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Master's Thesis

政變對經濟表現的影響：

1958 年泰國政變和 1966 年印尼政變的合成控制證據

The effect of coup d'etat on economic performances:

Synthetic control evidence from the 1958 Thai coup and the 1966 Indonesian coup

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Abstract

This thesis aims to assess economic performance after Sarit's coup in 1958 and Suharto's coup in 1966 by using the synthetic control method. The synthetic control extrapolates the trajectory of Thailand's and Indonesia's synthetic post-coup log GDP per capita with a weighted combination selected from the donor pool. The donor pool includes countries designated as 'developing' in the World Economic Survey 1963. Those developing countries must not have experienced a coup at least five years before and after Sarit's and Suharto's coups. The result found that the GDP per capita post-Sarit's and post-Suharto coups increased significantly compared to the synthetic figures. In addition, this thesis also provides a theoretical explanation of the developmental state, explaining the driving forces of high economic growth in East Asia. Interestingly, Thailand and Indonesia also followed this pattern to thrive for higher economic growth. From the economic perspective, both governments have established departments to take care of the economy on the macro level, and to draft economic strategies. The post-coup government also initiated the Board of Investment in an effort to promote a friendly environment for foreign investors. In contrast, however, political suppression was widespread due to the governments' control of labor unions that called for welfare and improved standards of living. This situation benefited capitalists, making it even easier for them to accumulate capital.

DOI:10.6814/NCCU202000777

TABLE OF CONTENTS

DOI:10.6814/NCCU202000777

TABLE OF CONTENTS

DOI:10.6814/NCCU202000777

TABLE OF CONTENTS – Tables

DOI:10.6814/NCCU202000777

TABLE OF CONTENTS – Figures

DOI:10.6814/NCCU202000777

1.Introduction

It is debatable to evaluate whether the effect of Sarit's coup in 1958 and Suharto's coup in 1966 really impacted the Thai and Indonesian economies. According to the World Bank's research paper (Ammar & Suthad, 1989), Sarit was praised because his economic restructuring followed the World Bank's guidance. The World Bank (Hofman, Rodrick-Jones, & Kian Wie Thee, 2004) also applauded Suharto's implementation of more market-oriented economic policies. Both the Sarit and Suharto eras experienced impressive economic growth. However, there are very few studies that clearly assess their performance. Hence, this paper attempts to fill this gap by evaluating the effect of coup d'états on economic performance. In addition, the governments' openness to trade and aid provided by the U.S. will be taken into account as well.

There are many studies that focus on the linkages between political regimes and economic growth, in both directions. First, regression analysis is a ubiquitous approach for similar topics. However, in regression analysis, each country is treated as a homogenous subject, as well as coup d'états. It is therefore not suitable to analyze specific countries or specific political phenomena as homogenous subjects because the result of the analysis will be distorted.

Synthetic control is the useful way to solve this problem because this approach considers case-by-case observations and acknowledges that the same actions in a different country may produce different outcomes. Additionally, we cannot treat social phenomena the same as scientific fact because social events in each country have different components, timeframes, and environments that shape them. Therefore, if the same phenomenon is assessed across different contexts, the results may be different.

DOI:10.6814/NCCU202000777

This study aims to end the assumption that coups must be considered either successful or failed. It also seeks to end the debate of whether a country's coup has a negative impact on its society. Some scholars have expressed that coups may be necessary when a country is faced with a critical situation. However, most of these scholars do not have concrete explanations to prove their thesis.

It is necessary to provide an appropriate quantitative analysis of the output in order to support a theory. Hence, this study also uses the developmental state framework to analyze the political and institutional backgrounds, both before and after the coups, in order to more clearly see the difference between the two periods. In addition, this study selected the 1958 Thai coup and the 1966 Indonesian coup as case studies because both countries are located in the same region, Southeast Asia, and have experienced similar histories of colonialism and the Cold War.

In addition, both of the selected coups led to changes in the relevant country's economic institutions due to the shift in economic ideologies. Before their relevant coups, these two governments had both implemented nationalist economic policy, which caused rent-seeking behavior, ruined the economy, deteriorate commercial networks, and decreased the incentives for foreign investments. In contrast, post-coup governments implemented policy that was more welcoming for foreign investment and turned to more liberal economic policies.

The pre-Sarit coup governments allowed the labor movement to protest for higher wages and better living conditions, even though the Phibun government suppressed leftist labor unions due to the threat of communism. However, the labor movements in Indonesia and Thailand worsened after the coups as the pro-capitalist sentiment sought to establish a good environment for investors and to keep wages low. Furthermore, entrepreneurs were able to accumulate capital, helping to foster industrialization in each country.

DOI:10.6814/NCCU202000777

This paper will discuss the nexus between business and government after the coups. To maintain political stability after their relevant coups, both Indonesia and Thailand formed strong networks with political elites, the military, bureaucrats, and businesses. In Indonesia, Suharto was able to maintain his authoritarian regime until 1997, while Sarit served as the prime minister until his death in 1963. Even after Sarit's death, Thailand still experienced many coups, however, these have not been enough to push structural changes, in terms of politics or the economy. Interestingly, the King approves the head of the army to stage a coup when they mutually decide to end parliamentary rule due to political turbulence or threats to their political and economic status. Then, they redraft the constitution to allocate themselves governing authority, sometimes for only one year, but sometimes for many years. This vicious cycle inhibits the development of consolidated democracy. Hence, the military is the political entity that routinely occupies the executive body without electoral process.

Following a coup, the network of the military, bureaucrats, and businesses remains. However, elected politicians are removed from their roles once the junta gains control of the country. Subsequently, the politicians have an opportunity to be elected again if the military government holds a general election. This "move-in/move-out" elected politician process further maintains what is referred to as an "Authoritarian regime under the King's patronage."

As previously mentioned, the concept of the developmental state will be applied to the analysis of both Indonesia and Thailand in this thesis. Initially, East Asian countries, including Japan, Singapore, South Korea, and Taiwan, were the first case studies in this framework. This Asian-style of economic management was implemented by the more developed countries in Asia. Then, developing countries in Asia also followed this pattern, although their economic outcomes were less impressive than those of their East Asian counterparts.

DOI:10.6814/NCCU202000777

2. Literature Review

2.1 Regression analysis: The pervasive and familiar method

Citing Wells' (1974) work published during the Cold War, a critical point regarding the spread of communism was that coups became widespread in Sub-Saharan African countries at that time. This paper includes socioeconomic factors, military variables, and external factors in its analysis. Not only does the analysis look at income levels, like the literature cited above, but it also considers population size, population growth, urbanization, literacy, mass-media availability, and centrality to demonstrate how the central government can easily control the country. In terms of mathematical analysis, the method of correlation is introduced, which finds that literacy has the highest positive correlation with the coup activity index while mass media has the highest negative correlation. Considering the military aspect, all factors, including human resources, budget, and U.S. aid, have a high correlation with the coup activity index. The multivariate analysis acknowledges the socio-economic and military variables, however, it cannot determine which variables are statistically significant.

O'Kane (1981) explains that attempted coups should occur in probabilistic, not deterministic, environments. This implies that although the surrounding conditions may facilitate a coup, a coup is not always certain to develop. This paper defines a "successful coup" as the incumbent administration comprised of the junta with the old regime blocked from holding power, and a "counter-coup" as one which attack the initial coup, resulting in a return of power. Apart from the levels of poverty and income, economic instability is also caused by price fluctuations, especially in countries that rely on a few main exports to make up a significant portion of its economy. As agricultural products are political products in many developing countries, each country must establish the market for this particular good. However, this usually

DOI:10.6814/NCCU202000777

fails due to inefficiency and corruption between bureaucrats and the business circle, further influencing the military to stage a coup. This paper, then, uses multivariate analysis to predict the possibility of a coup, finding that when there are shocks to the world market, or a dependence on exports, especially primary goods, military intervention was more likely.

The broader effects of coups on various aspects of society are now considered through O'Kane's more recent work (1983), which observes the causes of coups using multiple regression analysis, further developed from the author's previous work (1981). In this study, the dependent variable is a dummy variable of coup d'états, in which Y=1 represents having a coup and Y=0 represents no coup. There are five groups of independent variables, including socioeconomic variables, military characteristics, cleavages and violence, colonialism and dependence, and geographical areas. Four models of coup d'états are then formed, as follows. First is the model of a coup as an agent of modernization. In new countries, the army has been perceived as a modernizer to facilitate national development. It was found, however, that a recently new independent state in Africa or Asia is less likely to have a coup than a country categorized as having a low GDP per capita. Second is the model of coups that result as an outcome of political polarization and social cleavages. This model also recognizes conflicts within social groups, including civil servants, the military, and youth; "contagious" coups from neighboring countries; and the country's own history of coups. Third is the model of coups as a consequence of economic dependence. The independent variables used in this model that are statistically significant include a low level of GDP per capita, having an organized army, and having a mid-range level of education. The fourth model is that of coups that are strategically calculated. Statistically significant variables are as follows: low GDP per capita results in a high

DOI:10.6814/NCCU202000777

probability of a coup, while strong authority of a great power in government results in a lower probability of a coup; hence, it is likely that the army already controls the country in this model.

Fosu (2002) observes coup d'états as a measurement of political instability, with various results depending on the condition of the country. This assumes that a coup destabilizes the economy by reducing production processes and hindering economic growth. This thesis argues, however, that a military government has the potential power to execute economic reforms more effectively, as a civilian government is often reluctant to implement long-term policies for fear of decreased popularity. One such example is currency devaluation that leads to decreased purchasing power to buy imported goods, improving the country's competitiveness compared with its counterparts. This model looks at both production and productivity, determining that aborted coups have the most detrimental impact on economic growth. However, the impact of a successful coup on economic growth is not significant.

Chapter 2 of "Leaders, Regimes, and Political Instability", written by Yu (2014), uses the logistic regression model as an analytical approach in which the dependent variable is the dummy variable of a successful coup. This is similar to the abovementioned works that include socio-economic variables, but also includes independent variables which are the dummy variables of who is leading the coup. This variable may represent royal family members, civilian leaders, or military officers, from sergeants to generals. The chapter also utilizes a regression model in which the dependent variable is "the average economic growth rate of country, I, in the ten years after the coup attempt in year t" (ibid, p.16). This model found that lower-income countries have positive economic outcomes after a coup, but countries above the median experienced negative outcomes due to lower investment levels and a decrease in trade.

DOI:10.6814/NCCU202000777

2.2 The synthetic control: The frontier of comparative studies

As can be seen in Section 2.1, there is limited room to analyze using regression analysis because the newer studies that use this method simply reiterate the foundational independent variables, including socioeconomic military variables. Some remain exactly the same, while other variables are rearranged; hence, this thesis aims to use an alternative approach to revisit the classic debate of whether Sarit and Suharto's coup d'états actually induced structural changes in economic growth. The synthetic control approach is the best way to assess the impact of a specific coup d'état on the observed country's economic growth. First, we need to understand the basic concept of this approach, beginning with the explanation that synthetic control is a bridge between qualitative and quantitative empirical research (Abadie, Diamond, & Hainmueller, 2015). Although the estimators of both synthetic control and regression have weights that when combined equal one, the weight of each estimator in regression may have a negative value or a value of more than one, providing a comparison between units. In contrast, the weight of each estimator in synthetic control is more than zero, but less than one.

