 2007). In 2.1 and 2.2, it is apparent that the military has everything to do with public power: within its organisation and function and between itself and other public goods and services including how it is financed by public funds. On one hand, this leaves plenty of opportunity for the military to involve itself in corruption. On the other hand, its trained high discipline and integrity to effectively deliver national security can prevent them from engaging in such corruptive practices.

Corruption can be extendedly interpreted in the light of institutional analysis as an inability – or the lack of adaptive capacity – of the institution to change or social differentiation (Schweitzer, 2005). Providing the observations discussed earlier in 2.2 on the sample of military officers' commission purchasing system, the military itself was not very adaptive and is suspicious of being corrupted. Examples from many countries worldwide confirm the contribution of military to corruption: in China, having served in the same military unit helps the *guanxi* network to expand and facilitate corruption (Schramm and Taube, 2005); in Nigeria, military regimes are at the epicentre of wealth and control the institution that facilitates corruption (Apampa, 2005; Lambsdorff, 2007).

Empirically, corruption is associated with high military expenditure or higher weapons procurement worldwide (Gupta, de Mello, and Sharan, 2000). The association came from demand and supply sides. On the demand side, because national defence is a pure public good and the military is the monopoly, there is an absence of competition. The cost of production of national security could be inflated due to inefficiency. Its production, nevertheless, must be in secrecy to avoid leakage and espionage; thus, transparency from auditing and monitoring is impaired. Corruption is then relatively easier and more attractive. Defence assets are large and difficult to control as a result of deployment to cover the whole territory properly, plus regular military training and testing for their combat readiness; therefore, the unaccounted-for leakage is hardly avoided. Also, weapons are naturally capital-intensive (especially modern ones) and its procurement is massive. Bribery from suppliers to win the tender or the contract to supply is expected. On the supply side, weapons or defence equipments suppliers may bribe the procurement officials because arm producers have high sunk cost and securing markets for their products are difficult. Willingness to offer bribes to win contracts exists.

Lambsdorff (2007) states that corruption cause distortion in budget allocation. Through his review of empirical works, military spending increases with corruption while the opposite occurs in education spending; also, there is a tendency for public investment to have too large projects. The distortion happens because there is competition between various public goods productions. Since the market mechanism cannot allocate resources for them efficiently, power is used for allocation and power tends to favour what brings more power.

In conclusion, military has strong propensity to corrupt institutionally and empirically. Power concentration of military usually went unchecked for the sake of secrecy and security. Attractiveness of private benefits gained from corruption is high comparing with others public goods and services which it may induce one to corrupt much easier. When one military officer started to corrupt, it is likely that other officers keep it covert. Especially, when the corrupted one is of higher rank, lower-rank officers dare not to challenge that corruptive practice since subsequent punishment by their superior may ensued. Alternatively, the higher rank corrupted superior could say it was an order, lower rank officers have to comply by the design of military structure. If the corrupted officer is of the lower rank, however, it is quite likely to be severely punished by honest superiors. Hence, the likelihood of military

corruption is from top down rather than bottom up. To the farthest extreme, due to its intended strong hierarchy, discipline, and cohesion, corruption could be systematic and well-organised by relying on the military organisational structure.

2.4 Thailand's Military Peculiarity

As mentioned in the Introduction of this paper, Thailand's military is more than what it supposed to be. Its roles and reputations last longer than Thailand's history of democracy and its action remains decisive for the Thai society, second only to the monarch (Chambers, 2013a). The military is one of the most important fundamental institutions in Thailand. Chambers (2013a) called Thailand's democracy as 'tutelary democracy' where non-elected tripartite actors, consists of the Palace, the Privy Council, and the military, hold the veto powers against elected parliamentary representation. Similarly, Pongsudirak (2008) stated that the military is one of the 'nonelected holy trinity,' where the remaining are monarchy and bureaucracy. Traditionally, the military claims to be the most loyal organisation to the high revered institution – the Monarch – since it is responsible for the protection and escalating the honour of the throne (Waitoolkiat and Chambers, 2013). Thus, it is evident how important the military is to Thailand – well beyond being the sole provider of national defence discussed above.

