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Generals in defense of allocation: Coups and military budget in Thailand

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Abstract

This paper investigates the effect of coup d'état on government defense expenditure in Thailand with 1948-2014 data. Regression analyses of the relationship between the total and defense budget reveal that coups result in larger defense budget in the year immediately following the coup. Among the branches of the armed forces, the army gained in their allocation out of the total defense budget after coups. These results imply that coup leaders have made use of their acquired executive power to direct greater budget for the benefits of their organizations.

Keywords: coup d'état; Thailand; budget
JEL codes: D72, H56

1. Introduction

Coup d'état is an anomaly in democracy. Coup plotters resort to violence to take control of the government away from the sitting administration. This transgression is, however, not necessarily a rare event. Powell and Thyne (2011) report that the world saw 457 coup attempts between 1950 and 2010, of which almost half (227) were successful. These coups mainly took place in developing part of the world. Countries in Africa (169, 37.0%) and Latin America (145, 31.7%) had more than two-thirds of the total among them. The rest of the geographical breakdown was 72 in Middle East (15.8%), 59 in Asia (12.9%) and 12 in Europe (2.6%).

Although coup is a political phenomenon as a forced transfer of political power, it inevitably affects a broad range of economic variables. Allocation of government budget is one of them, and recognition of this potential spillover is behind empirical literature that investigates coup's implications on military budgets. A pioneering work of Zuk and Thompson (1982) examined the 1967-1976 military spending patterns of 66 developing countries and found little evidence that military coups accelerate the growth of military budgets. More recent inquiry, however, tends to draw the opposite conclusions. Leon (2014) investigated the same issue with data for 153 countries over the 1963-1999 period, taking into account the problem of reverse causality between coups and military spending. Leon observed that successful coups increase military spending more than failed attempts and concluded that military stage coups in order to increase its funding. Bove and Nisticò (2014) also found that a higher degree of military involvement in policy-making, to which coups are a contributing factor, increases the probability that the military obtain a larger budget allocation from a sample of 135 countries in the 1984-2009 period.

This paper joins these efforts to explore the effect of coups on defense budget. Its analysis is conducted in the context of a single developing country, which separates this study from the existing literature that used data from a spectrum of countries. Thailand provides an opportunity for this quantitative inquiry with its repeated episodes of military coups.[1] Findings from its experience would enrich our understandings of coups by adding a new dimension to the literature.

[1] Farrelly (2013) attributes this frequent military interventions in politics to the country's "elite coup culture" which partly arises out of the symbiosis between palace and military interests.

The rest of the paper is organized as follows. The next section presents the share of military spending in the total budget since 1948 in Thailand and lists the coups that took place in that period. The third and fourth sections describe empirical analyses that identify effects of coups both on the total military budget and on army's allocation share in the defense budget. The concluding section discusses significance of the findings and areas of further research.

2. Defense budget allocation and coup d'état in Thailand

This study is primarily concerned whether coups bring payoffs to the military in terms of greater budget allocation. The military officers must gain in policy-making influence after they have seized executive power. If they use this power to direct greater budget for the benefits of their organizations, the defense allocation share in the budget should rise. Figure 1 depicts this share for Thailand since fiscal year 1948.[2] It starts at 9.30 percent in 1948. The 1950s and 1960s saw the share generally rising, with sporadic leaps and plunges in the interval, to peak at 20.96 percent in 1973. Since the 1980s the share exhibits continuous decline, to find a floor at 6.24 percent in 2005. The share at the end of the sample period is 7.26 percent in 2014.

Thailand experienced 15 coup attempts during these years.[3] There were three failed plots in 1948, 1949 and 1951, before another 1951 attempt succeeded and abolished the 1949 Constitution to bring back the 1932 Constitution that had granted more political power to generals in the Cabinet and the National Assembly. The military staged two more coups in the 1950s, in 1957 and 1958, both led by the same army general.[4] After the hiatus in the 1960s, the decade of the 1970s witnessed 4 coup episodes. The 1971 coup was a self-coup by the prime minister who is a former army officer. Two successful coups in 1976 and 1977, which had one failed attempt between them, also installed successive army generals to the prime minister's position.

