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# Southeast Asia's Democratic Developmental States and Economic Growth

Michael T. Rock <sup>a</sup>

**Abstract:** *How has democracy impacted growth in Southeast Asia? This question can be answered by demonstrating how political elites in Indonesia, Malaysia and Thailand crafted quite unique democratic developmental states that enabled them to provide the public goods and public policies to maintain high growth. Because of this, growth under democracy has been as high as it was during the heyday of these polities' developmental autocracies. Moreover, as there was no single dominant pathway to the construction of democratic development in these polities, it looks like political elites were able to take local conditions and history into account suggesting that political elites have been as effective in selectively intervening in the structure of democratic politics as they have been in intervening in the economy.*

**Keywords:** Developmental States, Economic Growth, Institutions, Southeast Asia

**JEL Classification:** O4, O20, O53

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## 1. Introduction

Development in Southeast Asia was ushered by autocrats such as Suharto in Indonesia (Elson, 2001) Sarit (Thak, 2007) and Prem (Muscat, 1994; Anek, 1988) in Thailand, Lee (Lee, 2000) in Singapore, and Mahathir in Malaysia (Khoo, 1995)]. But over time, Indonesia and Thailand democratised rapidly while Singapore and Malaysia remained more or less semi-democratic. As Reilly (2006) has shown, the institutions of democracy in Indonesia, Malaysia and Thailand ( hereafter IMT), and in East Asia had taken a centripetal thrust, adopting a combination of majoritarian electoral systems (Reilly, 2006, 109-112), political party systems that favour institutionalisation of a small number of large bridging parties (Reilly, 2006, 131-142), and forms of executive government that increase government stability (Reilly, 2006: 146-166).

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White (2006) and Robinson and White (1998) have suggested that these democracies presage the emergence of democratic developmental states or democratic governments that are more effective in delivering public goods and growth, but also decidedly less representative of the range of interests extant in many, if not most, polities, particularly those with multi-ethnic and/or multi-religious communities like in IMT. In a recent paper, Rock (2013) demonstrated that East Asia's centripetal democracies, including IMT, have been a growth enhancer just like the region's developmental autocracies. While Rock's reduced form regression results are encouraging, they beg an important question. How did the adoption of more centripetal democratic political institutions in East Asia's new developmental democracies influence economic growth?

The aim here is to answer this question by re-constructing, via three comparative case studies, the emergence of centripetal democracies in IMT, and linking the selective adoption of more centripetal democratic institutions to economic growth. The next three sections develop country case studies of the causal mechanisms linking the emergence of more centripetal democratic political institutions to development policies and growth in IMT. The final section summarises main findings and provides conclusions.

## **2. Creating a Developmental Democracy in Indonesia<sup>1</sup>**

Prior to the collapse of the New Order, few conditions suggested a democratic transition was near. Economic performance remained strong.<sup>2</sup> Despite growing opposition to Suharto and his re-election in 1997 (Aspinall, 2005: 242), the New Order regime appeared well-entrenched. Because Indonesia lacked the traits associated with democratisation<sup>3</sup>, few expected Suharto to resign, the New Order to collapse, or Indonesia to become a robust democracy (Aspinall, 2005: 252). Virtually no one expected Indonesia to consolidate its democracy or return development performance to the levels experienced under the New Order.<sup>4</sup> The country appears to have done both. How did Indonesia manage that?

One hypothesis is political engineering — the deliberate creation of more centripetal political institutions by political insiders (Horowitz, 2013)—lies at the centre of the story of the consolidation of democracy and of the return to robust economic performance. As is well known, the collapse of the economy in 1998 ignited widespread popular mobilisation from below and widespread violence (Aspinall, 2010: 26 and 2005: 252). These events, alongside massive capital flight (Pepinsky, 2009:155) and the killing of university students by security forces, precipitated elite defection from and disintegration of the New Order (Webber, 2006: 407). From the vantage point of 1998, Indonesia's democratic transition looked like a classic 'ruptura' (Aspinall, 2005: 271) — a

mode of transition considered unlikely to lead to a consolidation of democracy (Karl, 1990: 8). Subsequently, the old New Order elites quickly captured the state and Indonesia's new democratic institutions, shifting the post-transition period to pact-making between the country's new democratic elites and the military on one hand and between new democratic elites and separatists on the other hand (Aspinall, 2010). While Slater (2004), Webber (2006) and Hadiz (2003) have criticised the impact of this particular transition on the quality of democracy, Aspinall (2010) states that concessions to the military and separatists alongside absorption of Islamists into the democratic mainstream enabled Indonesia to consolidate democracy.

By themselves, rapid collapse of the New Order and a shift to democratic pact-making do not sufficiently explain the ability of new democratic elites to consolidate democracy or put development back on track. Three other key developments — creation of more centripetal democratic institutions (Reilly, 2006), building a more effective government by tackling corruption (Butt, 2011) and keeping the economists and institutions of macroeconomic policy-making in their place of prominence in government (Aswicahyono, et al., 2009, Bird, et al., 2008 and Boediono, 2005 and 2002) — also mattered.

As Horowitz (2013:46-53) shows, political insiders ignored outsiders' calls for more radical innovations and used existing institutions to craft a new democratic political foundation and a revised constitution to move Indonesia's transitional democracy in a more centripetal direction. The turn towards more centripetal political institutions occurred in a series of fits and starts. All the major aspects of Indonesia's centripetal democracy were not in place until the 2004 presidential election.<sup>5</sup> In 1999, political elites reaffirmed the 1945 constitution (King, 2004: 8), a unitary state, a presidential form of government (King 2004: 18) and rejected parliamentary democracy as inappropriate for Indonesia (King, 2004: 143). At the same time, Indonesia adopted proportional (PR) electoral rules, but with closed party lists to generate greater party cohesion (Slater, 2004: 75). The 1999 electoral law also established party thresholds for participation in subsequent elections (Sulistyo, 2002: 81). And Indonesia adopted large district magnitudes (Sulistyo, 2002: 80) to ensure adequate representation of Indonesia's pluralist interests (King, 2004:150) while it weakened the presidency (King, 2004:53-54 and 76). Finally, to compete in the 1999 election, political parties had to establish branches in one-third of Indonesia's provinces and party offices in more than half of the districts or municipalities in those provinces (Reilly, 2006: 133). The net effect of these new rules on the political system was not entirely clear. Rejection of parliamentary democracy as inappropriate for Indonesia (Horowitz, 2013: 27), continuation of a unitary state and a presidential form of government had the potential to strengthen the centripetal character of democratic political institutions. The

same can be said for both geographic coverage/penetration rules and for the use of party thresholds aimed at reducing fragmentation of the party system. But a weakened presidency and adoption of PR electoral rules even with closed party lists, alongside large district magnitudes, had likely pushed the political system in a centrifugal direction.