One of the reasons behind such military significance is its institutional arrangement. Waitoolkiat and Chambers (2013) analysed its organisational structure and discovered that the military structure allow its authority to be effective and prevent civilian establishments to intervene by inhibiting all civilian controls because, by default, it distrusts civilians. Civilian governments were repeatedly blamed for being inefficient and corrupt which can be seen from many coup' declarations (see Introduction). Military appointments are semi-autonomous from elected representatives. The prime minister, although, has autonomy to reshuffle the military, signatures from the Palace, the Privy Council, and senior military officers are also together required. On the military order, the Prime Minister and the cabinet can issue orders to the military but they have discretion to execute such orders if they see fit (Chambers, 2013). Waitoolkiat and Chambers (2013) also indicates that the Thai military is also been designed to respond to the requirement of the Palace or the Privy Council or acts in the interests of the monarch. Their strength is reinforced by pre-cadet comradeship of military personnel (Waitoolkiat and Chambers, 2013). These allow the military to have relative stronger institutional forces and monopolise the political realm (Chambers, 2013a).

Evidently, Chambers (2010) illustrates military dominance in Thailand's political history; despite being fluctuated, military plays its part in the so-called power sharing governments and occasionally use *coup d'état* as an instrument to regain its power. Using Croissant and Kuehn (2010)'s framework, Chambers (2010) explained the military shares its power with civilian governments through elite recruitment by appointing cabinet members and members of legislature, national security-related public policy, and military organisation by deriving its budget from the national budgetary process which allows blind approval and insufficient scrutiny, as well as channeling income from state enterprises that it has control over. This coincides with Thavornyutikarn (2012) that suspects the military intervention is long-lasting and embedded in the budgetary process rather than actively controlling the government by staging coup and instituting military governments. The military role in politics is more active especially after the 2006 coup, even with the attempt to be professional in 1990s (Pongsudirak, 2008; Chambers, 2010).

Therefore, Thailand's military peculiarities suggest corruption is more likely than what discussed earlier about military in general (see 2.1 – 2.3). Lambsdorff (2007) argued about political corruption by giving two examples with reference to Thailand: Forestry department and Royal Thai Customs which their enormous powers are exploited and manifest themselves in the well-known corruption. Undoubtedly, the military is more powerful than these two departments and potential for corruption is, thus, much more significant. However, since the military is associated itself with the

much-revered monarch, it is less likely to be suspicious by the public; even though, by inference, it is more prone to be corrupt.

3. Analysis of Military and Corruption in Thailand

Since the military in Thailand is suspected of being corrupt, the analysis in this section attempts to verify the validity of this argument. The mechanism of how the military influences on corruption is proposed. Then, it is empirically tested and the discussion on the results is made at the end of this section.

3.1. Mechanism of Corruption by Military

Combining information learned in Section 2, this paper proposes the mechanism of corruption by military in Thailand as follow. First, by design to deliver effective national defence, the military organisation, generally, is structurally authoritative, secretive, decisive, and self-reliant without facing any contender or screening, making it vulnerable for misuse of its power causing possible corruption. The military in Thailand is additionally shield by positive public perceptions, particularly its role as a defender of the Royals and its decisive action in politics. This would cause corruption to be more attractive since it can argue whatever the military does is for the protection of the monarch or the sake of public peace and order. By its specific organisational structure, the military always doubt civilian authorities because civilians are more chaotic and less discipline. On one hand, the military intervenes in civilian matters. On the other hand, civilian governments are scapegoats for corruption blamed by the military. The intervention can be made through the appointment or recruitment of elite and the budgetary process on national defence-related items. This allows the military to establish the power-sharing scheme with civilian governments (Elliott, 1978; Chambers, 2010). Moreover, *coup d'état* and the threat of it, as well as the blasphemy against civilians of being corrupt and seeking self-interests, are used as commitment devices if any civilian government decides to disagree. Once it can institute such link, corruption is less costly, more facilitated, and, subsequently, more attractive. That is how the military gives rise to corruption. Figure 1 illustrates this conceptual framework.