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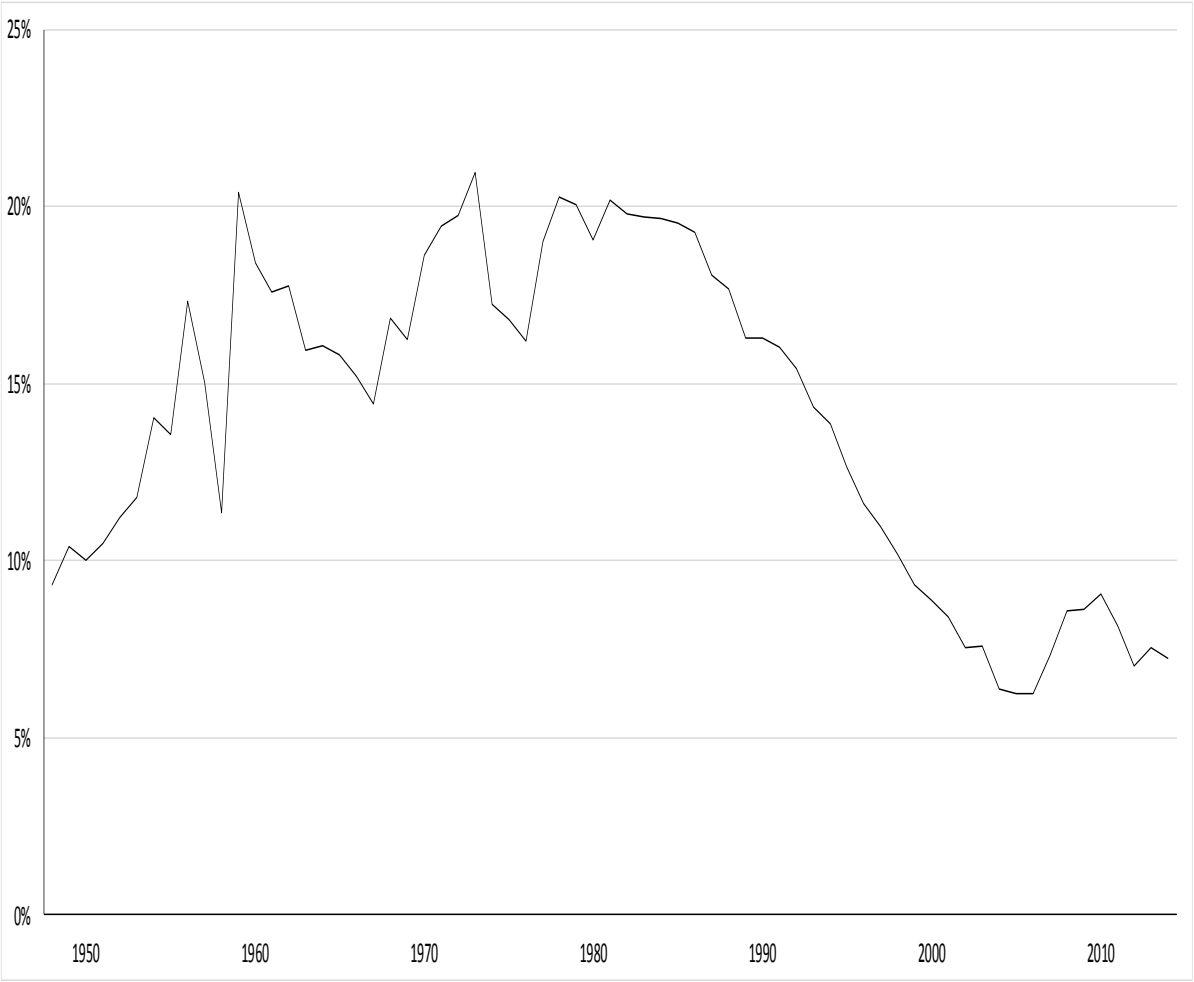
[2] The year 1948 is selected as the initial point of inquiry because the author judges that the country's post-World War II fiscal management has become relatively stable from this year. The total budget in 1946 was larger than in 1945 by more than 80 percent. Even a greater gap is observed between 1947 and 1948. The total allocation in 1948 was more than 2.9 times that of 1947. Since then, budget changes over the previous fiscal year became smaller, remaining within the range of 37.9 percent increase (1952) and 16.8 percent decrease (1961).