Subsequently, political elites reversed the process by directing the institutions of democracy in a more centripetal direction. Initially, they did so by using constitutional amendment to strengthen the presidency (King, 2004: 54). In response to growing pressures for greater regional autonomy, Indonesia implemented ‘big bang’ decentralisation in 2001, but it did so in a way that protected its unitary state while keeping the separatist movements in check (Fitriani et al., 2005: 61). One consequence of decentralisation was an increase in the number of electoral districts. As electoral districts became smaller, district magnitudes fell from 17.5 in 1999 to 8 in 2004 and 7.3 in 2009, increasing centripetal tendencies as winning seat thresholds rose from 5.7% of the votes in 1999 to 12.5% in 2004 and 13.7% in 2009 (Choi, 2009: 673). As Carey and Hix (2011) have shown in other contexts, Indonesia’s decline in district magnitudes puts it squarely in an electoral sweet spot — one enabling it to maximise the benefits of its PR electoral rule without encouraging too much unruliness or losing too much in the way of accountability that enables voters to reward parties for good performance or punish them for poor performance. Finally, the government added to its geographic coverage/penetration rules for political parties by adopting additional rules for participation by political parties that pushed them to aggregate interests and compete for the political centre (Choi, 2004: 679-80). A similar set of rules governed party candidates for president (Choi, 2004:682).

Why did Indonesia’s political insiders opt to create a more centripetal democracy by incremental means? Horowitz (2013:6) argues that this choice was driven by the country’s social endowments and history. Social endowments, particularly its ethnic, religious and cultural cleavages, Outer Island fears of Javanese domination, and differences among Modernist and traditional Muslims and between Muslims and secular nationalists, led elites to favour incremental reform and the 1945 constitution over crafting a new constitution because they feared for the unitary state and secular nationalism (Horowitz, 2013: 41).

History, particularly the experience of the 1950s, pushed reform in a centripetal direction. Here, the fears focused on mass violence, territorial separatism, deliberative deadlock, and party fragmentation (Horowitz, 2013: 22). To the insider political elites charting a path to stable democracy, the violence, regional discontent, and separatist insurgencies of the 1990s looked all too eerily familiar to the violence, regional rebellions, and military revolts of the 1950s (Horowitz, 2013: 25). Given this, some form of decentralisation

was seen as essential (Horowitz, 2013: 73). But to protect the unitary state and limit fissiparous tendencies, decentralisation was applied to kabupaten and kota rather than provinces. This same set of fears led political elites to strengthen the presidency. They did this due to fear that a fragmented country (ethnic and religious fault lines) with a weak executive could lead to the break-up of the country (Horowitz, 2013: 39).

Fears of deadlock and legislative and party fragmentation were also rooted in the experience of the 1950s. The deadlock and failure of the Konstituante (the Constitutional Assembly of Indonesia) of the 1950s to rewrite the 1945 constitution was viewed as opening the door for Sukarno's authoritarian Guided Democracy (Horowitz, 2013:26). Fearing a stalemate on the same issues, especially the role of Islam (Horowitz, 2013:26), political elites rebuffed calls for a constitutional convention (Horowitz, 2013: 53) and reaffirmed the 1945 constitution. In addition, the experience of the 1950s with parliamentary government and the 1955 elections taught reformers to fear legislative and party fragmentation (Horowitz, 2013: 27). Because of this, they opted for electoral rules and rules governing political parties participation in elections designed to strengthen centripetal tendencies.

How successful has the push toward more centripetal political institutions been? Reilly (2006) contends that democratic political institutions have moved in a centripetal direction. Mietzner (2008) shows that after democratisation, Indonesia's political parties have been competing for votes in the political centre.<sup>6</sup> Voters appear to have responded to these campaign promises by throwing out parties and leaders viewed as corrupt or unable to restore growth,<sup>7</sup> and they rewarded parties and political leaders who have delivered on their promises to promote development.<sup>8</sup> This outcome alone creates incentives for political parties and elected presidents to continue to rely on the country's economists attached to core macroeconomic institutions — the central bank, the Ministry of Finance and BAPPENAS — for council and advice. It also helped that democratically elected governments have become more stable (Reilly, 2006: 154).

Not surprisingly then, political elites have taken steps to build a somewhat more effective government while keeping the government's core macroeconomic institutions in their positions of prominence. To begin with, Indonesia's anti-corruption commission has successfully prosecuted a number of highly visible anti-corruption cases (Butt, 2011: 381; Mietzner, 2009: 146-150). There is also some evidence of success in prosecuting cases of the more local and decentralised corruption that emerged following Indonesia's big bang decentralisation (Rinaldi, et al., 2007). This may well account for the substantial improvement in Indonesia's control of corruption score recorded by the Political Risk Services Group (2013). It may also explain why there has not been much

deterioration in the Political Risk Services Bureaucratic Quality score for Indonesia following democratisation (Political Risk Services Group, 2013).

Equally important, successive governments sought the advice of the country's economists in core macroeconomic institutions. Given their highly successful role during the New Order, this is not particularly surprising. But now, political elites, particularly presidents, turn to them to help them stay in power by delivering development. There are numerous examples of this. In 1998, President Habibie relied on the advice of the country's macroeconomists as he saw it as his best chance for succeeding as president (Boediono, 2002: 388). Even during the phlegmatic Wahid Administration, Indonesia's democratic government adhered to a traditional macroeconomic stabilisation programme (Boediono, 2002: 390). During Megawati's presidency, the important economic portfolios were more insulated, the economic team more cohesive and like-minded, and the government was able to establish macroeconomic stability (Boediono, 2005: 315). Subsequently, the government strengthened the role of economists in democratic governments by creating a 'cordon sanitaire' around core macroeconomic institutions and principles by adopting a 1999 law guaranteeing the independence of the central bank and by stipulating in Fiscal Law 17/2003 that fiscal deficits be kept below 2% of GDP and the debt to GDP ratio lower than 60% (Aswicahyono et al., 2009: 357). As Aswicahyono, et al. (2009: 357) conclude, Indonesia's macroeconomic policy framework has been quite effective.