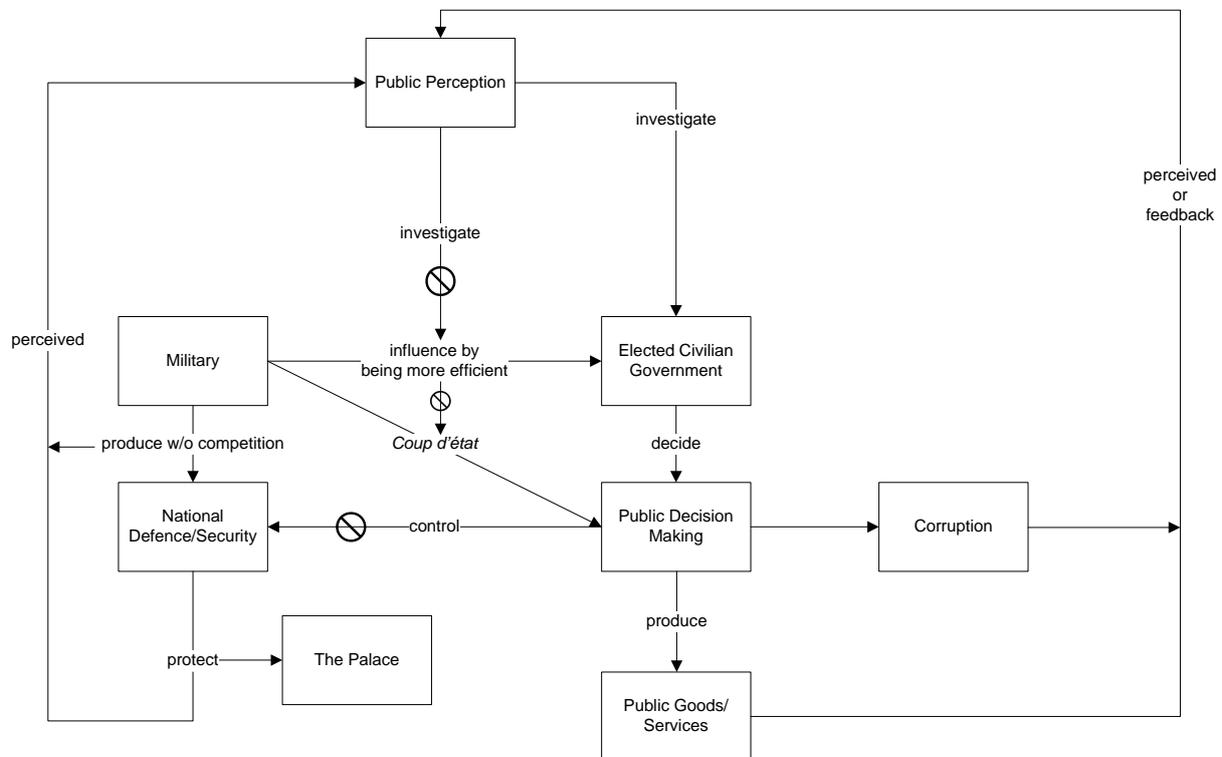


Figure 1 Conceptual Framework of Military and Corruption

3.2 Empirical Evidence

By modifying the conceptual framework in Figure 1, Figure 2 shows how the proposed mechanism is empirically tested. This paper follows the similar approach of Thavornyutikarn (2012) by using available secondary data from World Bank's Worldwide Governance Indicators (WGI) and the military expenditure database of Stockholm International Peace Research Institute (SIPRI) along with variables suggested by Chambers (2010) (described below). The application used is EViews 6.0.