[3] Historical coup accounts and its numbers in this section draw from Farrelly (2011), Baker and Phongpaichit (2005) and Girling (1981).

[4] For coups in the 1950s, see Baker and Phongpaichit (2005), pp. 143-148, and Girling (1981), pp. 111-113.

Figure 1. Defense allocation share in the government budget: 1948-2014



Source: Calculated from total and defense budget figures in National Statistical Office, *Statistical Yearbook Thailand*, various years.

After two failed attempts in the 1980s, the country did not have a successful coup until 1991. The civil conflict that followed it had to be finally resolved in 1992 by the intervention from the King (Baker and Phongpaichit 2005, pp. 243-246). A new, highly democratic constitution was adopted in 1997. In less than a decade's time, however, this constitution was abolished by a coup in 2006.[5] The military intervened in 2014 with yet another coup to oust the elected government. Table 1 presents the list of nine successful coups mentioned above.

[5] The coups in 1991 and 2006 have been extensively analyzed in the contemporary literature. Pathmanand (2008) argues that these coups were of different nature; while the former was a result of friction between factions in the military personnel, the plotters of the latter claimed to have acted to preserve the institution of the monarchy.

Table 1. Successful coups in Thailand between 1948 and 2014

[1950s]	29 November 1951
	17 September 1957
	20 October 1958
[1970s]	17 November 1971
	6 October 1976
	20 October 1977
[1990s]	23 February 1991
[2000s]	19 September 2006
[2010s]	22 May 2014

It has been discussed that military leaders had benefited from coups in Thailand. For example, Pathmanand (2008) writes about the 2006 coup that "[T]he coup has already brought about numerous political and economic payoffs for coup leaders and coup supporters" (page 136) and lists armed forces personnel that were appointed on the board of state enterprises after the coup (page 137). Regarding the defense budget allocation, Nidhiprabha (2015) argues that the budget share of defense spending rises after the coup and declines after restoration of democracy, which he calls a "military business cycle". Nidhiprabha mentions Thai government's proposal to purchase submarines after the 2014 coup as an anecdotal evidence. The next section presents the empirical analyses of budget data to investigate whether there is a statistical basis to substantiate these statements.

3. Analysis of defense budget share

As was shown in Figure 1, the percentage share of defense allocation had ranged between 6.24 and 20.96 in the 1948-2014 period. In order to account for these variations with reference to coups, determinants of annual changes in the defense budget are examined through the regression analyses. The dependence variable is Defense_Change, which is the defense budget change over the previous fiscal year. As the total budget size must influence the defense allocation, its change over the preceding year enters the regression as an explanatory variable Total_Change. Their summary statistics are in Table 2. The mean value of these variables does not differ

from each other. Both total and defense budget grew at the average annual rate of 12-13 percent in the period.

Table 2. Summary statistics: 1949 - 2014

Variable	Mean	Std. Dev.	Min	Max
Defense_Change	0.127	0.188	-0.211	1.110
Total_Change	0.123	0.104	-0.168	0.379

Source: Calculated from total and defense budget figures available in National Statistical Office, *Statistical Yearbook Thailand*, various years

The effect of coups is captured by dummy variables for the four fiscal years since the coup, Coup_Tth-Year (T=0-3), which take the value of unity for the corresponding years, and zero otherwise. There are nine successful coups in the sample period, and the years of their occurrence are represented by the dummy, Coup_0th-Year (T=0). There are two cases of coups in successive years (1957/58 and 1976/77), in which dummies for the post-coup years (T=1-3) start from 1959 and 1978, respectively.

The coefficients of these explanatory variables will be estimated in the following form.

$$\text{Defense\_Change} = \alpha + \sum \beta T * \text{Coup\_Tth-Year} + (\gamma 1 + \gamma 2 * \text{Since80}) * \text{Total\_Change} + \varepsilon$$

Figure 1 shows that the defense allocation began to decline as a share in the total expenditure in the 1980s. In order to isolate this trend, the coefficient of Total_Change is allowed to shift for the years after 1980 by the margin of the coefficient of the dummy variable, Since80, which is one for 1980-2014. If there was a structural break in the relationship between the total and defense budget, the sign of $\gamma 2$ would be negative.