Meyersson (2016) uses synthetic control in observation of various case studies, including the Chilean coup in 1973, the Turkish coup in 1980, and the Algerian coup in 1992. In Chile, General Pinochet overthrew the elected government of President Allende and ruled Chile as a dictatorship for decades, converting the economic policy from socialism to neoliberalism. In the case of Turkey, the military intervened due to the economic crisis, political turbulence, and the triumph of the Islamist party. In Algeria, the coup expelled the one-party socialist regime that was running a planned economy. This study found that both Chile and Algeria experienced economic crises after their coups, whereas Turkey faced both zero and negative economic growth. In the synthetic analysis, the dependent variables are "… log GDP per capita, growth in

DOI:10.6814/NCCU202000777

GDP per capita, log population, years since the last coup, and the number of past transitions to autocracy, as well as the individual GDP per capita values of the five years, preceding the coup as covariates from which the weights are derived. …", and "…non-zero weights cannot experience a coup 15 years before or after the respective coup cases. …" (ibid, p.52).

2.3 The Developmental State

The model of the developmental state is used to provide a more accessible explanation of the period of accelerating economic growth in East Asia, including Hong Kong, Japan, Singapore, South Korea, and Taiwan. As these countries were able to achieve high-income status within just a few decades, it is not surprising that many emerging countries have tried to duplicate this model. A Japanese economist named Kaname Akamatsu introduced the "flying-geese model" for Southeast Asia. Subsequently, Kiyoshi Kojima developed a well-known model that was first implemented by Japan and then by the East Asian Tigers, including some ASEAN countries (Kojima, 2000).

The following subsections will detail various aspects of a developmental state in order to shape this study's analysis.

2.3.1 Property Rights Enforcement

This is a key point in guaranteeing that capitalists can invest and accumulate assets. Domestic and foreign businesses are likely to support a government that commits to preserving their capital (Haggard, 2018). However, the wave of revolutions in developing countries led investors to worry about their properties as the new regimes promoted radical ideologies that could negatively impact them, particularly through the implementation of nationalism. However,

DOI:10.6814/NCCU202000777

regimes under the Free World campaign, as supported by the U.S., did not occupy the ownership of foreign and local investors.

2.3.2 Political Institution

All Asian developmental state political systems were ruled by right-wing authoritarian governments, including South Korea's military-led government and Taiwan's Kuomintang-authoritarian government, except for Japan and Singapore which had elected governments. However, even in an elected government, the dominant-party typically won the executive seats. These regimes were supported and provided aid by the U.S. in order to maintain their authority (Singh & Ovadia, 2018).

2.3.3 The Business-Government Nexus

Businessmen typically remain in the inner circles of governments because this position facilitates their negotiation for benefits in the process of policy-making. This is an overt characteristic of Asian capitalism. State agencies do exist to push entrepreneurs that are bound to development plans. While supportive packages of economic protectionist policies are offered, including import quotas, tariffs, and soft loans to help local businesses accumulate capital, the businesses within the government's inner circle are much more likely to have access to these benefits than outsiders (Caldentey, 2008). Some examples include "Chaebol" in South Korea and "Zaibutzu" in Japan, which are business conglomerates that work closely with the government. In contrast, SMEs (rather than business conglomerates) drive Taiwan's economy.

2.3.4 The Labor Controls

The freezing of wages and disbanding of organized groups, including trade unions and farmer associations, were prevalent practices of developmental state governments in order to

DOI:10.6814/NCCU202000777

create an appropriate environment for investment and to enhance competitiveness (Haggard 2018, p.36). After World War II, organized groups of workers and farmers proliferated around the world, especially in developing economies. However, as their ideologies were considered to be related to socialism and communism, the governments began to grow afraid of a communist revolution. The executive officers did not hesitate to suppress their movements; left-wing parties seeking electoral votes were also banned from the parliamentary arena.

The End of the Cold War: Is it the end of the developmental state?

The wave of democratization across Asia was caused by the end of the Cold War and the defeat of the Communist World. The fall of the Soviet Union left no reason to implement surveillance that was meant to protect countries from the communist threat. The communist states of China and Vietnam, however, had to accept the revival of the market economy within their countries (Haggard, 2018).

3. Historical Background

Although Thailand has never been colonized by Western countries, it cannot avoid the trends of colonization and decolonization. Its neighboring countries on the western and southern borders were colonized by the British, while French colonizers ruled over Indochina. The sentiment of most of the Third World was primarily based in resistance against the Westerner, who was perceived as an exploiter. Comparative work should compare things that have similarities. There are four reasons that this thesis selected Indonesia and Thailand as comparative case studies. First is that both countries are located in the same region, Southeast Asia. Second, both countries have staged legitimate coup d'états, Sarit's coup in Thailand and Suharto's in Indonesia. Third, technocrats in both countries, who were educated from the United

DOI:10.6814/NCCU202000777

States and the United Kingdom, led authoritarian governments, especially in regard to economic policies. These technocrats had the freedom to construct their own policies, particularly compared to other stakeholders, including opposition parties, civil societies, and labor unions. Fourth, a leader's charisma is also vital to the maintenance of its regime. Those who have led revolutions or staged coups need to have charism in order for people to continue to support their movements. However, charisma cannot last forever as changing political environments, new challenges, and succession pose threats to these leaders' credibility. Political ideology before Sarit's coup and Suharto's coup was strongly influenced by nationalism against the West, including economic nationalist policies, such as nationalizing foreign enterprises and promoting local people to own businesses by subduing Chinese merchants. After both coups, economic policies became more business-friendly and more liberal.

While Thailand and Indonesia are both located in the same region, they also have many differences. The main religion in Thailand is Theravada Buddhism, whereas most Indonesians are Muslim. This has surely influenced a different mindset in each of the two countries, however this thesis does not explain about religion in depth, nor does it discuss the different doctrines of Buddhism and Islam. Indonesia and Thailand also differ in regard to their political institutions and systems.

Thailand was ruled by the King for many centuries, until the 1932 Siamese Revolution changed the absolute monarchy to a constitutional monarchy. Although the absolute power of the King was reduced, the monarchy has never been completely eliminated. The monarchy has survived Western colonizers and the vested interests of newcomers, including the military and the bureaucracy. This thesis will clarify how the Chakri Dynasty struck back at the Khana

DOI:10.6814/NCCU202000777

Ratsadon (People's Party) to form a new regime after Sarit's coup. This is represented by the term "Authoritarian regime under the King’s patronage".

As part of Indonesia was colonized by the Netherlands, its economy has been integrated into the world economy ever since then. Indigenous people did not own capital, leaving the Indonesian economy in the full control of foreigners, particularly the Dutch and Chinese. An independence movement was started to fight against the Dutch colonizers during World War II and officially ended in 1950. The rest of this thesis seeks to clarify the differences between the Sukarno and Suharto eras, in terms of both politics and the economy.

4. The Political Situation

4.1 Indonesia

Indonesia’s Independence Declaration led to an instable political environment. After the Japanese surrendered to the Allied forces, Indonesia declared independence and the provisional government used Yogyakarta (1946-1948) and Bukittinggi (1948-1949) as temporary capital cities due to the continuation of political turbulence as had resulted from Dutch reoccupation. Additionally, some time was needed to negotiate with the Dutch before receiving the UN’s recognition of Indonesia’s independence. Sukarno led the Indonesian revolutionary group and served as the first president of the Republic of Indonesia.

To satisfy the Netherlands, a deal was made to transfer the debt that had occurred while the Dutch East Indies government ruled over Indonesia, to guarantee protection of Dutch assets and properties in Indonesia, and to permit continued Dutch control of the Indonesian central bank. In an effort to end the dispute quickly, the Indonesian government accepted. Later on, however, these conditions caused problems and tensions between the two countries.

DOI:10.6814/NCCU202000777

4.2 Thailand

4.2.1 Thailand before the 1958 coup

One of the most momentous political events in Thailand, the 1932 Siamese Revolution, was led by the military and a civilian group called 'Khana Ratsadon', or the People's Party. Widespread economic contraction caused by the great depression, an inefficient government led by the King, and the layoff of government officers, particularly non-elite background officers, were the main factors that resulted in deterioration of economic status, a primary grievance of the middle class. These factors also led the military forces under 'Khana Ratsadon' to topple the Royal government and force King Rama VII to be the King under a constitutional monarchy. 'Khana Ratsadon' threatened that if the King did not accept this condition, they would dethrone him and establish a republic instead. Subsequently, the King half-heartedly accepted the new regime. However, the new regime did not have an opportunity to govern the country as there were two counter-revolution initiatives plotted by the royalists. First, the Prime Minister, Phraya Manopakorn Nititada, whom 'Khana Ratsadon' appointed to negotiate with the Royal Court, declared an executive order to disband the parliament and expelled Pridi Banomyong, who was the civilian leader of 'Khana Ratsadon'. Then, Phraya Phahonphonphayuhasena (later called Phraya Phahon), the military leader of 'Khana Ratsadon', consolidated power and assumed the role of Prime Minister. In contrast, Phraya Manopakorn Nititada was ousted and exiled in Penang, British Malaya. In the second counter-revolution, Prince Boworadet, who was the Minister of Defense under the absolute monarchy, plotted a coup against 'Khana Ratsadon.' Finally, the 'Boworadet Rebellion' was defeated by the government, dramatically worsening the relationship between 'Khana Ratsadon' and the royal court for the next decade.

DOI:10.6814/NCCU202000777

Japanese occupation of Southeast Asia during the Second World War disrupted trade with Western countries and blocked general elections. Hence, Field Marshal Plaek Phibunsongkhram (later called "Phibun") ruled Thailand and joined Japan as part of the Axis Powers. Although the elected members of parliament remained, the government had not held general elections during wartime. As a result, militarism was high and policies tended to be based in fascist ideology, especially the measures against Chinese people, further encouraging nationalism (Golay, Anspach, Pfanner, & Ayal, 1969).

Wartime severely weakened the Thai economy as agricultural exports to Western countries were blocked and the goods imported from Japan to replace Western goods were too scarce. To make it worse, the Japanese government borrowed money from the Thai government and established a Japanese-favored exchange rate between the Thai Baht and Japanese Yen, leading to a sharp devaluation of the Thai Baht, as well as hyperinflation. Near the end of World War II, Phibun resigned due to intense pressure from the opposition (Batson, 1974).

Before the war, there were four prime ministers between 1945 and 1947. This political instability came as a result of economic problems that followed both the war and the death of King Rama VIII, which derailed the Pridi government and the allegations of government corruption led by Rear Admiral Thawan Thamrongnawasawat. Subsequently, the military group, including Plank Phibunsongkhram, staged a coup d'état, but Khuang Aphaiwong, who was the prime minister during World War II, took the post. Eventually, Phibun became the prime minister by forcing Khuang out of office, even though the Democrat Party, led by Khuang, won the 1948 general election.