But this is not the only evidence that successive democratic governments relied on technocrats. Trade policy reform floundered under Wahid and Megawati, the Yudhoyono government committed itself to "tariffication" of the remaining NTBs and a lowering of tariff rates (Bird et al., 2008: 952-954). Responsibility for trade liberalisation was under an inter-ministerial committee, Team Tariff, housed in the Ministry of Finance (Bird et al., 2008: 952). Tariff harmonisation was expected to lead to a decline in the MFN tariff rate from 8.7% in 2004 to 7.7% in 2010 (Bird et al., 2008: 953). The actual MFN tariff fell to 5.4% by 2008 (Marks and Rahardja, 2012: 64). Although there has been some backsliding (Bird et al., 2008:955-957), on the whole democratic governments in Indonesia have been able to sustain a trade liberalisation programme that began in the mid-1980s.

Arguably, the shift in Indonesia towards a more centripetal democracy played an important role in reining in corruption, in introducing sound macro-economic policies, in continuing support for trade liberalisation, and in achieving growth rates similar to those of the New Order. This outcome reflects that voters (Mujani and Liddle, 2010:42-44), including Muslims, expect governments to deliver on development goals (Pepinsky et al., 2012: 10). In addition, it became possible for presidents and parties to focus on clean government and development partly because concessions to potential spoilers



of democracy in the military removed their possible intervention in politics. It was facilitated by decentralisation and concessions to potential separatists in Aceh and Papua that reduced the likelihood of territorial fragmentation (Aspinall, 2011). But this outcome would not have been possible without the emergence of a centripetal party system that revolves around three major parties that compete for the political centre (Aspinall, 2010: 29). Nor would this outcome have been likely without regular national campaigns for president and vice president that have driven candidates and their parties to the political centre.

### **3. Malaysia's Developmental Semi-Democracy**

At independence, observers of Malaysia thought that it was in for

“... devastating, Malay-Chinese conflict... (Horowitz, 1989: 18)”

Despite this prediction, ethnic conflict in Malaysia has been more or less contained enabling government elites to focus on development. As a result, Malaysia has sustained high growth rates, successfully diversified the economy away from a small number of primary exports, moved up the value added processing chain, significantly reduced the incidence of poverty, and more or less eliminated a longstanding relationship between economic function and race (Rock and Sheridan, 2007). It has also reduced income inequality (Kuhonta, 2011) How did this happen? The answers provided below focus on political institutions, particularly the deliberate creation of a centripetal (Reilly, 2011: 289-299) and an at least semi-democratic, if not democratic, developmental state in Malaysia that developed effective mechanisms for containing ethnic violence while pushing the country's major political parties to the political centre all but forcing them to provide the public goods and public policies that enhance growth and development.

Neither was easy to do and both required developing institutions and policies to overcome the legacies of British colonialism — the identification of race with economic function (Jomo, 1986: 58-66, 122, 157-173, 228 and Harper, 1999: 228), the disadvantaged position of the Malays, and a shift in the population balance favouring immigrants (von Vory, 1975: 23). From the perspectives of the Malays, this was a nasty brew as it raised fears that they would become second class citizens in the land of the Malays (Harper, 1999: 32). To make matters worse, the spread of communism, the Great Depression, internal turmoil in China and Japanese aggression contributed to a political awakening in both the Chinese (Heng, 1988: 6, 20-21; von Vorys, 1975: 52) and Malay communities (von Vorys, 1975: 41; Harper, 1999: 32). The ethnic division of labour and political awakening were potentially explosive.

Unfortunately, the Japanese occupation (Cheah, 1983: 20-22, 26-27, 33-34), ethnic violence that flared up between the end of the occupation and the return



of the British (von Vory, 1975: 64 and Cheah, 1981: 109), and an anti-communist Emergency only inflamed racial tensions.

Against this backdrop, the British reoccupied Malaya and proposed the Malayan Union — a multi-ethnic and democratic state with a highly centralised government (Lau, 1991). An emerging Malay national leadership mobilised ordinary Malays against the Union which culminated in the creation of the United Malays National Organization (UMNO) in 1946 (von Vorys, 1975: 67-68; Kuhonta, 2011: 61-64). Following rejection of the Malayan Union by Malay elites, the British created an Anglo-Malay Working Committee to rewrite the constitution (Lau, 1991: 188-211). The outcome, the Federation of Malaya Agreement, created a strong central, but federal government, preserved the role of the Sultans in each federated Malay state, severely restricted citizenship for non-Malays and recognised the special rights of the Malays. The colonial government also re-established the leadership role of the traditional leaders of the Chinese community while undermining the Malayan Communist Party (Cheah, 1983: 214; Heng, 1988: 43-45). They encouraged the English-educated Chinese elite to form a political party to rally Chinese support against the communist insurgency and protect their capital (Heng, 1988: 55, 84-85).

The insurgency also led the British to create a Community Liaison Committee (CLC) to promote consociational democracy. The major outcomes of the CLC were Malay acceptance of liberal citizenship rights for the Chinese (Heng, 1988: 155), Chinese acceptance of the special rights of the Malays, and the articulation by UMNO of an aggressive corporatist economic reform programme to create a group of Malay capitalists (Heng, 1988: 52).

Subsequently, the British extended local level elections to include major urban areas. Because most Malayan cities were dominated by the Chinese, UMNO needed MCA help to win these elections (Horowitz, 1989: 27-28) which the leaders of MCA readily agreed (Heng, 1988: 156-159). Together, the two parties pooled votes by running an ethnically mixed, but common, single slate of candidates that captured 26 of 34 seats (Horowitz, 2000: 399). Electoral success led to a creation of a formal Alliance in 1954. In 1955, the Alliance, which included the Malayan Indian Congress (MIC), won 51 of 52 seats in the first election for a Federal Legislative Council (Horowitz, 2000: 401). This election enshrined three key elements of Malaysia's centripetal democracy — a plurality electoral rule in single-member districts (Lim, 2000: 103), cross ethnic vote pooling around a single slate (Horowitz, 2000: 401), and political party competition rooted in moderation on policy issues (Kuhonta, 2011: 25).

Why did the governing elites use the power of the state to promote development? While the country's centripetal political institutions provides at least a partial answer to this question, several other considerations loomed large. To begin with, the Malay political elites, particularly Prime Minister Mahathir who came to dominate successive governments in Malaysia's centripetal semi-democracy have

been keen in increasing national power and projecting the country in a world dominated by the West (Khoo, 1995:17). For them, development is an important component of national power (Khoo, 1995:67), a goal in its own right (Khoo, 1995: 57), and a vehicle for consolidating and sustaining their own political regimes (Khoo, 1995: 73). Political leaders in UMNO have been particularly committed to nationalist and industrial development agendas for indigenous Malays. Because of this, the nationalist agenda in Malaysia has been to protect the 'special rights' of the indigenous Malays (Means, 1972). Because the ruling UMNO is strongly anti-socialist, anti-communist and pro-capitalist (Jomo, 1986: 243, 247), its alignment with an equally anti-communist and pro-capitalist Chinese political party meant that development would take place within the confines of a capitalist development model, although not a free market one.