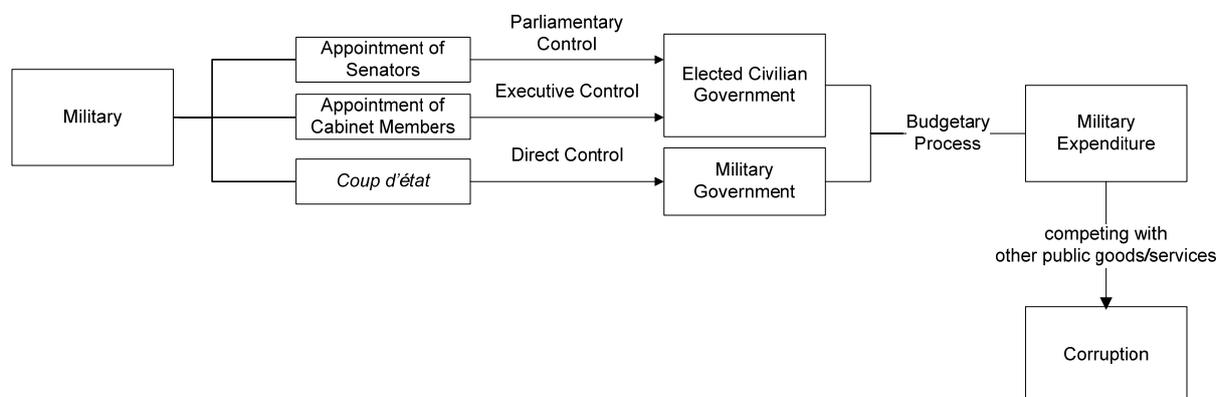


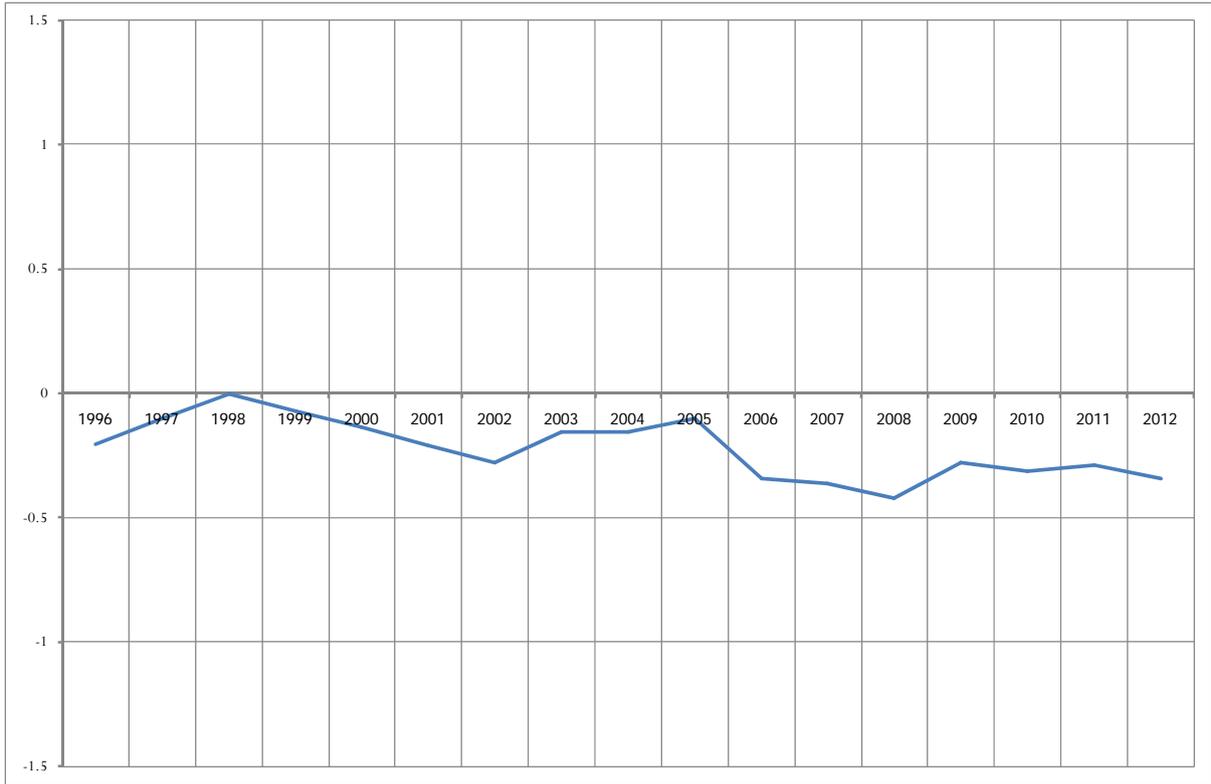
Figure 2 Empirical Mechanism of Corruption by Military

The analysis is conducted in two stages. The first stage focuses on how the control of corruption and the ranking of it in Thailand are affected by military expenditure and *coup d'état*. Changes of the control of corruption over time are also examined. Since reverse causation and bi-causality are possible, the Granger Causality test is conducted to determine the direction of causality. The later stage concentrates on what influences the movement of military expenditure and whether they are institutional factors which have been review in the prior section.