The Phibun government often conflicted with the royal court due to its strong intentions to limit the role of the King. Although most 'Khana Ratsadon' members had been inactive since

DOI:10.6814/NCCU202000777

the 1947 coup, the 'Khana Ratsadon' ideology that Phibun developed from the 1932 revolution remained. Furthermore, Phibun asserted his charisma in the spotlight, undercutting the status of the King for more than a decade, and drafted a constitution that removed the King from politics. The issue of land reform also worsened the government's relationship with the King, as the government advocated for peasants to own land in order to sustain their lives, while, in contrast, the Privy council strongly opposed land ownership. After the parliament passed the land reform bill, the King did not approve of it and the parliament had to resubmit the bill again. The reinvestigation of King Rama VIII's death sparked the issue with parliament as there was suspicion surrounding King Rama IX (Nattapon, n.d.). However, the lifespan of this bill was cut short due to its repeal after the Sarit coup. Phibun governed Thailand until 1957, but was overthrown by Sarit's coup, even though Phibun had won the majority of parliamentary seats in the February 1957 general election that was later condemned by the public. On the day of the 1957 coup, the King appointed Field Marshall Sarit Thanarat as the Praetorian of the Capital, without any countersignatures. Pote Sarasin was then appointed Prime Minister to oversee the 1957 general election in December, which resulted in Field Marshal Thanom Kittikachorn, who was very close with Sarit, as the new prime minister. However, he could not control the demands of the politicians in his party, and as a result, Sarit staged another coup in 1958 establishing himself as prime minister until his death in 1963.

4.2.2 Why the 1958 Sarit coup is significant and unique

This coup was different from the previous coup because it led Thailand into a military dictatorship for the first time in Thai history. The military junta's government banned all political parties, did not hold general elections, and consisted of a legislative council solely appointed by Sarit. The 1958 coup was intended to consolidate governing power by eliminating

DOI:10.6814/NCCU202000777

opponents in the parliament. Furthermore, coups before 1958 were structured differently from the 1958 coup. This will be clarified below.

First, there was a military coup intended to protect the constitutional regime in 1933. The coup leader was Phraya Phahon, the leader of 'Khana Ratsadon', because Phraya Manopakorn Nititada, who became prime minister through the compromise between 'Khana Ratsadon' and the royal court, intended to disrupt parliamentary rule. As such behavior is considered as counter-revolutionary, Phraya Phahon staged a coup in order to protect the constitutional monarchy.

Second, a militant group staged a coup in 1947 to demonstrate their dissatisfaction with the post-war government. The coup was led by Phibun, who had served as prime minister during the wartime. As King Bhumibol (Rama IX) was still young, two out of the three regents approved the coup, re-implementing the constitution and holding general elections within just two months following the coup's completion. The 1957 coup, executed by Sarit, followed this same pattern, holding general elections within just a few months.

The 1958 coup was the start of a vicious cycle in Thai politics. This cycle starts with a coup d'état approved by the King, after which the group who staged the coup suspends and redrafts the constitution. The period of redrafting is determined by the military and is supposed to culminate with a general election. However, Thailand has not yet experienced a consolidated democracy that changes its government by election. Instead, the army intervenes in the name of national unity, anti-corruption, and protecting the King. Furthermore, traditional elites do not share their power with elected politicians because they will lose the benefits that impact their business cronies. It can be interpreted, then, that the army seeks absolute authority, with the support of the King, in order to control Thai politics.

DOI:10.6814/NCCU202000777

5 Method

To begin with the theoretical background, synthetic control compares the "counterfactual" (without the experimental period) with the "actual" outcome. This paper duplicates the procedure in Abadie and Gardeazabal's (2003) paper to fit this research. First, let J be the number of available control countries as detailed above, then suppose Y^N_{it} represents the outcome that would be observed for country i at time t in the absence of the intervention (Abadie, Diamond, & Hainmueller, 2010). For the Indonesian case, Y^N_{it} would be the logarithm of Indonesian GDP per capita at time t without the 1966 coup, while, for the Thai case, Y^N_{it} would be the logarithm of Thai GDP per capita at time t without the 1958 coup. Suppose "…T0 is the number of pre-intervention periods, with $1 \leqslant T_0 < T$. Let Y_i it be the outcome that would be observed for unit i at time t if unit i is exposed to the intervention in periods T0 + 1 to T. …" (Abadie, Diamond, & Hainmueller, 2010).

$$Y_{it} = Y^N_{it} + \alpha_{it} D_{it} \quad (1)$$

$$Y^N_{it} = \delta_t + \boldsymbol{\theta}_t \mathbf{Z}_i + \boldsymbol{\lambda}_t \boldsymbol{\mu}_i + \varepsilon_{it}, \quad (2)$$

According to the first equation (1), when $D_{it}=1$, it means that Y_{it} performs after the intervention period, whereas when $D_{it}=0$, it means $Y_{it} = Y^N_{it}$. In other words, this implies that Y_{it} represents the pre-intervention period. According to Abadie, Diamond, and Hainmueller (2010), "…δ_t is an unknown common factor with constant factor loadings across units, Zi is a (r ×1) vector of observed covariates(not affected by the intervention), θ_t is a (1 × r) vector of unknown parameters, λ_t is a (1×F) vector of unobserved common factors, μ_i is an (F×1) vector of unknown

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factor loadings, and the error terms ε_{it} are unobserved transitory shocks at the region level with zero mean. …".

Additionally, α_{it} is the effect of an intervention for the unit i at time t and D_{it} is the dummy variable that D_{it}= 1 since the intervention time and D_{it} = 0 if otherwise. W = (w1, ..., w)' a (J x 1) vector of nonnegative weights which sum to one. The scalar w_j (j= 1, …, J) represents the country j in synthetic Thailand and synthetic Indonesia. Hence, it formulates $\sum_{j=2}^{J+1} w_j^* Z_j = Z_1$, and $\sum_{j=2}^{J+1} w_j^* \mu_j = \mu_1$ as a synthetic control to provide Y^N_{it} in the second equation (2) (Abadie, Diamond, & Hainmueller, 2010).

5.1 Placebo study

To assess whether the synthetic outcome is concrete or not, the placebo test may be used to observe. The pioneer study on synthetic control written by Abadie and Gardeazabal (2003) estimates the impact of terrorist attacks in the Basque County. The authors chose Catalonia as a placebo test as it had not experienced secessionist attacks and was active in peaceful independence movements. Subsequently, a more developed approach was determined by constructing a placebo graph and p-values. This paper will observe the impact of the coup d'état after the intervention period to check the confidence levels at both 90 percent and 95 percent.

5.2 Inference

According to Galiani and Quistorff (2017), statistical significance can be accurately assessed by running placebo tests. If the distribution of the placebo impacts are as high as the main estimate, then it is likely that the estimated impact was only observed by chance.

DOI:10.6814/NCCU202000777

Therefore, given that the estimated impact for a particular post-intervention period is $\hat{\alpha}_{1t}$, and that the distribution of corresponding in-place placebos is $\hat{\alpha}_{1t}^{PL} = \{\hat{\alpha}_{1t} : j \neq 1\}$, the p-value equals $\Pr(|\hat{\alpha}_{1t}^{PL}| \geq |\hat{\alpha}_{1t}|)$.

5.3 Data Collection

This thesis uses historical statistics for the World Economy as collected and extrapolated by Maddison (2010). While the data includes the GDP, GDP per capita, and population from 1-2003 AD, the scope of this research is a more narrow range, from 1950 to 2003. The reason it starts with the year 1950 is that by this time, all observed countries had already gained independence. The unit of GDP and GDP per capita is the 1990 International Geary-Khamis dollars and the population is 1,000 people at the mid-year mark. For the political data set, I obtained the recorded years of successful coups from the Center for Systemic Peace. In addition, the polity index is also used as a dependent variable for the analysis, which was also collected by the Center for Systemic Peace (Marshall, Gurr, & Jaggers, 2018). The import and export trade data was obtained from the Correlation of War project (COW), which provides historical data from 1870 to 2014 (Barbieri & Omar M. G. Omar Keshk, 2016). To calculate a country's openness to trade, I added together the amount of imports and exports from the COW dataset and divided the total by the GDP obtained from the Maddison dataset. The data regarding U.S. aid was collected from USAID in the unit of U.S. dollars.

This thesis focuses on the Thai coup d'état of 1958 and the Indonesian coup d'état of 1966. The aim of this research is to compare the economic performances of these two coups with their counterparts. When the synthetic control was determined for Indonesia, the donor pool of model 1 includes Afghanistan, Albania, Chile, China, Colombia, Costa Rica, Cuba, Egypt, Haiti, India, Iran, Jordan, Lebanon, Liberia, Mexico, Nicaragua, North Korea, Panama, Paraguay, the

DOI:10.6814/NCCU202000777

Philippines, Saudi Arabia, Sri Lanka, Taiwan, Uruguay, Venezuela. While the synthetic control for Thailand included Afghanistan, Albania, Bolivia, Chile, China, Costa Rica, Cuba, Egypt, Haiti, India, Indonesia, Jordan, Lebanon, Liberia, Mexico, Nicaragua, North Korea, Oman, Panama, Philippines, Saudi Arabia, Sri Lanka, Taiwan, Uruguay, Venezuela.

In model 2, Thailand's donor pool includes Afghanistan, Bolivia, Chile, Costa Rica, Cuba, Egypt, Haiti, India, Indonesia, Jordan, Lebanon, Liberia, Mexico, Nicaragua, Panama, Philippines, Sri Lanka, Uruguay, and Venezuela. Model 2 for Indonesia includes Afghanistan, Chile, Colombia, Costa Rica, Cuba, Egypt, Haiti, India, Iran, Jordan, Lebanon, Liberia, Mexico, Nicaragua, Panama, Paraguay, Philippines, Sri Lanka, Uruguay, and Venezuela. In model 3, the donor pool for synthetic Thailand includes Bolivia, Chile, Costa Rica, Haiti, India, Indonesia, Liberia, Mexico, Panama, Philippines, and Uruguay; whereas Chile, Colombia, Costa Rica, Haiti, India, Liberia, Mexico, Panama, Paraguay, Philippines and Uruguay are the model 3 control countries for synthetic Indonesia.

All control countries must not have had a coup d'état for at least five years before and after the selected case studies, and must be considered a developing country in an effort to ensure that the comparison is being made between countries of similar status.

5.3.1 Dependent variable and Independent variables

The objective of this research is to observe Thailand and Indonesia's economic performances after their coup d'états in 1958 and 1966, respectively. The dependent variable is the logarithm of GDP per capita from 1950 to 2003. The independent variables for model 1 include the growth of GDP per capita, the polity index, the population, and the dummy variable of the successful coup in which 1 means the coup was staged and 0 means otherwise.