How did the Malay elites who controlled the state use their power to promote a prosperous and capitalist Malaysia? As the British left Malaysia with a relatively strong central government (Slater, 2010: 74-93) and a small, but highly effective civil administration that was and is committed to basic macroeconomic stability (Ismail and Meyanathan, 1993: 3), governments have tended to get macroeconomic policy fundamentals right. But how centripetal governments pursued their broader development objectives varied. Before the race riots of 1969 that threatened both the Alliance government and ethnic peace, development strategy focused on selective interventions in agriculture and rural development that benefited Malays as well as a more or less laissez faire approach to industrial development. After the race riots of 1969, the government retooled the Alliance government (Kuhonta, 2011: 88), UMNO (Kuhonta, 2011: 83-86 and 97), the state (Kuhonta, 2011: 84, 96-97) strengthened the ruling party's and the state's centripetal capabilities so it could maintain ethnic peace, stifle dissent, and pursue a more directly interventionist and pro-Malay development policy.

Prior to the race riots of 1969, the government focused its development efforts on rural economic activities (Ismail and Meyanathan, 1993: 4), primarily in rice and palm oil (Bruton, et al., 1992: 233-242; Pletcher, 1991), beneficial to Malays. The government's rice programme required substantial public expenditures on irrigation (Goldman, 1975: 265), land expansion (Goldman, 1975: 265), infrastructure, marketing of rice (Mokhtar and Meyanathan, 1988: 103), and promotion of fast-breeding, high-yielding rice varieties that worked well in Malaysia (Goldman, 1975: 267). It was hoped that modernisation of rice planting would reduce Malaysia's dependence on the vagaries of world rice market (Fitzpatrick, 1992: 125) and increase the incomes of poor Malay rice farmers.

The government also intervened in oil palm plantation. Initially, expansion of the area devoted to oil palm was facilitated by the government allowing private planters to use rubber replanting grants to grow oil palm trees (Pletcher,

1991: 625). Subsequently, the Federal Land Development Authority (FELDA), a government agency, launched an aggressive resettlement scheme based on several crops, particularly oil palm (Pletcher, 1991: 625). As a consequence, the area under oil palm expanded rapidly from 54,700ha in 1960 (Pletcher, 1991: 625) to 258,428ha in 1970 (Pletcher, 1990: 330).

Despite these selective interventions designed to benefit the Malays, the incidence of poverty among rural Malays remained stubbornly high. When the Chinese began contesting for control of the state, the outcome was the race riots of 1969. The government responded by restructuring the Alliance party and by strengthening both UMNO and the state so that the latter could pursue a more pro-Malay development agenda under its New Economic Policy (NEP). The NEP committed the government to reducing poverty irrespective of race (Bruton et al., 1992: 271) and ‘restructuring’ the Malaysian society to eliminate the identification of race with economic function (Jomo, 1986: 256). Rapid economic growth was seen as critical to meeting both goals (Ismail and Meyanathan, 1993: 6).

Under the NEP, the government accelerated its selective interventions in rice and oil palm plantations. In rice, intervention first turned to squeezing the margins of traders and millers in the hope that this would increase farmers’ incomes (Pletcher, 1988: 191). To that end, the government created the National Padi and Rice Authority (Lembaga Padi dan Beras Negara, or LPN) in 1971 (Mokhtar and Meyanathan, 1998: 109). The LPN used its authority to stabilise rice prices at a high level (Mokhtar and Meyanathan, 1988: 107, 130; Rock, 2002: 492) at some cost to economic efficiency (Mokhtar and Meyanathan, 1988: 120-121, 139). Despite this intervention, poverty among Malay rice farmers persisted (Jomo, 1990; Mehmet, 1986). This led the government to increase other subsidies to rice farmers (Mokhtar and Meyanathan, 1988: 107-108). Taken together, government intervention provided farmers with a stable rice prices (Rock, 2002: 492) and increased rice self-sufficiency (Goldman, 1975: 263; Mokhtar and Meyanathan, 1988: 100).

Government intervention in oil palm focused on capturing control of the foreign-owned oil palm plantations, resolving collective action problems, and correcting market failures in the processing of crude palm oil. The government gained control of foreign owned estates in a process of ‘velvet’ nationalisation without reducing growth (Pletcher, 1991: 630-631). Take-over of foreign estates and rapid expansion of crop area to oil palm was complemented by aggressive use of an export duty on unprocessed oil palm to overcome a market failure in domestic value-added processing of crude palm oil (CPO) (Gopal, 1999: 361 and 366).

The effect of the duty was to reduce the domestic price of CPO and increase domestic processing margins (Gopal, 1999: 366). This policy was wildly successful — in 1975, Malaysia was refining less than 10% of its CPO,

but by 1994, it was refining 99.2% of CPO while refining capacity reached a little more than 10 million tonnes (Gopal, 1999: 363 and Moll, 1987). The government also selectively and successfully intervened in applied research on processed palm oil products (Fold, 2000: 478 and Pletcher, 1991: 627). And it has been actively involved in maintaining quality control in processed palm oil products (Pletcher, 1991: 631-632) and in the international marketing of them (Fold, 2000: 476 and Pletcher, 1991:634).

In addition, the government used its enhanced capabilities to implement a stunningly successful and growth-oriented affirmative action programme (Rasiah and Ishak, 2001: 6; Bruton et al., 1992). Following a downturn in the world economy, the government responded with a classic austerity programme (Khoo, 1995: 115), by privatising numerous state-owned enterprises (Bowie, 1994: 178-181), liberalising the foreign investment and trade regimes, and by 'holding the NEP in abeyance' (Khoo, 1995: 140-141). These policy changes coincided with the Northeast Asian newly industrialising economies relocating their industries to the second tier NICs in Southeast Asia, including Malaysia. This sparked a growth and export boom, a general rise in consumption and living standards (Khoo, 2003: 17) as well as a rising stock market (Khoo, 2003: 23).

Rapid economic growth, the success of the NEP, particularly the creation of a Malay capitalist class, made it possible for Mahathir to declare that the NEP had been a great success (Khoo, 2003: 20) and that it was time to end it (Khoo, 2003: 22). As a result, Mahathir began reconstructing industrial policies and the institutions of industrial policies to achieve technological-capabilities building objectives (Jomo, 2007; Felker, 2001: 138; Felker, 1999: 103-104). Subsequently, the government completely re-organised and upgraded its public sector science and technology programmes (Felker and Jomo, 1999: 20-21 and Rasiah, 1999: 191). By the early 1990s, these "reforms... created an increasingly coherent and dynamic policy system in S&T as well as in broader industrial policy arenas" (Felker, 1999: 112,114-115).