A. Thailand's Control of Corruption and its Ranking

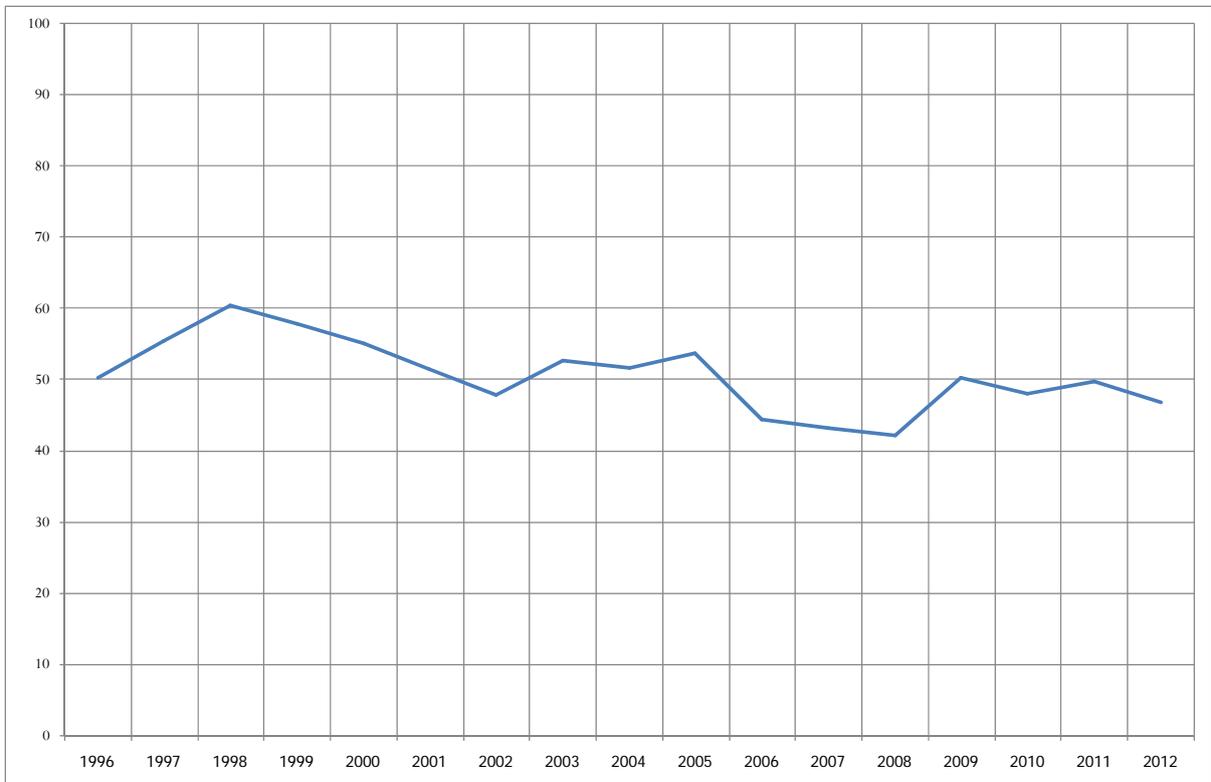
World Bank's Worldwide Governance Indicators (WGI) is developed by Kaufmann, Kraay, and Mastruzzi (2010) covering six dimensions of governance qualities: (i) voice and accountability, (ii) political stability and absence of violence/terrorism, (iii) government effectiveness, (iv) regulatory quality, (v) rule of law, and (vi) control of corruption for over 200 countries. These indicators, which ranging between -2.5 (worst) and +2.5, (best) are constructed by using the unobserved components model (UCM) of many variables reflecting views on governance from survey respondents, accompanying with their respective error margins. Furthermore, percentile rankings in all dimensions are illustrated. WGI at this moment is the most comprehensive indicators for governance qualities amidst many critiques it received. Another available measure of corruption is Corruption Perceptions Index (CPI) by Transparency International but Thavornyutikarn (2012) said CPI is highly correlated with itself. This paper, then, uses Thailand's WGI on the aspect of Control of Corruption (CC) and the respectively percentile ranking only. The construction of CC is not using any data of explanatory variables considered in this paper, at least directly.⁸ Data of these dependent variables are ranging from 1996 to 2012. Figure 3 portrays its movement and Figure 4 represents the ranking.

⁸<http://info.worldbank.org/governance/wgi/pdf/c213.pdf>, see Page 7.



Source: Kaufmann, Kraay, and Mastruzzi (2010)