Table 3. Effects of coups on defense budget changes: 1949 - 2014

Defense_Change	(I)	(II)	(III)	(IV)
Coup_Tth-Year				
ß0	-0.025	-0.021	-0.020	0.049
	(0.48)	(0.40)	(0.37)	(1.33)
ß1	0.226 ***	0.230 ***	0.231 ***	0.097 **
	(3.61)	(3.62)	(3.58)	(2.22)
ß2		0.030	0.032	
		(0.49)	(0.50)	
ß3			0.011	
			(0.17)	
Total_Change				
γ1	1.010 ***	1.003 ***	1.006 ***	0.975 ***
	(5.42)	(5.42)	(5.28)	(7.87)
γ2	-0.413 *	-0.405 *	-0.410 *	-0.224
	(1.80)	(1.74)	(1.74)	(1.52)
F-statistic	13.37	10.61	8.70	19.29
p-value	0.000	0.000	0.000	0.000
Adj. R-squared	0.432	0.425	0.416	0.575
Observations	66	66	66	55

Note: t-statistics are in parentheses. ***Statistically significant at the 1% level. **Statistically significant at the 5% level. *Statistically significant at the 10% level.

Regression results are in Table 3. The post-coup dummy is restricted to the first year in specification (I), while specifications (II) and (III) include the dummies for the second and third years. Estimated coefficients for the coup year dummy (ß0) are not statistically significant. Coefficients of the first post-coup year dummy (ß1) imply that the defense budget jumps by more than 22 percent in the fiscal year following the coup on top of any increase associated with the total budget expansion. Other post-coup dummies for the second and third years (ß2 and ß3) are not statistically significant, and their inclusion lowers the goodness of fit for the regressions in terms of F-statistic and

adjusted R-squared. These results indicate that the coups give rise to a substantially bigger military budget allocation, and that this budget impact is concentrated in the fiscal year immediately after the coups.

The absence of coup's effects on the military budget in the coup year itself may be attributed to the timing of the coups. Thailand's fiscal year runs from October through September (The FY2006, for example, is from October 1, 2005 to September 30, 2006). Table 1 shows that, out of nine successful coups in the sample period, seven were staged after the second half of September, including October and November. In these cases it is impossible for coup leaders to change the government outlays in the coup year's budget.

The estimated coefficients for the Total_Change variable ($\gamma 1$) are approximately one and statistically significant at the 1 percent level in specifications (I) to (III). Coefficient estimates ($\gamma 2$) of the dummy for the years after 1980 (Since80) are negative and significant at the 10 percent level, which suggests that a break occurred in the relationship between the total and defense budgets in the 1980s. The total budget change was generally translated into a similar size of the change in the defense budget until the 1970s. Since the 1980s, the extent of the defense budget increase fell to about six-tenths of the total budget increase, which is behind the declining defense allocation share in the period.

These results are obtained with analyses of the 1949-2014 data. Figure 1 shows that there is a big jump in the defense budget share in 1959 after the 1958 coup from 11.36% to 20.39%, which suggests the possibility that the coup's effects obtained above is driven by the inclusion of 1959 data.[6] As a sensitivity analysis, coefficients are estimated after removing data up to 1959 as specification (IV) in Table 3. Although the size of $\beta 1$ coefficient becomes smaller, it remains positive and is statistically significant at the 5 percent level. Coups result in greater budget allocation for the military in Thailand.