This new industrial policy system demonstrated a commitment to a new approach to technological upgrading in local firms via a Vendor Development Programme (Lim, 2004:7 and Felker, 1999:118), an Industrial Linkage Programme (Lim, 2004:8), and a Global Supplier Programme (Lim, 2004: 9). Each of these programme aimed to promote technological upgrading by linking local firms with the global value chains of multinational corporations. Despite numerous criticisms of these new policies (Jomo, 2007; Lim and Ong, 2007; Rasiah, 1998; Best, 1999; Tan, 1999) 9, there is substantial evidence via case studies (Rasiah, 2001; McKendrick et al., 2000; Doner and Hershberg, 1999; Narayanan et al., 1997; Churchill, 1995 and Lai et al., 1994) and some statistical evidence (Flaen et al., 2013: 13, 14-16,33-35, and 45-46; Yusof and Bhattasali, 2008: 11) that this new strategy is working.

In sum, there is therefore substantial evidence to suggest that the governing elites in Malaysia successfully pursued an aggressive development agenda. Commitment to a development agenda flowed directly from Malaysia's centripetal institutions which pushed the political parties in the Alliance to the moderate centre forcing them to provide the public goods and public policies necessary to develop the economy. But commitment to development, at least within UMNO, also flowed from the disadvantaged position of the Malays at independence. Governing elites in Malaysia were also fortunate that the British left them with a strong centralised state. Given their commitment to development and their control of a strong centralised state, ruling elites maintained macroeconomic stability and selectively intervened in those rural activities beneficial to Malays. When this strategy failed to reduce poverty and inequality, UMNO elites re-negotiated the political bargain and strengthened its capabilities and the state so it could launch a highly successful and growth-oriented affirmative action programme that reduced poverty and inequality while virtually eliminating the identification of race with economic function. The success of this strategy subsequently enabled governing elites to shift development strategy, this time focusing on building the technological capabilities of Malaysia's firms. It is difficult to believe that any of this would have been possible without the creation of the centripetal democratic institutions—a plurality electoral rule in single member districts, cross ethnic vote pooling around a single slate, and centrist moderation on policy issues—that enabled ruling elites to mitigate ethnic conflict so they could focus on development.

#### **4. Thailand's Democratic Developmental State**

The origin of Thailand's democratic development state lies in the forced opening of the economy in 1855. The Thai monarchy responded by turning to administrative reforms and political change to preserve Thai independence. Administrative reforms extended central control over the outlying provinces, significantly enhanced the state's ability to tax, and weakened traditional regional power bases (Wyatt, 1984; Chai-anan, 1971:30). These changes were accompanied by the gradual abolition of slavery and the replacement of corvee labour with a rural society of small producers with little political influence. By 1927, the outlines of the modern Thai political economy were set. The centre (Bangkok) had moulded a loosely integrated collection of semiautonomous provinces into a nation-state by a triad of forces consisting of a highly centralised bureaucracy that invested in defence and the transport system, a freed peasantry that expanded the area under cultivation and Chinese traders and European exporters who facilitated the rice trade (Chai-anan, 1971: 78; Feeny, 1982: 80-81).

Subsequent political developments reinforced the tendency toward a centralised state, a weak political party system, and unstable political institutions (Chai-anan, 1982: 1-2). The 1932 “revolution” completed the transfer of political power from royal elites to Western-trained bureaucratic elites (Morell and Chai-anan, 1981: 13-16). But it wasn't until Sarit came to power in 1958 that political elites in the centralised state began to promote development (Muscat, 1994: 88). Within a few short years Sarit developed close ties with the World Bank and economic technocrats in the Thai bureaucracy (Muscat, 1994: 88). He eliminated discrimination against the Chinese, blocked the growth of state-owned enterprises, and relied on the private sector for development (Muscat, 1994: 88). He also created the technocratic institutions — a Bureau of the Budget, the National Economic Development Board, the Board of Investment, and the Fiscal Policy Office in the Ministry of Finance—that along with the Bank of Thailand came to dominate economic policymaking in successive Thai governments (Muscat, 1994: 92).

Between 1960 and 1987 the technocrats in these macroeconomic agencies engaged in sound macro-economic management (Christensen et al., 1993: 26-28). Urban wage rates, including the social wage, were kept near their scarcity values (Bertrand and Squire, 1980). The government also took advantage of a large land frontier to manipulate an industrious (Keyes, 1983) but politically docile peasantry by giving peasants access to land (Piker, 1976) while taxing them heavily (Wong, 1987: 72; Ammar, 1975).

At the same time, the government extracted agricultural resources from the countryside without impoverishing the peasantry and built an import-substitution industrial (ISI) base around the deliberate creation of a small number of commercial banks (Hewison, 1989: 283; Suehiro, 1992: 48-49) that amassed savings, allocated credit, and acted as investment coordinators (Ammar, 2011:68). As in banking, the building of an ISI base behind protective barriers (Narongchai, 1973) was selective as government policies systematically favoured large firms and a few Sino-Thai entrepreneurs. One effect of this bias was the domination of Thai industry by large firms which merged into family-centred conglomerates (Suehiro, 1992: 37).

By the mid-1980s, the Thai economy reached a turning point. Stagnating yields under fixed technologies, the closing of the land frontier, and low factor productivity growth rates in ISI industries suggested diminishing returns from the old growth strategy (World Bank, 1980; Wiboonchutikula, 1987). As a result, government elites opted for an export-led industrial (ELI) growth strategy. If there had not been a change in the relationship between groups in civil society and the Thai state, autonomous state actors in the core macroeconomic agencies might have found ways to lead a Northeast Asian-style transition to ELI growth. But the rapid socioeconomic change of the previous 25 years undermined the



legitimacy and autonomy of Thailand's autocratic developmental state. It facilitated the emergence of a substantial urban middle class which turned to parties and electoral politics to protect its interests (Girling, 1984; Dalpino, 1991; Anek, 1988). Increasing financial independence of the Sino-Thai business community, especially the large conglomerates, insulated business from the reaches of government (Prasartset, 1982). Government control of trade associations declined and representatives of those associations penetrated the public sector (Prasartset, 1982: 53-67). The business community also began to play a more prominent role in Thai cabinets as it learned how to collaborate with the public sector and use its resources to influence and control political parties (Bangkok Post, 1982: 31-32). As a result, a stable semi-democratic political system emerged and the old authoritarian developmental state gave way to a semi-democratic "broker polity" in which,

"the key figure (became) the prime minister who (had) the main responsibility for brokering a free for all between a growing number of organized constituencies..." (Dalpino, 1991: 61).