DOI:10.6814/NCCU202000777

The dependent variables for Thailand and Indonesia in model 2 are the same as in model 1. These include those already listed for model 1, with the additional variable of openness to trade. The dependent variables for model 3 include the logarithm of GDP per capita from 1950 to 2003, the same as model 1. The independent variables for model 3 are the same as those of model 2, with the addition of U.S. aid. In the case of Indonesia, the GDP per capita in the years 1960, 1961, 1962, 1963, and 1964 are covariates. However, for Thailand, the GDP per capita in the years 1953, 1954, 1955, 1956, and 1957 are independent variables. As this thesis follows the synthetic control procedure of Meyersson's (2016) work, the predictors are averaged during the period following the selected coups.

6. Result

After using synth and synth_runner to run the synthetic control of the 1958 Thai coup and the 1966 Indonesian coup to observe economic performance, a synthetic control graph and placebo effects are produced. These post-coup estimated outcomes and p-values are included in Appendix 5. This chapter will analyze the 1958 Thai coup and the 1966 Indonesian coup as provided below.

6.1 The 1958 Thai coup

After Sarit's coup in 1958, it can be observed that the log GDP per capita estimates from 1959 to 1997 had increased over time; subsequently, the GDP per capita dropped due to the 1997 financial crisis, and then leveled off again in 2004. These patterns can be seen in model 1, model 2, and model 3.

For model 1, the null hypothesis that the coup had no effect on economic growth can be rejected at the 90 % confidence level from 1990 to 2004. For model 2, there are three periods

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that the null hypothesis can be rejected at the 90 % confidence level, including the years 1968-1976, 1981, and 1984-1986. It also has the 95 % confidence level in 1977-1979 and 1987-2003. In model 3, the null hypothesis can be rejected at the 95 % confidence level from 1966-2003.

The estimations after the 1958 Thai coup, from 1958 to 2003, demonstrate an increase of 176.8573 percent in model 1, and in models 2 and 3, an increase of 165.9773 and 148.7891 percent respectively. For the last year of observation, 2003, the effect of the coup on the GDP per capita of models 1, 2, and 3 is that the log GDP per capita diverged increasingly from the synthetic control. This implies that the Sarit coup had a positive effect over time, while the donors had both negative and positive outcomes.

6.2 The 1965 Indonesian coup

The year selected for this study is the year of 1965 when Suharto staged a coup and purged the Indonesian Communist Party. The log GDP per capita estimates of Indonesia have more fluctuation than those of Thailand. In model 1, the first period that the null hypothesis can be rejected at the 90 % confidence level is from 1980 to 1981, and the second is from 1988 to 2004. It has the 95 % confidence level in 2001 and the 90 % confidence level after 2001. Model 2 demonstrates that the null hypothesis can be rejected at the 90 % confidence level in 1974 and 1979, and is significant at 5 % from 1990 to 2003. In model 3, the two periods that has the 95 % confidence level are 1973-1978 and 1983-2003.

The synthetic estimates from 1965 to 2003 show that the effect of the 1965 coup was an increase of 108.8667 percent in model 1. Models 2 and 3 show increases of 110.2197 and 108.7451 percent, respectively. The synthetic control for Indonesia performed better in the 1960s, and after 1970, the log GDP per capita overcame the synthetic measure, resulting in a

DOI:10.6814/NCCU202000777

widening gap. This implies, then, that Suharto's coup had the same positive effect as in the Thai case, and that the donors also resulted in both negative and positive outcomes.

Although the statistical results section cannot provide a clear explanation for the effects of coup d'états on economic performance, it has proven that both the 1958 Thai coup and the 1965 Indonesian coup caused structural changes in both economies. The historical and theoretical aspects, then, must also be addressed in this thesis.

7. The economic outlook before the coup d'état

The Sukarno and Phibun governments both shared the same interest in transitioning their economies to be owned solely by indigenous people. Therefore, it is not surprising that both leaders imposed nationalist economic policies. While Indonesia had been colonized by the Dutch, in terms of both politics and the economy, Thailand remained independent and has not been colonized by any Western power. Nevertheless, as the Thai economy was dependent on Western and Chinese capitalists, the state had to play a role in establishing an indigenous capitalist class in order to offset the influence of foreign capitalists.

Nationalization policy is one of the top priorities for the government as it enables them to transfer foreign-owned enterprises to Thai-owned enterprises, further establishing economic independence. Ironically, local Thai people at the time did not have the ability to occupy these assets, so the government took on this role instead, changing the status of private companies to state enterprises. During World War II, Thailand, under the Phibun administration, declared war with the Allied powers, using this opportunity to nationalize Allied property. For instance, British American Tobacco Ltd., which owned the majority of tobacco sales in the 1930s, was

DOI:10.6814/NCCU202000777

nationalized by the Thai government in 1981, resulting in the establishment of the Thailand Tobacco Monopoly (MacKenzie, Ross, & Lee, 2017).

The Thai government also established Thai Panich Niyom Ltd. (TPN) in 1939 to monopolize rice trade, as well as the distribution and trading companies. The government held 70 percent of shares and the crown property bureau (CPB) owned the remaining shares (Porphant , 2006). The Provincial Trading Company Ltd. (Changwat Panich Ltd., later called PTC) was established in 1940 as a state enterprise owned by TPN, with the Excise Department, Ministry of Finance also owning large shares. Those shares were transferred to the Ministry of Commerce in 1952. Such state intervention was intended to decrease foreign stakes in the Thai economy, create Thai enterprises, and stabilize the price of goods (Sudsamorn, 1983).

After Phibun was reinstated as prime minister in 1948, he began to reprioritize nationalist economic policy and established the National Economic Development Corporation Ltd. (NEDCOL) as a holding company. The shareholders included coup members and the War Veterans Organization, Ministry of Defense. The business involved included the sugar mill, the jute mill, the marble factory, and the paper mill (Golay, Anspach, Pfanner, & Ayal, 1969).

Institutional discrimination against foreign business owners, particularly Chinese, was expected to create a good environment for Thai indigenous capitalists during the Phibun era, however, it was ineffective. Chinese businesspeople in Thailand were granted protection by giving some of their business shares to political elites and by inviting political elites to be a member of the company's board. To make it worse, state enterprises allowed Chinese people who held Thai citizenship to work at the managerial level, known as a client-patron relationship (Apichat, 2002).

DOI:10.6814/NCCU202000777

After Indonesia gained independence from the Netherlands, Sukarno became its first president. Although the country was technically free from colonizers, it was still under economic imperialism as imposed by the Dutch and Chinese capitalists. Sukarno's economic ideology was similar to that of Phibun; although the government had implemented "Guided Democracy" and "Guided Economy" as reliant on "Indonesian-styled Socialism," Sukarno used his authority to implement more fascist policies.

Mass political mass demonstrations, supported by the Socialist Party (PSI), were held against Dutch businesses during which the PSI also occupied Dutch offices without government orders. However, it seemed that the government agreed with their actions and took this opportunity to nationalize Dutch companies. After eliminating the Dutch companies that Sukarno's administration perceived as economic imperialists, Chinese-ethic people became the next target of nationalist economic policy. The sentiment of discrimination against the Chinese was similar to that in Thailand, but it grew much worse as the intention to ban Chinese entrepreneurs resulted in severe economic outcomes. The Chinese commercial network dispersed into the rural areas and forced Chinese rice mill owners to transfer their ownership to indigenous Indonesian people. Sukarno's government, however, did not realize that indigenous Indonesian people did not have enough skills to set up and manage their own businesses. As a result, the market was disrupted and rural people were heavily impacted (Wie, 2006).

In conclusion, although the Phibun administration sought to pursue economic independence with Thai indigenous people as entrepreneurs, there were many problems, including the corruption of his inner circle and mismanagements due to inefficient officers and inexperience. The Chinese who held Thai citizenship then became managers of state-owned companies; hence, the market was distorted so that rent-seekers benefited from the government's

DOI:10.6814/NCCU202000777

intervention and social welfare was significantly deteriorated. In Indonesia, the nationalist economic policy resulted in a more disastrous outcome because it destroyed the Dutch and Chinese commercial networks. Hence, it is not surprising that the economic situation during the Sukarno era was quite dismal.

8. Post-Coup Institutional Change

8.1 Thrive for More Liberal Economy

After the coups in Indonesia and Thailand, both countries shifted their economic policies from inward-looking to outward-looking. Both Sarit and Suharto were endorsed by the U.S. through financial aid and assistance, clearly changing the political landscape throughout the Cold War period. The components of this structural change will be clarified as follows.

8.1.1 The triumph of technocracy

The army-affiliated school is an institution that fosters connections between the military officers, the bureaucrats, and the economic technocrats, and can be found in both Indonesia and Thailand. The students at this school must be medium-ranked officers. After they graduate, they have a high chance of becoming a top-ranked officer in their department or the ministry. If they are lucky enough, they may meet the military officers that will later become prominent members of the cabinet, or even the prime minister. These technocrats can manipulate policy initiatives for their counterparts from school. Additionally, policy suggestions may come from this inner circle.

In Indonesia, the Army Command and General Staff School (SESKOAD) have taken on the abovementioned role. When Suharto studied at this school, he met the economic technocrats commonly referred to as the "Berkeley Mafia" and was influenced by the economists who were concerned about the economic situation during the Sukarno government. After he successfully

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staged the coup, he appointed one of these economists as the Minister of Finance. His government's first economic policy was to reschedule the foreign debt payment, encourage foreign investors to invest in Indonesia, and to maintain macroeconomic stability, which was suffering from hyperinflation at the time.

Initially, due to the economic stagnation during the Sukarno era, Suharto relied on economic technocrats, particularly the "Berkeley Mafia" led by Widjojo. This group of technocrats helped the Suharto government to improve Indonesia's severe economic condition and stabilize the macroeconomy. Another group of technocrats was run by engineers and led by B. J. Habibie. As Habibie was close with Suharto, it was not surprising that he started at a high position in the Indonesian government. Habibie's reputation, and the fact that he obtained a doctoral degree in engineering from West Germany and worked at an aerospace company, enabled him to group together his engineering network with the intention to one day serve the nation. Ever since the beginning of the 1990s, Habibie and his aides occupied crucial positions in the government (Amir, 2017).

Upon Habibie's return to Indonesia, he realized inevitable differences in opinions amongst the technocrats. While his group asserted that the engine of economic growth was technological development in order to foster sustained industrialization, the economist group argued that Indonesia must rely on the market system and respond to consumer demands. The economist group further argued that technology is just the by-product of competition and that the government does not need to push it (Amir, 2017). It is interesting to note here that Thailand also experienced competition between two groups, pro-stabilization and pro-industrialization, but all of the actors involved were economists.

DOI:10.6814/NCCU202000777

In the case of Thailand, the National Defense College took on the role of the army-affiliated school. It offers programs that recruit mid-ranked military officers, bureaucrats, and economic technocrats. In fact, many cabinet members graduated from this college during the Sarit and Thanom administrations, including the heads of macroeconomic organizations, such as the Bank of Thailand, Fiscal Policy Office, Office of the National Economic and Social Development Council (NESDC), and the Budget Bureau.