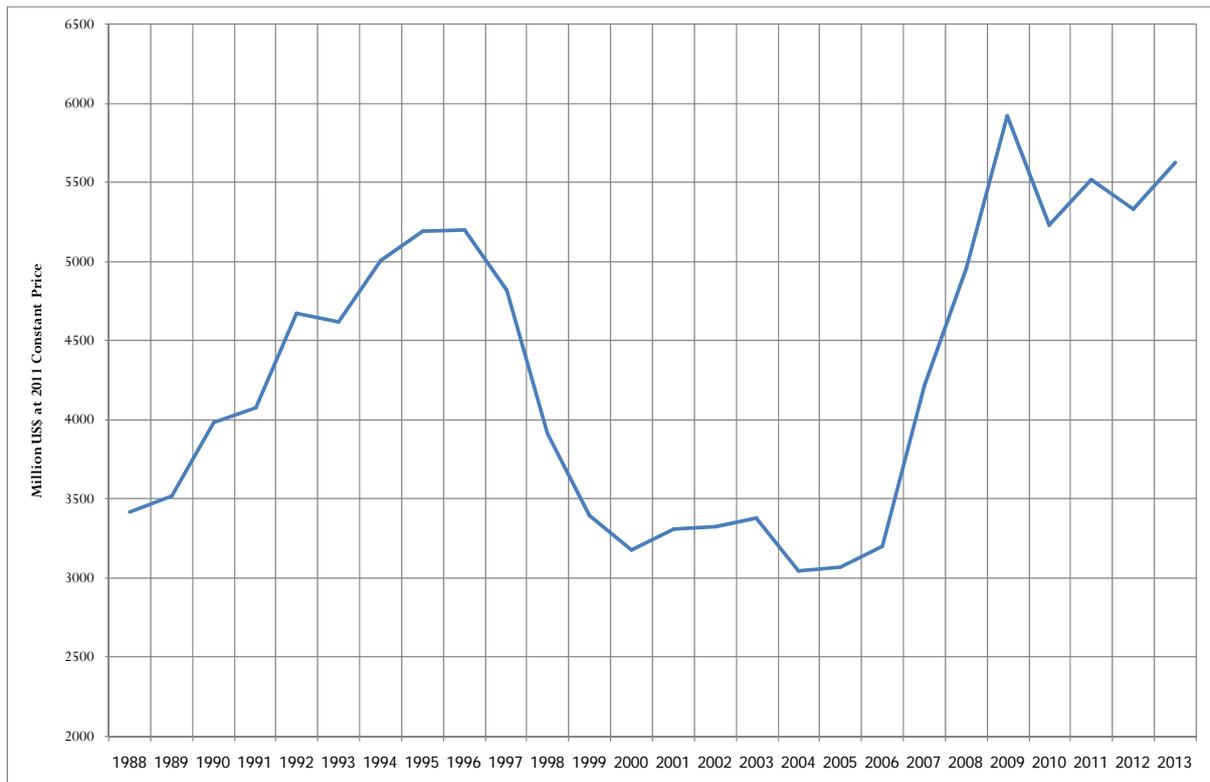
Figure 3 WGI Estimates of Thailand's Control of Corruption (CC)



Source: Kaufmann, Kraay, and Mastruzzi (2010)

Figure 4 WGI's Control of Corruption Percentile Ranking for Thailand

Based on works by Gupta, de Mello, and Sharan (2000) and Thavornyutikarn (2012), explanatory variables are military expenditure as well as its lagged and the occurrence of *coup d'état* as a dummy variable. Data of Thailand's military expenditures obtained from the military expenditure database of Stockholm International Peace Research Institute (SIPRI) dating from 1988 to 2013. Figure 5 shows Thailand's military expenditures in million US\$ at 2011 constant price.



Source: SIPRI (2013)

Figure 5 Thailand's Military Expenditure, 1988-2010, at 2011 constant price

Thus, the period of analysis is limited to between 1996 and 2012. Table 1 reveals OLS estimation of WGI's Control of Corruption on military expenditure and *coup d'état*.

Military expenditure has a negative statistically significant consequence on WGI's Control of Corruption (CC). An increase in military expenditure reduces the score on the control of corruption. However, its longer-term effects are ambiguous but lasting up to 3 years prior to the current. This might be related to the term in office for the Commander-in-Chief of the Royal Thai Army which shall be further investigated in the future (Thavornyutikarn, 2011; 2012). *Coup d'état* also negatively affects CC and significant at around 93 per cent. These imply the increase in military expenditure and *coup d'état* causes poorer control of corruption.

Table 1 OLS Estimation of WGI's Control of Corruption (CC) for Thailand (1996 – 2012)

<i>Explanatory Variables [Unit]</i>	Estimated Coefficients
Military Expenditure [Million US\$ at 2011 Constant Price]	-1.52 x 10 ⁻⁴ ** (3.57 x 10 ⁻⁵)
Military Expenditure in $t - 1$ (previous year) [Million US\$ at 2011 Constant Price]	1.55 x 10 ⁻⁵ (5.75 x 10 ⁻⁵)
Military Expenditure in $t - 2$ [Million US\$ at 2011 Constant Price]	1.54 x 10 ⁻⁴ ** (5.89 x 10 ⁻⁵)
Military Expenditure in $t - 3$ [Million US\$ at 2011 Constant Price]	-6.84 x 10 ⁻⁵ * (3.67 x 10 ⁻⁵)
Dummy Variable for <i>Coup d'état</i> [0 if there was no coup; 1 if there was a coup]	-0.1454* (0.0724)
Number of Observations	17
R² and Adjusted R²	0.7433/0.6577
Log Likelihood	24.1959
Durbin-Watson Statistics	1.6443

Notes: Numbers in parentheses are standard error

***/**/* denote the statistical significance at 99/95/90 per cent or more respectively

Moreover, Table 2 is the OLS estimation of Thailand's Control of Corruption Ranking on similar set of explanatory variables.