4. Army's share in the defense budget

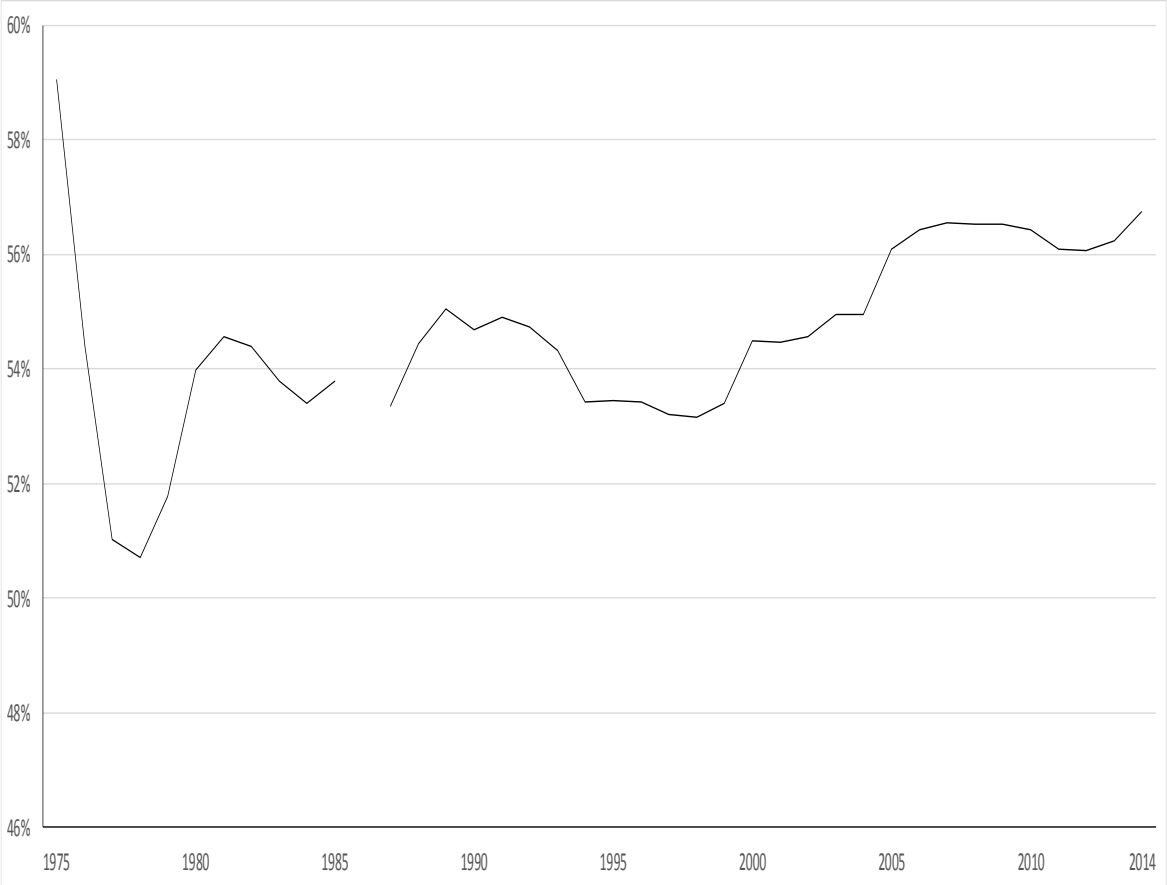
The regression analysis above supports the hypothesis that coups result in

[6] The maximum value (1.110) of the Defense_Change variable shown in Table 2 is observed for 1959.

expansion of the military budget. The next question is how this post-coup budget expansion has affected three branches of the armed forces, i.e. army, navy and air force. Army has been the dominant force in the history of Thai military. Figure 2 depicts army's allocation share in the total defense budget for the 1975-2014 period.[7] Although it has some fluctuations, the share never fell below 50 percent. The fact that all the successful coups in the 1948-2014 period were led by the army generals also corroborates its dominance in the armed forces.[8]

Army's generally dominant position and its leading role in the coup attempts may be translated into its stronger bargaining power vis-à-vis navy and air force in the

Figure 2. Army's share in the defense budget: 1975-2014



Source: Calculated from defense budget figures available in National Statistical Office, *Statistical Yearbook Thailand*, various years.

Note: The 1986 data is not available in the source documents.

[7] The budget data by the armed force branch is available only from the year 1975.

[8] The navy initiated a coup in June 1951, to be suppressed by the army.

post-coup budget allocation. To investigate this issue, changes in army's defense budget percentage share over that of the previous year are derived as their annual difference for the 1975-2014 sample. As is summarized in the top panel of Table 4, it has the mean of minus 0.05 percentage point, reflecting the lower share at the end of the sample period (56.74 percent in 2014) compared with the beginning (59.04 in 1975). The average figure for the three fiscal years immediately following successful coups (T=1) is minus 0.12, which is even lower than the sample average. Coups do not directly benefit the army in terms of its budget share among the armed forces in the first post-coup year. When post-coup years are extended to include the second and third years, however, average changes in army's budget share turn positive (0.04 for T=2) and then become larger (0.17 for T=3).