Sarit established a technocratic state in Thailand, which had not occurred before 1958, and influenced the economic policies up until the 1997 financial crisis. As discussed above, these economic institutions worked alongside the international economic institutions, including the IMF and the World Bank. However, in the 1980s a division split the economic institutions into two groups of technocrats. The first group, which followed the policies of the World Bank, advocated for the suspension of the construction of the Eastern Seaboard Development Plan (ESDP), a megaproject to substitute the densely trafficked ports in Bangkok, because they believed that Thailand lacked the macroeconomic strength to sustain the project. The second group of technocrats, however, strongly advocated for the continued construction of the ESDP, as they worked closely with the Japanese government and realized that Thailand needed to foster export-oriented industrialization. Politicians and generals could not intervene in these affairs and therefore allowed the economic plans to be steered by the technocrats (Mieno, 2013).

8.1.2 The nexus of the elites' network

In Thailand, the 1958 coup was the beginning of an "authoritarian regime under the King's patronage". Seeking to be the sacred heart of the nation, the King had been working on growing his network over time. Although Sarit seemed to hold the highest power in the country, he needed to collaborate with the King because he aimed to use the King's charisma to make his

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rule legitimate. As previously mentioned, the military maintained strong connections with bureaucrats through the National Defense College. The King, however, created his network through his provision of funding for charity. Alumnus of National Defense College play an important role in Thai politics. After Sarit's coup, they served as the ministers on Thai government. It includes Praphas Charusathien, Pin Malakul, Phra Bamrasnaradura, Phra Prakardsahakorn, and Pong Punnakanta as ministers under Sarit's government. Subsequently, every cabinets have had alumnus from this college serving as ministers until now.

The King is a decisive player in Thai politics, and while he does not hold any political responsibility, his role is vital in every political crisis. After 1958, every coup must be approved by the King. If there is any coup that is seemingly successful but that the King did not approve, it will be negated, even if the coup leaders are able to control all of the strategic places in Bangkok.

As detailed, the military and the monarchy are indivisible partners in Thai politics. As the military does not have enough cultural assets or charisma to rule entirely alone, they depend upon the armed forces' monopolized use of violence. In contrast, the King alone owns the traditions and figures inherited from ancient times, and is therefore the traditional and cultural leader of Thailand.

In order to accumulate capital in Thailand, top Thai capitalists must declare loyalty to the military and the King, a relationship among elites that was established in the Sarit era. The economic benefit of such a relationship is the distribution of handsome returns if shared within their network. Concessions, quotas, and licenses can easily be obtained from the businessmen embedded in this network. In the case in which competitors are part of this network, the winner of the auction will likely be the player who has the most reliable connections; performance is supplementary. Beginning with Sarit's government, the Crown Property Bureau (CPB), which

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holds the main shares of Siam Cement Group (SCG) and Siam Commercial Bank (SCB), and its ethnic-Chinese business conglomerates have grown considerably.

In the case of Indonesia, Suharto created a network of elites, including military officers, bureaucrats, and businessmen, in an effort to stabilize his regime. Throughout his rule, while Suharto maintained the central power of the regime, he skillfully balanced dual rivalries between political leaders, including Ali Murtopo and Sumitro in the 1970s, Benny Murdani and Sudharmono in 1980s, and the 'red-white' wing from Murdani's camp and Muslim 'green' wing camp in 1990s. Hence, there were not any coups executed against Suharto. Furthermore, the Suharto government created a functional party called 'Golkar', steered primarily by the bureaucrats and the armed forces, to serve as a supportive base. In the business circle, Chinese-Indonesian entrepreneurs collaborated with both military businesses and Suharto's business conglomerate (Masuhara, 2015).

8.1.3 The promotion of investment

It is common to see organizations that promote investment around the world, in both developing and developed countries. However, during the Cold War, the world was fixated on a dichotomous ideology: the communist world and the free world. Ironically, those countries within the ‘free world’ camp were not required to provide political freedoms or the freedom of expression. Such countries were often ruled by a military regime or even an absolute monarchy, including Thailand and Indonesia, which were each controlled by a military dictator. Nevertheless, both countries had more economic freedom as the fight against communism depended upon development and investment in order to win over the hearts of disadvantaged people in underdeveloped areas.

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Prior to the Sarit's coup, the government announced a clear plan to incentivize investment in Indonesia, condemning the previous government for not taking the industrial plan seriously. NESDC was appointed to draft a 4-year National Economic Plan, to be implemented for the first time during the Sarit administration. This provided the government with a comprehensive development plan to support private capitalists and ensured that the government could no longer establish state-owned enterprises to compete with local businessmen (NESDB, 1961). In addition, The Board of Investment (BOI) was established, and Pote Sarasin, who had been chosen by Sarit as the prime minister after the 1957 coup, served as the chairman. These organizations served as the pillars of investment attraction in Thailand. While NESDC proposed a plan for investors that was compatible with their decision to invest, the BOI promoted both domestic and foreign investment by offering benefits to incentivize their decision.

Suharto made similar economic decisions for Indonesia, enacting the Foreign Investment Actin 1967 and the Domestic Investment Act in 1968 (Chalmers & Hadiz, 1997). The government then established the Technical Committee on Capital Investment in 1967 to take care of investments that had been ignored and mismanaged in the previous administration. This organization developed into the Investment Coordinating Board (BKPM) in 1973. Initially, this organization drafted regulations, such as tariff and non-tariff barriers, to foster import-substituted industrialization. A 30-year non-renewable ownership license was approved for foreign companies, after which they must transfer ownership to local entrepreneurs according to the 1967 Foreign Investment Act. This was intended to attract foreign investors to set up plants in Indonesia. At the beginning of the 1980s, the government relaxed this regulation in line with neoclassical economics. The 30-year ownership license for foreign businesses was now allowed to be renewed, pending approval of the BKPM (Rasiah, McFarlane, & Kuruvilla, 2015).

DOI:10.6814/NCCU202000777

8.1.4 Controlled politics

Both Thailand and Indonesia, after their relative coups, pivoted their governments in accordance with the Cold War regime. The competition between the United States and the Soviet Union was based in ideological warfare and caused many countries to engage in civil wars. The Communist camp, led by the Soviet Union, funded pro-Communist newspapers, labor unions, and the Communist troops in order to liberate countries from the exploitation of capitalists. In contrast, the United States supported any government that opposed Communist ideology, even if those countries were governed by a military junta or other kind of dictatorship. Many countries faced difficulty in positioning themselves as a neutral country, so if they did not express loyalty to the United States, it was likely they would experience a US-supported coup.

After the 1958 Sarit coup, his administration banned all political parties and labor unions, whereas other post-coup governments had allowed some labor organizations to continue. The labor movement was very active after the 1932 revolution and maintained a good relationship with Pridi. While the labor union intended to cover all ethnic workers in Thailand, when the Chinese workers protested their employers using the support of the Thai labor union, it was suppressed by the police.

The government also set up a labor union to compete with its leftist counterparts. However, all members were required to be Thai, which stood in contrast to the socialist ideology that all workers were bound together regardless of nationality. The government disbanded the leftist trade unions and established state-sponsored trade unions in their place, following along in the Fascist-style of governing (Tannenbaum, 1969).

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Prior to Indonesia's transition to the New Order, the army purged the Communists resulting in one of the biggest mass killings in the world. Subsequently, Suharto disbanded the Communist Party of Indonesia, which was the largest communist party outside of the Communist World. The government forced all political parties to merge into three main parties, including the United Development Party (PPP), which aligned with Islamic values; the Indonesian Democratic Party (PDI), which followed Nationalist ideology; and Golkar, which was supported by Suharto. As Suharto also appointed Supreme Court judges from his circle, his rule was stabilized through power-sharing and exclusion of the left from politics.

9. Conclusion

Indonesia and Thailand experienced military coups that catalyzed institutional changes, improving their stability and policy-making rationality. However, this research does not intend to imply that a coup is a solution for current political and economic problems, as the context has changed drastically. Practices that were utilized during the Cold War are no longer appropriate, as they come with high costs and subdue the people in an effort to improve economic performance, which mostly benefits those in urban areas. Today, there is no reason to give up freedom to allow a dictatorship to rule, as it will eventually turn to corruption. While it is true that the conglomerates close with the authoritarian governments were able to help facilitate the transformation into a more industrialized economy with high economic growth, in the long run it created inefficiency and severe corruption, canceling out the economic performance and economic competitiveness. The 1997 Asian Financial Crisis was a result of this problem, regardless of financial deregulation and decreased barriers for foreign direct investment.

In Indonesia, Suharto occupied the role of President for three decades. While this seems to be long-lasting, his rule collapsed due to the 1997 Asian Financial Crisis, which led to an

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economic nightmare for the country. The public pressured his government, forcing Suharto to step down, officially ending his regime. People were delighted to finally have a democracy that separated the army from politics. This transitional period, called 'Reformasi', was led by Habibie. Although many observers were afraid of the top-down democratization process, Indonesia proved that the transition to democratic rule could occur without military intervention.

In Thailand, the Cold War regime still exists. During the 1992 Bloody May, in which the military-led government used force to suppress mass protests, the King asked for unity even though he had initially approved this coup in order to facilitate political reform. In 1996, the post-military government established the Constitution Draft Committee, but some politicians were reluctant to support the new constitution. Furthermore, the 1997 Asian Financial Crisis had a significantly negative impact on Thailand's economic situation. Both of these events combined led to a political movement to pressure politicians into approving the new constitution. Finally, the constitution was passed in parliament as it was designed to create political stability. The small parties that made Thai politics unstable were disappearing, and the two main parties occupied the majority of seats in parliament. Thaksin Shinawatra was the first prime minister after the implementation of the 1997 Constitution. As a populist leader, rural people, especially those in Northern and Northeast Thailand, supported him due to his policies of redistribution. Such policies inevitably challenged the popularity of the King, leading the military to stage a coup to oust Thaksin.

Throughout the decade before the putsch, many scholars predicted that Thailand could transition from an unfree regime to an elected regime. However, it was proven that Thailand is still "the authoritarian regime under the King's patronage". The vicious cycle of Thai politics returned, but anti-communism was no longer used as the reason for regime maintenance. Instead,

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the justification came from the need to protect the King from disloyal politicians. There were no structural changes as during the Sarit era; only the consolidation of power between the military and the King.