Table 2 OLS Estimation of WGI's Percentile Ranking of Control of Corruption (CC) for Thailand (1996 – 2012)

<i>Explanatory Variables [Unit]</i>	Estimated Coefficients	
	<i>Model I</i>	<i>Model II</i>
Ranking in $t - 1$ (previous year) [0-100]	0.5000* (0.2336)	0.4461** (0.1929)
Military Expenditure [US\$ at 2011 Constant Price]	0.0018 (0.0012)	0.00344** (0.0010)
Dummy Variable for <i>Coup d'état</i> [0 if there was no coup; 1 if there was a coup]	-5.1274 (219.3261)	–
Numbers of Year after the Last Coup [Years]	–	0.5414** (0.1952)
Constant	34.3364* (16.7963)	27.5963* (14.3758)
Number of Observations	16	16
R² and Adjusted R²	0.7350/0.6386	0.8148/0.7474
Log Likelihood	-37.8367	-34.9709
Durbin-Watson Statistics	1.8528	1.9214

Notes: Numbers in parentheses are standard error

***/**/* denote the statistical significance at 99/95/90 per cent or more respectively

When using the percentile rank of CC (valued from 1-100) as a dependent variable, estimation results confirm the previous estimation. Higher military expenditure significantly increases the ranking (in Model II, see Table 2) meaning poorer rank for control of corruption in relation to other countries in the world (there are more countries that is superior to Thailand in term of control of corruption) and so does the coup. Note that the rank of CC is highly correlated with its values in previous periods.

To ensure that estimations are not reverse causal or bi-causal, the Granger Causality test is employed to determine if CC and its percentile rank do not Granger cause the military expenditure and *vice versa*. The lag specifications are 2 and 4 periods respectively. Table 3 shows the Granger Causality Test between the dependent and independent variables in Table 1 and 2.

Table 3 Granger Causality Tests of WGI's Control of Corruption (CC) and its Percentile Rank

Independent Variables	Direction of Causality (H_1) and F-Test Statistics (at lags=2 and 4)	Dependent Variable
CC: Control of Corruption	→ (1.3229/0.4665)	Military Expenditure
	← (14.4120**/5.2629*)	
Rank of CC	→ (1.8221/0.9284)	
	← (15.9495**/14.5737**)	

Notes: Granger Causality is a pairwise test; two null hypotheses are tested: H_0 is the independent variable does not Granger cause the dependent variable AND H_0 is the dependent variable does not Granger cause the independent variable. Lags specifications are 2 and 4.

Numbers in parentheses are F-statistics.

***/**/* denote the statistical significance at 99/95/90 per cent or more respectively.

From the tests in Table 3, the causations between military expenditure and the indicator for control of corruption as well as its ranking go along with the proposed empirical mechanism in Figure 2 and estimations in Table 1 and 2 are valid.

B. Thailand's Military Expenditures and Other Institutional Variables

At this stage, the dependent variable is the military expenditure from SIPRI (which is the explanatory variable in previous estimations). It is believed that the military expenditure is the result of military intervention in various aspects including the appointment of cabinet members and members of legislature. Following Chambers (2010), this paper constructs measures for these in terms of proportion of military in the cabinet and in the Senate respectively. Since the terms of office are not according to the calendar, the proportions are calculated based on calendar year weighted by numbers of day each cabinet and each Senate served. This paper adds the data of arms import from SIPRI to represent how the military in Thailand interpret the external threat. More import of weapons implies higher threat and it is used as a justification to increase the military spending. The estimation period is between 1990 and 2009 due to availability of data (which is different from estimations in A.).

Table 4 displays the OLS estimation result of military expenditure on institutional explanatory variables (which are its value in previous period, the military intervention through elite recruitment (proportion of the military in the cabinet and the proportion of the military in the Senate), ratio of the weapons import in this period and the previous period, dummy variable of coup, and the numbers of year since the last coup) and the economic explanatory variable (which is GDP).