Initially, this semi-democratic developmental state faced substantial difficulties in reforming policies to promote exports. It proved difficult to maintain a competitive exchange rate (Far Eastern Economic Review, Nov. 22, 1984: 14-17). Business opposition to tax increases contributed to a savings-investment gap that led the IMF to suspend lending to Thailand because the government could not reduce the public sector deficit (Far Eastern Economic Review, March 20, 1986: 122-124; June 26, 1986: 62; September 25, 1986: 92). The inability to raise taxes on the private sector contributed to a significant deterioration of public sector balances between 1973 and 1987.<sup>10</sup> Governing elites also found it difficult to lower trade barriers. They agreed to *laissez faire* style trade liberalisation in 10 industries in 1980 but only two industries showed promising development; government reformers suffered a notable setback in their attempt to liberalise trade in the electronics industry. Subsequently, tariffs became even more, rather than less, protective (Narongchai et al., 1991: 15-17).

Fortunately, widespread support in the business community for open-economy policies, at least in agriculture, enabled governing elites to devalue the baht despite the military's opposition (Pongpaichit, 1980: 450). The government responded to the inability to raise taxes by increasing the centralisation of economic policy-making and pursuing zero growth budgets (Christensen, 1991: 99). The inability to liberalise the trade regime along *laissez faire* lines led reformers to adopt a statist alternative (Wiboonchutikula, 1989: 51). The Japanese financed a long term Export Industry Modernization Program (EIMP) through the International Finance Corporation of Thailand at highly subsidised interest rates (Wiboonchutikula, 1989: 51). Promotional privileges - including



exemptions and/or reductions in import duties and business taxes on imported inputs, machinery, and equipment and exemptions from corporate income taxes – by the Board of Investment were extended to export projects (Wiboonchutikula, 1989:56). The Bank of Thailand began subsidising the working capital needs of exporters. By 1988, subsidised loans covered 40% of exports by value (Wiboonchutikula, 1989:52).

These policies were sufficient to allow the economic transition as real GDP growth expanded rapidly.<sup>11</sup> Growth was fed by a foreign investment and export boom. Between 1986 and 1989, annual foreign direct investment flows and exports more than doubled (World Bank, 2013). By 1985, manufactured exports exceeded agricultural exports for the first time (Unger, 1991: 8). Textile exports increased fourfold between 1983 and 1989; integrated circuits exports doubled between 1985 and 1987; and exports of plastics and shoes more than doubled in 1988 alone.

The stability and prosperity throughout the 1980s contributed to even more significant changes in Thai politics. Over time, Thailand's growing middle class came to view authoritarian government as no longer appropriate for Thailand (Far Eastern Economic Review, May 16-22, 1992: 38). Democratic values became more embedded, at least temporarily, in the value system of key elites (Far Eastern Economic Review, February 23-March 1, 1991: 36, May 9-15, 1992: 38, May 16-22, 1992: 38 and June 20-26, 1992: 32). By 1988, it was possible to elect a civilian prime minister. But this maturing of Thai democracy did not occur without substantial challenges. The carrying over of patron-client politics into the newly elected civilian government diminished the role of politically neutral technocrats in economic policymaking. This presaged a frontal assault on the state by civilian politicians (Christensen, 1991: 99). The opening up of the state to the "privatisation" of government projects provided justification for a military coup. Throughout this period (1988-1997), political instability increased as Thailand experienced two coups and had 11 prime ministers.

Following the military's brutal attack on pro-democracy activists in Bangkok in May 1992, talk among political elites shifted to the need to revise the constitution to curb money politics, vote buying, abuses of power and government inefficiencies (Prawase, 2002: 21). Because the new constitution designed to correct these problems was majoritarian, it is difficult to believe that it wasn't created so that democratic governments could enjoy macroeconomic stability, competitive exchange rates as well as develop and implement more programmatic policies and programmes that fostered growth and development. The 1997 financial crisis provided the impetus to bring revision of the constitution to fruition (Ammar, 2011: 70). In the eyes of the reformers, existing electoral rules, a candidate-centred electoral system, and weak prime ministers were responsible for generating large, unwieldy, and politically unstable and

short-lived multi-coalition governments that were responsible for the politicisation of core macroeconomic agencies and for the inability of democratic governments to develop and implement broadly targeted policies or programmes necessary to sustain growth or deal with rising inequality (Hicken, 2006: 388 and Kuhonta, 2006: 375).

To overcome these problems, reformers adopted a range of mutually reinforcing amendments to the Constitution that pushed the party system in a centripetal or majoritarian direction. They replaced Thailand's small multi-member electoral districts with single member districts. They jettisoned the block vote electoral rule in favour of a plurality electoral rule (Hicken, 2006: 385). The reformers also strengthened political parties and voters' attachment to them by adding 100 seats to the lower house (Kuhonta, 2006: 374) and by adopting a 5% vote threshold for political parties competing for party seats (Hicken, 2006: 385). Taken together, these changes in electoral rules were seen as favouring a democratic politics dominated by two large catch all or bridging parties (Ammar, 2011: 74) that would compete for votes by providing the public goods and policies necessary to sustain development (Hicken, 2005: 107).

Reformers also took several steps to strengthen prime ministers relative to political parties and cabinet members. They adopted more stringent requirements for a vote of no confidence in the lower house (Kuhonta, 2006: 381) and required cabinet members to resign from their parliamentary seats upon joining the cabinet (Kuhonta, 2006: 381). They pushed through a 90-day party switching rule (Kuhonta, 2006: 381). Finally, they created an incentive for prime ministers to choose cabinet members from those MPs elected from the party list (Kuhonta, 2006: 381). These revisions made MPs and cabinet members more beholden to the prime minister while also making it more difficult for opposition parties to launch a no-confidence vote. At the same time, constitutional reformers proposed setting up watch dog agencies, including an independent Electoral Commission, an independent National Counter Corruption Commission, and a Constitutional Court (Kuhonta, 2006: 379), to increase public accountability and reduce both the abuse of power and the rampant corruption in the political system (Hicken, 2006: 386).

The new constitution was passed on September 16, 1997. Evidence suggests that reformers got at least some of what they wished for. Election results show that the new constitution pushed the party system in a centripetal direction as the effective number of parties in parliament declined from 7.2 between 1986 and 1996 to 3.8 following the 2001 election and 2.6 following the 2005 election (Hicken, 2006: 389). The fall in the number of parties was so dramatic that for the first time in Thai history, a single party, Thai Rak Thai (TRT), nearly captured a majority of seats in 2001 (Hicken, 2006: 393). It finally did so in 2005 when it won 376 out of 500 seats (Hicken, 2006: 394). The shift to a centripetal party system alongside a strengthened prime minister

also brought greater stability in government as the average tenure of sitting governments rose from 10 months between 1992 and 2000 to 41 months between 1997 and 2004 (Reilly, 2006: 154).