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Appendices

Table 1a

Model 1

Predictor Table for Indonesia

Independent Variable	Treated	Synthetic
GDP per capita growth	.0125	.0125
Population(x1000)	$9.04x10^7$	$9.44x10^7$
gdppercapita(1960)	1019.19	1066.16
gdppercapita(1961)	1065.52	1063.79
gdppercapita(1962)	1043.46	1052.29
gdppercapita(1963)	983.78	1053.53
gdppercapita(1964)	1000.12	1079.63
Dummy variable of successful coup	0	0
polity2	-2.13	-2.95

Table 1b

Model 1

Predictor Table for Thailand

Independent Variable	Treated	Synthetic
GDP per capita growth	0.0154	0.0154
Population(x1000)	$2.24\ x10^7$	$9.54x10^7$
gdppercapita(1953)	935.25	904.56
gdppercapita(1954)	898.44	951.65
gdppercapita(1955)	945.02	927.99
gdppercapita(1956)	929.70	982.80
gdppercapita(1957)	910.15	944.45
Dummy variable of successful coup	0.25	0.14
polity2	-4.13	-4.13

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Table 2a

Model 2

Predictor Table for Indonesia

Independent Variable	Treated	Synthetic
GDP per capita growth	0.0125	0.0165
Population(x1000)	$9.04x10^7$	$9.11x10^7$
gdppercapita(1960)	1019.19	1238.05
gdppercapita(1961)	1065.52	1245.78
gdppercapita(1962)	1043.46	1247.74
gdppercapita(1963)	983.78	1273.06
gdppercapita(1964)	1000.12	1304.12
Dummy variable of successful coup	0	0.0004
Polity index	-2.13	-2.25
Openness to trade	0.015618	-2.24673

Table 2b

Model 2

Predictor Table for Thailand

Independent Variable	Treated	Synthetic
GDP per capita growth	0.015416	0.014938
Population(x1000)	$2.24x10^7$	$2.94x10^7$
gdppercapita(1953)	935.251	908.7191
gdppercapita(1954)	898.4361	943.6195
gdppercapita(1955)	945.0216	933.2054
gdppercapita(1956)	929.6964	962.1787
gdppercapita(1957)	910.154	910.154
Dummy variable of successful coup	0.25	0.0695
Polity index	-4.125	-4.50425
openness	0.0307	0.0211

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Table 3a

Model 3

Predictor Table for Indonesia

Independent Variable	Treated	Synthetic
GDP per capita growth	0.0125	0.0117
Population(x1000)	$9.04x10^7$	$1.36x10^7$
gdppercapita(1960)	1019.19	1052.34
gdppercapita(1961)	1065.52	1044.44
gdppercapita(1962)	1043.46	1043.53
gdppercapita(1963)	983.78	1037.06
gdppercapita(1964)	1000.12	1060.63
Dummy variable of successful coup	0	0.016
Polity index	-2.13	-1.16
Openness to trade	0.0156	0.0556
US aids	$2.79x10^7$	$1.08x10^8$

Table 3b

Model 3

Predictor Table for Thailand

Independent Variable	Treated	Synthetic
GDP per capita growth	0.0154	0.0180
Population(x1000)	$2.24x10^7$	$1.51x10^8$
gdppercapita(1953)	935.25	909.32
gdppercapita(1954)	898.43	940.44
gdppercapita(1955)	945.02	943.76
gdppercapita(1956)	929.70	958.45
gdppercapita(1957)	910.15	965.54
Dummy variable of successful coup	0.25	0.013
Polity index	-4.125	0.682
openness to trade	0.0307	0.0304
US aids	$5.13x10^7$	$4.56x10^7$

DOI:10.6814/NCCU202000777

Table 4a

Model 1

Unit Weights Table for Indonesia

Country	Unit Weight
Afghanistan	0.146
Albania	0
Chile	0
China	0
Colombia	0
Costa Rica	0
Cuba	0
Egypt	0
Haiti	0
India	0.224
Iran	0
Jordan	0
Lebanon	0
Liberia	0.612
Mexico	0
Nicaragua	0
North Korea	0
Panama	0
Paraguay	0
Philippines	0
Saudi Arabia	0
Sri Lanka	0.017
Taiwan	0
Uruguay	0.003
Venezuela	0

DOI:10.6814/NCCU202000777

Table 4b

Model 1

Unit Weights Table for Thailand

Country	Unit Weight
Afghanistan	0
Albania	0
Bolivia	0
Chile	0
China	0.115
Costa Rica	0
Cuba	0
Egypt	0
Haiti	0.558
India	0.063
Indonesia	0
Jordan	0
Lebanon	0
Liberia	0
Mexico	0
Nicaragua	0
North Korea	0
Oman	0.201
Panama	0
Philippines	0.063
Saudi Arabia	0
Sri Lanka	0
Taiwan	0
Uruguay	0
Venezuela	0

DOI:10.6814/NCCU202000777

Table 5a

Model 2

Unit Weights Table for Indonesia

Country	Unit Weight
Afghanistan	0.476
Chile	0
Colombia	0
Costa Rica	0
Cuba	0
Egypt	0
Haiti	0.003
India	0.189
Iran	0
Jordan	0
Lebanon	0
Liberia	0
Mexico	0.089
Nicaragua	0
Panama	0
Paraguay	0
Philippines	0.214
Sri Lanka	0
Uruguay	0.029
Venezuela	0

DOI:10.6814/NCCU202000777

Table 5b

Model 2

Unit Weights Table for Thailand

Country	Unit Weight
Afghanistan	0.355
Bolivia	0
Chile	0
Costa Rica	0
Cuba	0
Egypt	0
Haiti	0.278
India	0
Indonesia	0.274
Jordan	0
Lebanon	0
Liberia	0
Mexico	0
Nicaragua	0
Panama	0
Philippines	0.094
Sri Lanka	0
Uruguay	0
Venezuela	0

DOI:10.6814/NCCU202000777

Table 6a

Model 3

Unit Weights Table for Indonesia

Country	Unit_Weight
Chile	0
Colombia	0
Costa Rica	0
Haiti	0.12
India	0.328
Liberia	0.552
Mexico	0
Panama	0
Paraguay	0
Philippines	0
Uruguay	0

Table 6b

Model 3

Unit Weights Table for Thailand

Country	Unit_Weight
Bolivia	0
Chile	0
Costa Rica	0
Haiti	0.052
India	0.328
Indonesia	0.292
Liberia	0.329
Mexico	0
Panama	0
Philippines	0
Uruguay	0

DOI:10.6814/NCCU202000777

Model 1

Figure 1a The Graph of Synthetic Indonesia

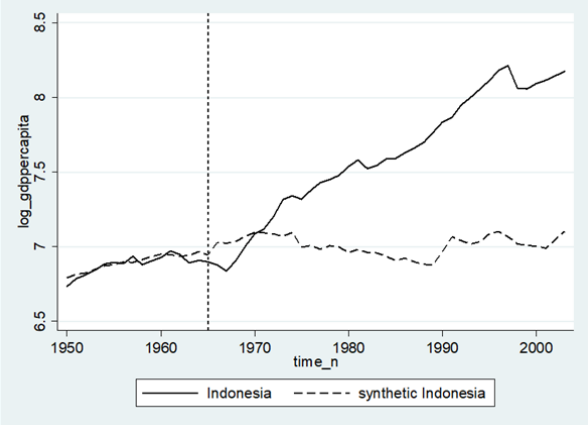
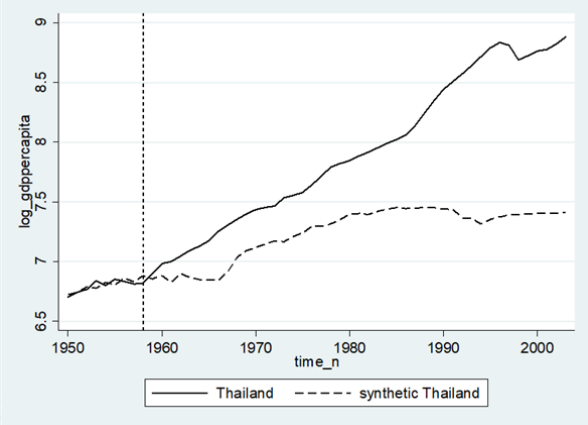


Figure 1b The Graph of Synthetic Thailand



Note: The left-hand graph shows Indonesian's log GDP per capita (black) and its synthetic (dash). Covariates used are the pre-intervention averages of post-coup GDP per capita in five years, the GDP per capita growth, the population size, the dummy variable of successful coup, and the polity index.

Model 2

Figure 2a The Graph of Synthetic Indonesia

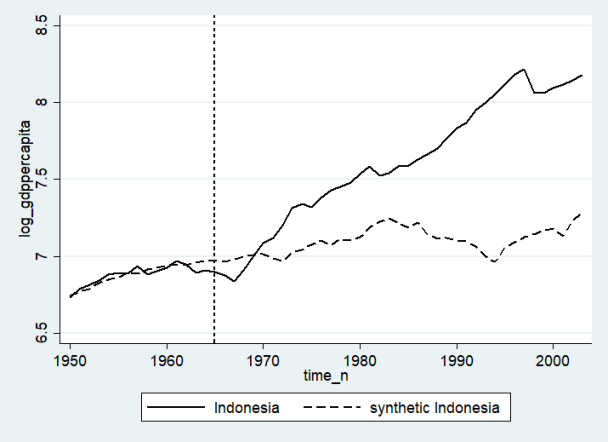
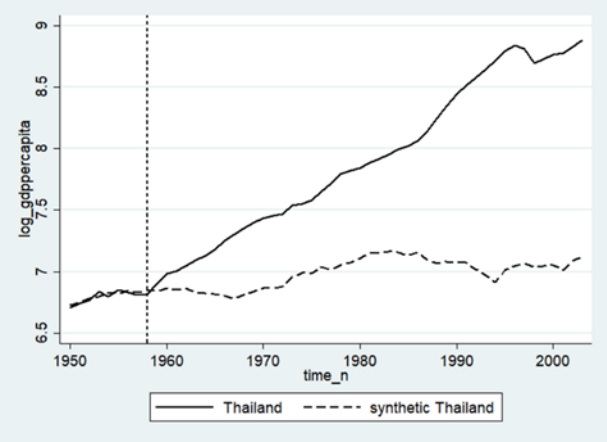


Figure 2b The Graph of Synthetic Thailand



Note: The left-hand graph shows Indonesian's log GDP per capita (black) and its synthetic (dash). Covariates used are the pre-intervention averages of post-coup GDP per capita in five years, the GDP per capita growth, the population size, the dummy variable of successful coup, the openness to trade, the US aids and the polity index.