Table 4 OLS Estimation of Thailand's Military Expenditure between 1990 and 2010

<i>Explanatory Variables [Unit]</i>	Estimated Coefficients
Military Expenditure in $t - 1$ (previous year) [US\$ at 2011 constant price]	0.5801*** (0.0947)
Proportion of Military in the Cabinet in $t - 1$ (previous year) [weighted averaged in per cent]	26.3197 (16.6980)
Proportion of Military in the Senate in $t - 1$ (previous year) [weighted averaged in per cent]	13.0434* (6.1743)
Ratio of Arms Imports (this year/previous year)	107.3786* (54.0925)
Dummy Variable for <i>Coup d'état</i> [0 if there was no coup; 1 if there was a coup]	-687.3453** (219.3261)
Numbers of Year after the Last Coup [Years]	-59.1263** (15.6493)
GDP [Billion baht]	0.2556** (0.0559)
Number of Observations	20
R² and Adjusted R²	0.9384/0.9099
Log Likelihood	-135.4606
Durbin-Watson Statistics	1.7720

Notes: Numbers in parentheses are standard error

***/**/* denote the statistical significance at 99/95/90 per cent or more respectively

From Table 4, the most important determinant of the military expenditure is the military expenditure of the year before, confirming that Thailand's budgetary system is the incremental budgetary process (Thavornytikarn, 2012). Other institutional factors, however, are less statistically significant. Higher percentage of military in the cabinet increases military spending only at 86 per cent significance level. Higher percentage of military in the Senate also increases military expenditure at around 94 per cent significance level. More import of weapons, expressed in ratio, does increase military expenditure at 93 per cent significance level. Notably, *coup d'état*, expressed in both dummy variable and the numbers of year since the last coup, significantly reduces the military expenditure. This is somewhat contradictory. The farther away from the last coup, the reduction of military expenditure should be expected as in this estimation since the concentration of military power should be dwindling; while the coup should increase military expenditure. However, the alternative explanation could be that, once there is a military government right after the coup, all items of the budget are deemed to be military without requiring any classification.

For the economic factor, it is comprehensible that the military expenditure should grow along the economy (measured by GDP) as described by Owen (2000) (see 2.2 above). An increase in GDP significantly gives rise to military spending.

C. Changes in Corruption Ranking and Institutional Changes

To confirm the overall influence of military to corruption as described by Figure 2, the OLS estimation of changes in WGI's Percentile Ranking of Control of Corruption for Thailand (defined by the ranking in this period minus the ranking in the previous period) on changes in the proportion of military in the cabinet (defined by the proportion of military in the cabinet in this period minus the same proportion in the previous period) is conducted. The results are shown in Table 5.

Table 5 OLS Estimation of Changes in the Percentile Ranking of WGI's Control of Corruption

<i>Explanatory Variables [Unit]</i>	Estimated Coefficients
Change of Proportion of Military in the Cabinet in $t - 1$ (previous year) [Percentage Difference of weighted averaged]	-0.0189** (0.0073)
Dummy Variable for <i>Coup d'état</i> [0 if there was no coup; 1 if there was a coup]	-0.4142** (0.0919)
Number of Observations	16
R² and Adjusted R²	0.5978/0.5692
Log Likelihood	22.2663
Durbin-Watson Statistics	1.8760

Notes: Numbers in parentheses are standard error

***/**/* denote the statistical significance at 99/95/90 per cent or more respectively

Changes of WGI's CC value are significantly reduced by the occurrence of the coup and the increase in the percentage of military in the cabinet in the previous year, implying two ways of military influences – direct (through a coup) and indirect (through the elite appointment) – do exacerbate the WGI's CC indicator, i.e., poorer control of corruption.

4. Concluding Remarks

The reason why the exemplification by the military cannot be transfused to the general Thai people is evident. The military organisational structure, by design, tolerates corruption. Even though it is efficient in term of combat and warfare, its prices are paid for in term of transparency and accountability. Moreover, its efficiency is misused through the intervention of elected-civilian governments by recruiting elites (for instance, in this paper, the cabinet and the Senate) and messing up with the budgetary process. The military gets extra shields from positive public perception allowing corruption to be accommodated rather than be challenged and accountability more hard-earning. In conclusion, the military did not fight against corruption at all, despite the fact that it is always alleged so in many *coup d'état* (Chambers, 2013b). Moreover, anti-corruption coup never happens in Thailand.

Policy implications of these findings are quite repulsive. Basically, the rationale of eliminating corruption by staging military coup is no longer valid. Also, everyone can be corrupt including military officers. On one hand, Thai public shall realign their beliefs about the military and move forward for socialisation and democratisation. The Doorstep Conditions, prescribed by North, Wallis, and Weingast (2009), would be achieved by “a citizenry with shared beliefs that emphasize various forms of inclusion and equality.” On the other hand, the military reform and military professionalism are crucial in order to bring about constructive national security (Bamrungsuk, 2007; Thavorniyutikarn, 2012). The confrontation between these two forces is necessary to move the Thai society ahead.

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