The shift to a more centripetal democracy had one other salutary effect. It led parties and governments to offer voters clear programmatic policy choices, particularly in health care (Selway 2011). This was especially true of Thaksin's TRT party (Selway, 2011:177-179), but it was also true of the Democrat Party (2011: 177-180). As Ammar (2011,75) says, Thaksin ran a brilliant campaign in 2001 by offering voters several clear, new, popular policies — a 30 baht health scheme, a debt moratorium (Chambers, 2013: 90), and a village grant programme. He also ran against the Democrat Party's neo-liberal reform programme (Ammar, 2011: 75) promising to rebuild Thai capital by nurturing competitiveness and deepening Thai capitalism (Pasuk and Baker, 2004: 112-118). Thaksin's welfare proposals were so wildly popular with rural Thais that his party won almost a majority of seats in the 2001 election (Hicken, 2006: 394). He built a durable majority government (Hicken, 2006: 405) and delivered on his promises (Ammar, 2011:75). In 2005, his party captured an outright majority (Hicken, 2006: 394). Not surprisingly, all the other major political parties quickly followed suit by offering clear national programmatic policies to voters (Selway, 2012: 66).

After dabbling with a protectionist development strategy (Ammar, 2011: 75), Thaksin adopted a dual track economic development strategy. The first track emphasised macroeconomic stability and openness to trade and investment (Chambers, 2013: 89, Ammar, 2011: 76 and Thitinan, 2010). The second track consisted of state welfare policies for rural Thais (Chambers 2013: 90). Since the latter potentially impinged on the former, Thaksin kept public debt and the fiscal balances from deteriorating by rationalising and substantially reallocating health care expenditures to make those expenditures more consistent with his goals (Hicken and Selway, 2012: 65-68). As a result, macroeconomic stability and a competitive exchange rate were maintained (Ammar, 2011:73) and growth of real GDP per capita was quite robust averaging 4.1% per year (World Bank 2013). While the centripetal aspects of Thailand's 1997 constitution worked well, other elements were less successful (Kuhont, 2006a: 386-388; Case,2007: 631-632). For many, one-party government began to look like a return to authoritarianism. As public opposition to Thaksin grew, elite support cracked and on September 19, 2006, the military took over the government in a coup.

For all but 11 months since the coup, Thai governments have been dominated by stand-in parties for Thaksin and TRT. Moreover, despite the passage of a new constitution in August of 2007 specifically designed to re-fragment democratic politics (Hicken and Selway, 2012: 69 and 73) a widening of the regional, rural—urban, and class divide exploited by TRT and its main opponent, the Democrat Party, hardened so even though there was a return

to multi-party government, there was only a modest uptick in the number of parties in government (Hicken and Selway, 2012:77). Subsequently, the stand-in for TRT, the Pheu Thai Party, won an absolute majority of seats (266 out of 500) in the 2011 election. This election pitted Southerners, civil servants and more well off urbanites against poor rural Thais in the North and in Northeast Thailand (Hicken and Selway, 2012:74). Given the salience of these cleavages, throughout the post-2006 coup period political parties and governments continued to act in a centripetal way by offering and delivering programmatic policies and programmes to voters.

In sum, the shift toward a more centripetal and developmental democracy played an important role in restoring the technocrats to their position as arbiters of sound macro-economic policy-making, in maintaining support for trade liberalization and investment, and in the creation of a wider social safety net that were successful in preventing inflationary pressures or significant deterioration of the fiscal balance. This combination of policies enabled Thailand to achieve the growth rates achieved by the predecessor autocratic governments.<sup>12</sup>

The return of politically-neutral technocrats as the final arbiters of macroeconomic policies should not be surprising. The economists in the core macroeconomic agencies have demonstrated their worth to elites in the military, bureaucracy, and business by delivering rapid growth and keeping inflation in check. Given that Thai voters of all stripes now expect candidates for office to have a clear policy position on a range of issues (Selway, 2011: 174), it would be somewhat shocking if they did not hold them accountable for poor economic performance. As a result, politicising these core agencies has to look like a risky political strategy for elected officials.

The same can be said about Thailand's open economy development strategy. It too has delivered high and relatively stable growth. Turning away from this strategy must look risky to democratically elected politicians. There is evidence of this in Thaksin's early years as prime minister. He had initially decried Thailand's dependence on East Asian export-led development strategy and toyed with an internally-led development strategy (Ammar, 2011: 75). But as criticism mounted, Thaksin quickly changed course by adopting a dual-track development strategy.

The one "real" innovation in economic policy since the emergence of Thailand's democratic developmental state has been Thaksin's 30-baht health scheme, aimed at rural Thais. But is this really new? Previous governments and the Democrat Party had introduced several similar programmes that worked (Selway, 2011: 180). Following the enactment of the 1997 constitution leaders in the Democrat Party realised that it would be important for them to respond to voters clamouring for a stronger social safety net (Selway, 2011:180) and it is important to say they did and did so effectively (Selway, 2011:180). That said, it must be noted that he and his successors have delivered on their

campaign promises and they did so, like the Democrat Party before them, without triggering inflation and without a significant increase in public debt or a marked deterioration in the public sector fiscal balance.

What made all of this possible was the emergence of a more majoritarian democracy following adoption of the 1997 constitution which linked voters, local candidates for office and party leaders in an incentive system which delivered more broad-based national policies (Selway, 2011). This development is due to voters demands and because candidates for political office now see it in their interest to affiliate with political parties that deliver what voters want. It is also a consequence of a recognition by party leaders that it is in their interest to develop and implement broad-based national programmes that meet the needs of the electorate.

## **5. Conclusion**

What should one make of these case studies? First, they confirm what a growing body of theoretical and empirical work demonstrates — when it comes to the impact of political institutions on growth, the devil really is in the details (Person and Tabellini, 2006). Broad political regime type (autocracy vs democracy) appears to be less important to growth than whether the micro institutions embedded in particular regime types enable and/or encourage governing elites to provide the public goods and policies deemed necessary to stimulate growth.