DOI:10.6814/NCCU202000777

Model 3

Figure 3a The Graph of Synthetic Indonesia

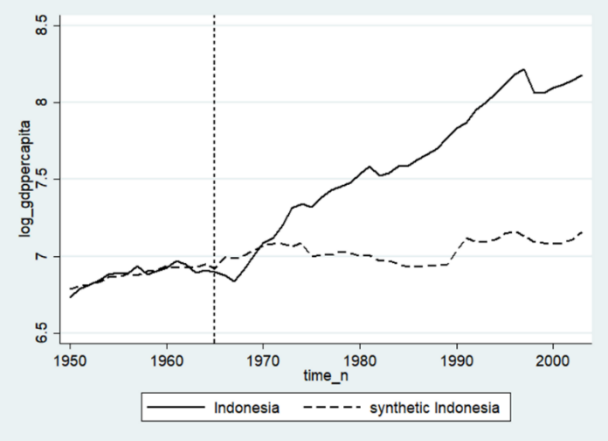
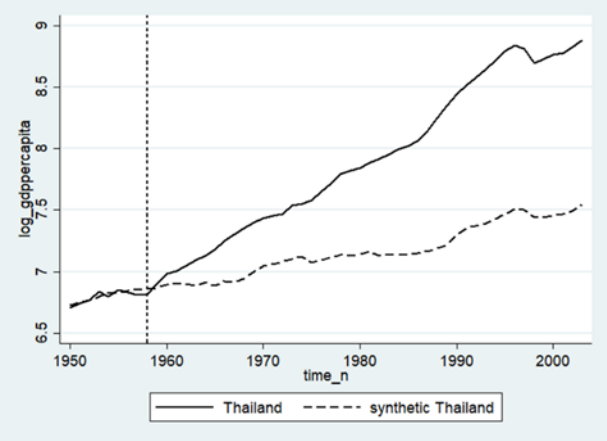


Figure 3b The Graph of Synthetic Thailand



Note: The left-hand graph shows Indonesian's log GDP per capita (black) and its synthetic (dash). Covariates used are the pre-intervention averages of post-coup GDP per capita in five years, the GDP per capita growth, the population size, the dummy variable of successful coup, the openness to trade and the polity index.

DOI:10.6814/NCCU202000777

Model 1

Figure 4a log GDP per capita gaps in Indonesia and placebo gaps in 20 countries

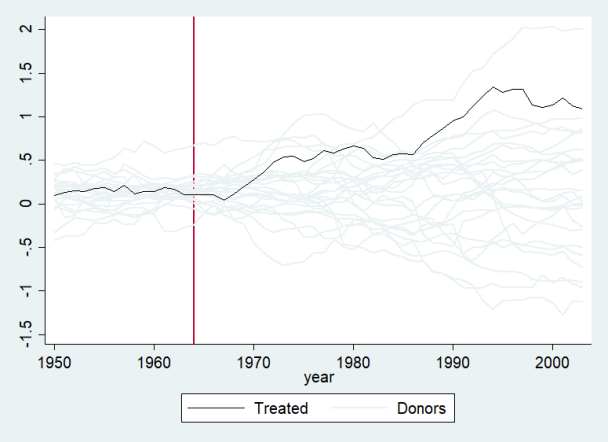
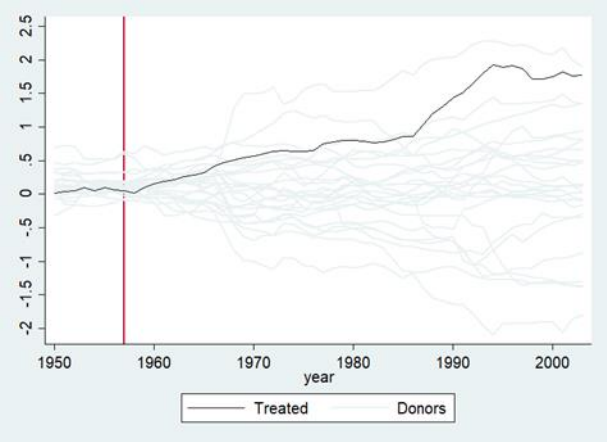


Figure 4b log GDP per capita gaps in Thailand and placebo gaps in 25 countries



Model 2

Figure 5a log GDP per capita gaps in Indonesia and placebo gaps in 20 countries

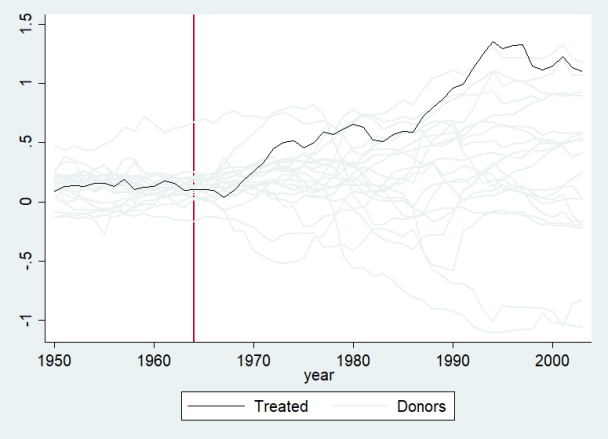
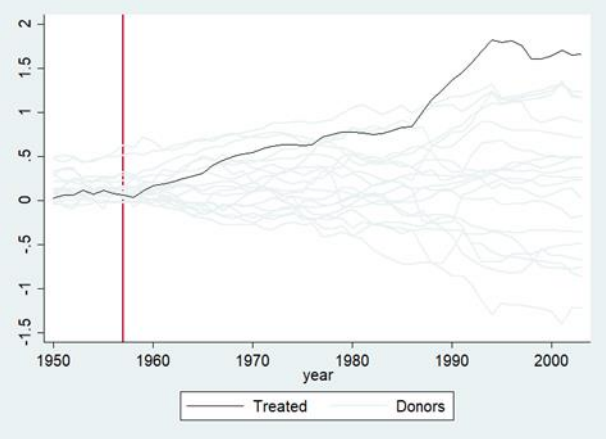


Figure 5b log GDP per capita gaps in Thailand and placebo gaps in 19 countries



DOI:10.6814/NCCU202000777

Model 3

Figure 6a log GDP per capita gaps in Indonesia and placebo gaps in 11 countries

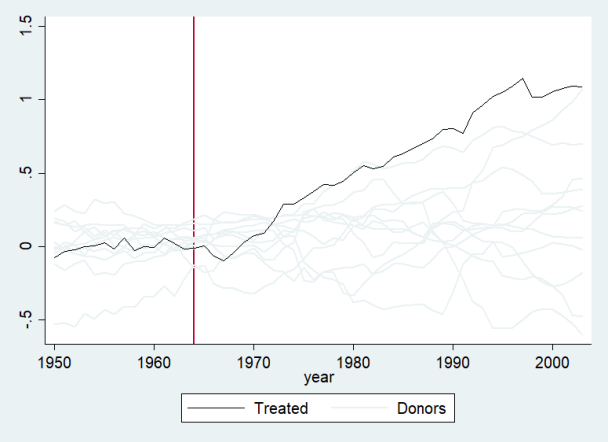
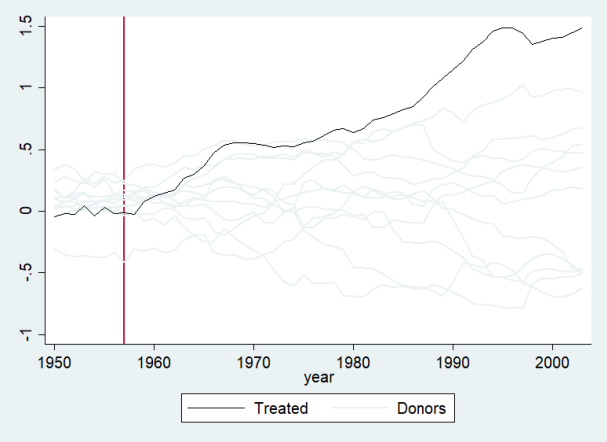


Figure 6b log GDP per capita gaps in Thailand and placebo gaps in 11 countries



Note: These left-hand graphs illustrate the difference between Indonesia and its synthetic control together with corresponding effects for the unit in the donor pool, whereas these right-hand graphs show the difference between Thailand and its synthetic control together with corresponding effects for the unit in the donor pool. Grey lines mean the estimated placebo effect for controlled countries and black lines imply the estimated impact of coup d'etat on log GDP per capita.

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Table 7a

Model 1 Estimates of Indonesian coup de ‘tat

year	Estimates	pvals	pvals_std	year	Estimates	pvals	pvals_std
1965	0.108213	0.72	0.8	1985	0.578659	0.2	0.24
1966	0.10253	0.76	0.76	1986	0.564396	0.2	0.2
1967	0.043632	0.84	0.92	1987	0.701408	0.04	0.2
1968	0.112523	0.72	0.76	1988	0.784134	0.04	0.16
1969	0.199133	0.56	0.36	1989	0.863938	0.04	0.16
1970	0.280186	0.36	0.2	1990	0.958826	0.04	0.16
1971	0.363346	0.2	0.2	1991	0.99664	0.04	0.12
1972	0.479503	0.2	0.2	1992	1.115546	0.04	0.12
1973	0.536429	0.2	0.16	1993	1.239297	0.04	0.12
1974	0.543364	0.2	0.16	1994	1.343197	0.04	0.12
1975	0.487086	0.2	0.16	1995	1.279554	0.04	0.12
1976	0.524369	0.2	0.2	1996	1.31348	0.04	0.12
1977	0.614501	0.16	0.2	1997	1.317208	0.04	0.12
1978	0.584339	0.12	0.2	1998	1.134354	0.04	0.12
1979	0.633544	0.08	0.12	1999	1.104274	0.04	0.16
1980	0.667709	0.08	0.16	2000	1.136306	0.04	0.16
1981	0.640241	0.16	0.12	2001	1.216235	0.08	0.16
1982	0.528441	0.2	0.28	2002	1.123394	0.08	0.16
1983	0.513606	0.2	0.24	2003	1.088667	0.08	0.2
1984	0.562022	0.16	0.24				

DOI:10.6814/NCCU202000777

Table 7b

Model 1 Estimates of Thai coup de 'tat

year	estimates	pvals	pvals_std	year	estimates	pvals	pvals_std
1958	0.016173	0.956522	0.956522	1978	0.778735	0.130435	0.130435
1959	0.097269	0.521739	0.304348	1979	0.799974	0.130435	0.130435
1960	0.159616	0.347826	0.217391	1980	0.798066	0.173913	0.130435
1961	0.188809	0.434783	0.217391	1981	0.78823	0.130435	0.130435
1962	0.21531	0.391304	0.217391	1982	0.771221	0.173913	0.130435
1963	0.260085	0.391304	0.173913	1983	0.77826	0.217391	0.130435
1964	0.290262	0.347826	0.217391	1984	0.816217	0.217391	0.130435
1965	0.323024	0.347826	0.130435	1985	0.857487	0.173913	0.130435
1966	0.409946	0.173913	0.086957	1986	0.859305	0.173913	0.173913
1967	0.469959	0.173913	0.130435	1987	1.037625	0.173913	0.130435
1968	0.508995	0.130435	0.130435	1988	1.198433	0.130435	0.130435
1969	0.543394	0.130435	0.130435	1989	1.309793	0.086957	0.130435
1970	0.563134	0.130435	0.130435	1990	1.434806	0.086957	0.130435
1971	0.60624	0.130435	0.130435	1991	1.521193	0.086957	0.130435
1972	0.636047	0.130435	0.130435	1992	1.642012	0.086957	0.130435
1973	0.650382	0.130435	0.173913	1993	1.792259	0.086957	0.130435
1974	0.642616	0.130435	0.173913	1994	1.930147	0.086957	0.130435
1975	0.639168	0.130435	0.173913	1995	1.893282	0.086957	0.130435
1976	0.652805	0.130435	0.173913	1996	1.916056	0.086957	0.130435
1977	0.750634	0.130435	0.130435	1997	1.863536	0.086957	0.130435