Table 4. Coups and army's share in the defense budget: 1976-2014

[Changes in army's defense budget share] Post-Coup T Year(s)

	Mean		Mean		Mean
All Years (37)	-0.05		-0.05		-0.05
T=1 (3)	-0.12	T=2 (6)	0.04	T=3 (9)	0.17
Other (34)	-0.04	Other (31)	-0.07	Other (28)	-0.12

[Difference in changes in army's defense budget share] Post-Coup T Year(s)

	Mean		Mean		Mean
All Years (35)	0.13		0.13		0.13
T=1 (3)	0.82	T=2 (6)	0.58	T=3 (9)	0.46
Other (32)	0.06	Other (29)	0.03	Other (26)	0.01

t-test for difference in means between Post-Coup T Year(s) and other years

T=1 t-statistic = 1.49 (statically significant at 10 percent level)

T=2 t-statistic = 1.43 (statically significant at 10 percent level)

T=3 t-statistic = 1.36 (statically significant at 10 percent level)

Note: The sample size of [Changes in army's defense budget share] is 37, as the army's 1986 share is not available in the source and changes for 1985-86 and 1986-87 cannot be calculated. The sample size of [Difference in changes] is further down to 35, as it cannot be defined at the beginning of the period (for 1976) and for 1988.

In order to investigate the underlying factors behind this observation, we take the difference of percentage point changes in army's defense budget share. This difference represents the shift in the pace or direction of the change in army's allocation share. For example, a positive difference would signify three possibilities. In the phase of rising army's share, a positive difference indicates that its gain in the share is accelerating. In the stage of declining share, on the other hand, it means that the pace of army's loss in the share is slowing down. Alternatively, it could mean that the army saw a reversal in its share change from decrease to increase.[9] Hence a positive difference could bring about percentage point changes that expands army's defense budget share. The larger the positive value, the more likely the budget share shifts in army's favor.

The sample average of this difference is 0.13 as shown in the bottom panel of Table 4. The sample is then divided whether the year falls in the post-coup periods. The mean for the first post-coup year (T=1) is 0.82, while the mean for the other years is 0.06. Although the difference of share changes is on average positive for both years, its mean is larger for the years immediately following coups. A t-test for the difference between means produces a t-statistic of 1.49, which is statistically significant at the 10 percent level. When post-coup years are extended to incorporate the second and third year (T=2 and 3), the t-test also gives the same result that the mean is statistically greater for the post-coup years. They suggest that coups affect the pace or direction of the change in army's allocation share in the manner favorable to the army at the expense of the navy and the air force. This may be driving the changes in army's defense allocation share, expressed in the top panel of Table 4, to turn positive in post-coup years (T=2 and 3).

5. Conclusion

The effect of coups on government budget has been a topic of active research for empirical analyses. A body of recent literature used data from a broad range of countries to find that coups result in greater military budget. This inquiry has investigates the same issue with data from Thailand. Regression analyses of the relationship between the total and defense budget reveal that coups give rise to larger budget allocation for the defense purpose in the year immediately following the coup. It

[9] Expressed in the mathematical language, this difference is compared to the second derivative of the army's share with respect to year.

has also been found that the army, which is the dominant force in the Thai military, gained in their allocation out of the total defense budget after coups.

These results imply that Thai military leaders, once they are successful in their coup plot, have made use of their acquired executive power to direct greater budget for the benefits of their organizations, and that the army are best positioned among the armed forces for this exercise. It requires further investigation, however, to argue that the budget expansion is among their coup objectives before they staged coups. Leon (2014) reached the conclusion that the military plot coups in order to increase defense spending after considering alternative explanations. The same careful examination is necessary before one can argue that coups are a vehicle for the Thai military to serve their self-interests.

This investigation contributes to the political economy literature in general by providing additional evidence that decision-makers of public policy have the incentives to use their power for their advantages. Kawaura (2011) observed that elected legislators in Thailand are directing budget allocation to their home provinces to increase their re-election prospect in spite of the fragility of the country's democratic institutions. Results from this study complement it by arguing that coup plotters who do not respect democracy cannot escape the same incentives that affect politicians.

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