As the literature on Indonesia and Thailand show, political elites initially relied on developmentally-oriented authoritarian regimes for economic growth. But as is well known, autocracies outside East Asia have not been particularly good at stimulating economic growth. The literature on authoritarian regimes suggests that differences in growth outcomes are due to significant institutional differences among the former. At least in Indonesia and Thailand, the authoritarian regimes built several enduring and growth enhancing institutions - including a competent public sector bureaucracy in macroeconomic management and fiscal policy -that was insulated from popular pressures. At the same time, paramount political leaders had their own reasons for adopting pro-growth and development policies. Nothing like this particular political formation has appeared in sub-Saharan Africa, a region which, until not so long ago, has been characterised by a large number of authoritarian regimes. There the micro institutions of autocracy were used to buttress neo-patrimonial ties to clients that were good at providing patronage, but poor at providing the public goods or policies necessary for growth (van de Walle, 2001).

Something similar appears to be at work within the democratic political institutions in IMT. The political elites there deliberately constructed a set of centripetal democratic institutions that facilitated the emergence of democratic developmental states. But the reasons they did so differed. In Indonesia, political

elites constructed a centripetal democracy after the collapse of the New Order because they feared a return to the fissiparous politics of the 1950s (Horowitz, 2013). In Malaysia an ethnic division of labour, political awakening within dominant ethnic communities, world war and a communist insurgency inflamed ethnic divisions. Following independence, inter-ethnic strife exploded in 1969. Given this history it is not surprising that political elites created centripetal democratic institutions to ameliorate inter-ethnic strife (Slater, 2010: 93). In Thailand, political elites created a centripetal democracy to overcome several pathologies in Thai politics, in particular political instability and rampant vote-buying and corruption. In each instance, centripetal democratic institutions proved to be particularly fertile grounds for the pursuit of development as they enabled and enticed political elites to provide the public goods and policies necessary for growth.

Third, the success of IMT's developmental democracies in sustaining high growth occurred under quite different institutions of centripetal democracy suggesting that the political requisites for engineering the emergence of democratic developmental states may be wider than most think. Three core institutional differences— forms of executive government, electoral rules, and differences in political party formations mattered. Malaysia's semi-democratic developmental state relies on a parliamentary form of government, a plurality electoral rule in single-member districts, and a multi-ethnic alliance of ethnically-based political parties that pools votes across a single slate. Neither Indonesia nor Thailand uses this particular political formation. While Thailand, like Malaysia, relies on a parliamentary form of government, Indonesia does not. With respect to electoral rules, Thailand, like Malaysia, used a plurality electoral rule in single member districts under the 1997 constitution, but following the 2006 coup it shifted back to a block vote in multi-member districts. Despite this return, Thai democracy continues to exhibit centripetal tendencies. Indonesia on the other hand uses a proportional electoral rule in multi-member districts, but offsets the centrifugal consequences of this electoral system by requiring political parties to meet stringent geographic coverage restrictions and equally stringent vote thresholds. Both have worked to significantly reduce the number of parties in government and push parties to the political centre. Third, neither Indonesia nor Thailand relies on ethnic-based political parties or political alliances to compete in elections or to govern after winning elections. These institutional differences among the democratic developmental states in IMT suggest that there are multiple pathways political elites can use to craft democratic developmental states. While some of these may well be path-dependent, not all are.



## Notes

- <sup>1</sup> What follows with respect to Indonesia is a revised version of a similar argument that appears in Rock (2013).
- <sup>2</sup> Between 1990 and 1997, real GDP grew at an annual average rate of 7.58%, inflation averaged 8.7%, the fiscal balance as a share of GDP was 1.2%, the current account balance as a share of GDP was -2.45%, the Gini Index was 29.9 and the head count incidence of poverty was 17.6% (World Bank, 2012).
- <sup>3</sup> In 1998, Indonesia was relatively poor, ethnolinguistic fractionalisation was high, it possessed a small middle class and an equally small working class, and its dominant religion was thought to be an impediment to democracy (Webber, 2006:403).
- <sup>4</sup> A test of the hypothesis that mean growth rates in real income per capita are the same under democracy ( $t=.53$ ,  $p=.59$ .) or under centripetal democracy ( $t=.10$ ,  $p=.91$ ) as under the New Order (1966-1998) do not reject this hypothesis. This result does not change if New Order growth rates are from 1970 to 1998 or if the focus is on growth rates for real GDP instead of real GDP per capita where a difference of means test does not reject ( $t=.46$ ,  $p=.64$ ) the hypothesis that mean growth rates are the same.
- <sup>5</sup> Tinkering with electoral rules, political party laws, and constituency size continued well past 2004 benefitting larger parties and incumbents (Horowitz, 2013: 199-206).
- <sup>6</sup> For example, in 2004 Yudhoyono campaigned on a promise to achieve a 6% GDP growth rate (Liddle and Mujani, 2006: 137) and he delivered on it as real GDP grew by 5.9% during his first term (World Bank, 2012). He also promised to clean up corruption, which he did as Indonesia's score on the Control of Corruption Index of the Political Risk Service rose from a low of 1 throughout Megawati's presidency to 3.58 by the end of Yudhoyono's first term (Political Risk Services Group, 2013).
- <sup>7</sup> For example, poor economic performance (real GDP grew at 4.5% - World Bank, 2012) and poor performance of Megawati's presidency in terms of weeding out corruption cost her votes (Liddle and Mijani, 2006: 133).
- <sup>8</sup> During Yudhoyono's first term, his most popular initiative was the launching of an aggressive anti-corruption campaign that netted a number of high profile perpetrators such as legislators, bureaucrats and investigators (Meitzner, 2009: 150-151) and correspondingly Indonesia jumped 17 ranks in Transparency International's Corruption Perceptions Index (Meitzner, 2009: 147).
- <sup>9</sup> Criticisms can be found in (MITI, 1999; Best 1999; Tan 1999; Rasiah 1998; Malaysia, 1991); Jomo, chapter one; Felker and Jomo, 2002; and McKendrick et al., 2000).
- <sup>10</sup> A regression of the fiscal surplus as a percentage of GDP on time yielded a negative and statistically significant coefficient for time. The estimated equation is  $FS/GDP = -.52 -.16 T$ .  $R^2 = .49$ ,  $t = 4.88$  with  $N = 27$ .



- <sup>12</sup> The average annual growth rate of real GDP per capita was 4.95% per year between 1960 and 1973, 4.32% per year between 1974 and 1987, and 4.43% between 1988 and 2012 (World Bank, 2012). A simple difference of means test fails to reject the hypothesis that mean growth rates fell as Thailand democratized ( $t=.38$ ,  $prob=.71$ ). In addition, there is no difference in growth rates ( $t=.134$ ,  $prob=.19$ ) in the heyday of Thailand's developmental autocracy (1960-1973) compared with its majoritarian democracy (2001-2012).

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