DOI:10.6814/NCCU202000777

year	estimates	pvals	pvals_std
1999	1.71781	0.086957	0.130435
2000	1.754641	0.086957	0.130435
2001	1.826043	0.086957	0.130435
2002	1.758981	0.086957	0.130435
2003	1.768573	0.086957	0.130435

DOI:10.6814/NCCU202000777

Table 8a

Model 2 Estimates of Indonesian coup de ‘tat

year	estimates	pvals	pvals_std	year	estimates	pvals	pvals_std
1965	0.103775	0.7	0.75	1985	0.59874	0.2	0.2
1966	0.094346	0.75	0.75	1986	0.58675	0.25	0.25
1967	0.035399	1	1	1987	0.720859	0.15	0.1
1968	0.097587	0.85	0.8	1988	0.798294	0.15	0.15
1969	0.185058	0.5	0.5	1989	0.867664	0.15	0.15
1970	0.258665	0.35	0.3	1990	0.960009	0.05	0.15
1971	0.338084	0.2	0.35	1991	0.997153	0.05	0.15
1972	0.452159	0.15	0.25	1992	1.122784	0.05	0.15
1973	0.50547	0.15	0.15	1993	1.250026	0	0.15
1974	0.51471	0.1	0.15	1994	1.354345	0	0.15
1975	0.457358	0.15	0.2	1995	1.292396	0	0.15
1976	0.499186	0.1	0.15	1996	1.323334	0	0.15
1977	0.590446	0.1	0.1	1997	1.32593	0	0.15
1978	0.567821	0.1	0.15	1998	1.146573	0.05	0.15
1979	0.618418	0.1	0.1	1999	1.117006	0.05	0.2
1980	0.658904	0.15	0.1	2000	1.148184	0.05	0.2
1981	0.632459	0.15	0.15	2001	1.22888	0.05	0.15
1982	0.523338	0.25	0.15	2002	1.137116	0.05	0.2
1983	0.510268	0.3	0.15	2003	1.102197	0.05	0.2
1984	0.571892	0.2	0.15				

DOI:10.6814/NCCU202000777

Table 8b

Model 2 Estimates of Thai coup de ‘tat

year	estimates	pvals	pvals_std	year	estimates	pvals	pvals_std
1958	0.030048	0.882353	0.882353	1978	0.749464	0	0.058824
1959	0.108061	0.411765	0.294118	1979	0.77845	0	0.058824
1960	0.166501	0.235294	0.176471	1980	0.77254	0.117647	0.058824
1961	0.185868	0.235294	0.117647	1981	0.766319	0.058824	0.058824
1962	0.213475	0.235294	0.117647	1982	0.75267	0.117647	0.058824
1963	0.251892	0.235294	0.117647	1983	0.756537	0.117647	0.117647
1964	0.275412	0.352941	0.117647	1984	0.792455	0.058824	0.117647
1965	0.314179	0.294118	0.117647	1985	0.829887	0.058824	0.117647
1966	0.402174	0.176471	0.117647	1986	0.835308	0.058824	0.117647
1967	0.456533	0.117647	0.058824	1987	0.998021	0	0.058824
1968	0.497431	0.058824	0.058824	1988	1.143471	0	0.058824
1969	0.527322	0.058824	0.058824	1989	1.248014	0	0.058824
1970	0.545323	0.058824	0.058824	1990	1.365317	0	0.117647
1971	0.585577	0.058824	0.058824	1991	1.454792	0	0.058824
1972	0.615576	0.058824	0.058824	1992	1.561464	0	0.117647
1973	0.635371	0.058824	0.058824	1993	1.697329	0	0.117647
1974	0.632176	0.058824	0.058824	1994	1.819148	0	0.117647
1975	0.622115	0.058824	0.058824	1995	1.794835	0	0.117647
1976	0.636253	0.058824	0.058824	1996	1.814007	0	0.117647
1977	0.718734	0	0.058824	1997	1.814007	0	0.117647

DOI:10.6814/NCCU202000777

year	estimates	pvals	pvals_std
1999	1.60726	0	0.117647
2000	1.642687	0	0.117647
2001	1.642687	0	0.117647
2002	1.649331	0	0.117647
2003	1.659773	0	0.117647

DOI:10.6814/NCCU202000777

Table 9a

Model 3 Estimates of Indonesian coup de ‘tat

year	estimates	pvals	pvals_std	year	estimates	pvals	pvals_std
1965	0.003368	1	0.888889	1985	0.629809	0	0
1966	-0.06536	0.666667	0.222222	1986	0.66991	0	0
1967	-0.09896	0.666667	0.111111	1987	0.703569	0	0
1968	-0.03865	0.888889	0.555556	1988	0.734518	0	0
1969	0.024521	0.888889	0.666667	1989	0.800399	0	0
1970	0.075545	0.666667	0.333333	1990	0.805063	0	0
1971	0.090561	0.777778	0.222222	1991	0.773545	0	0
1972	0.171296	0.333333	0.111111	1992	0.909358	0	0
1973	0.291694	0	0	1993	0.966022	0	0
1974	0.289667	0	0	1994	1.022801	0	0
1975	0.334491	0	0	1995	1.049173	0	0
1976	0.372751	0	0	1996	1.092961	0	0
1977	0.422181	0	0	1997	1.146113	0	0
1978	0.417701	0	0	1998	1.020465	0	0
1979	0.445106	0.111111	0	1999	1.018479	0	0
1980	0.502396	0.111111	0	2000	1.056826	0	0
1981	0.550536	0.111111	0	2001	1.077113	0	0
1982	0.527951	0.111111	0	2002	1.094448	0	0
1983	0.547155	0	0.111111	2003	1.087451	0	0
1984	0.608665	0	0				

DOI:10.6814/NCCU202000777

Table 9b

Model 3 Estimates of Thai coup de 'tat

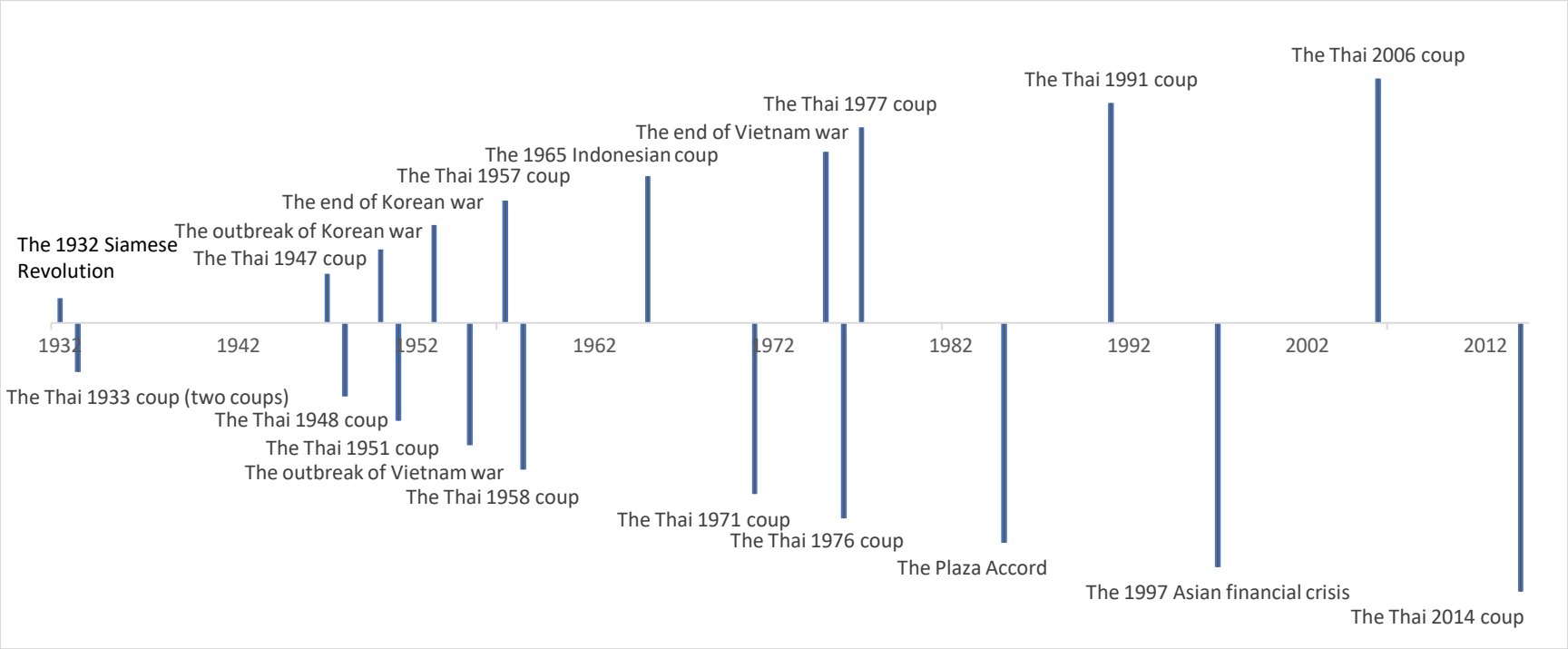
year	estimates	pvals	pvals_std	year	estimates	pvals	pvals_std
1958	-0.02778	0.714286	0.857143	1978	0.657795	0	0
1959	0.074872	0.857143	0.142857	1979	0.672421	0	0
1960	0.120079	0.571429	0	1980	0.636902	0	0.142857
1961	0.149569	0.142857	0	1981	0.668159	0	0.142857
1962	0.171041	0.142857	0	1982	0.740405	0	0
1963	0.267347	0.142857	0	1983	0.761396	0	0
1964	0.302466	0.142857	0	1984	0.788781	0	0
1965	0.372811	0.142857	0	1985	0.820525	0	0
1966	0.470322	0	0	1986	0.850296	0	0
1967	0.537634	0	0	1987	0.923053	0	0
1968	0.555707	0	0	1988	1.006419	0	0
1969	0.555377	0	0	1989	1.078236	0	0
1970	0.546993	0	0	1990	1.149436	0	0
1971	0.535539	0	0	1991	1.216244	0	0
1972	0.518498	0	0	1992	1.313846	0	0
1973	0.530353	0	0	1993	1.373222	0	0
1974	0.522357	0	0	1994	1.459279	0	0
1975	0.552771	0	0	1995	1.489009	0	0
1976	0.569748	0	0	1996	1.488699	0	0
1977	0.614525	0	0	1997	1.441467	0	0

DOI:10.6814/NCCU202000777

year	estimates	pvals	pvals_std
1999	1.377289	0	0
2000	1.401921	0	0
2001	1.411297	0	0
2002	1.450631	0	0
2003	1.487896	0	0

DOI:10.6814/NCCU202000777

Timeline



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