Comments

Comments by Taulyon Kim, on Lessons from Thailand’s Fiscal Policy

Taulyon Kim: This paper shows various relationships among monthly economic data on Thailand. For example, the author shows changes in trends of exports and manufacturing output index, changes in business confidence, changes in expenditure and tax revenue, short-run impact of fiscal policy by applying vector autoregression (VAR) using manufacturing production index, exports, public expenditure, public revenue, consumer price index, changes in business sentiment index, and so on.

Based on the author’s analysis using these data, he states that (1) Thailand’s fiscal policy can be effective to stabilize short-term fluctuations of output and maintain price stability if there is a specific rule on fiscal policy; (2) sufficient fiscal space would be good for implementing fiscal expansionary policy after the global recession; (3) capital expenditure is more important than current spending for long-term growth; (4) an automatic fiscal stabilizer is necessary when formulating countercyclical fiscal policy measures; and (5) the Thai government’s populist policy toward the military sector threatens fiscal sustainability.

This is interesting since Thailand’s social and physical infrastructure should be more advanced with the sustainability of physical policy to achieve the country’s development. This enables Thailand to move from being a middle-income country toward becoming a developed country in Asia. It is also good to know that the government revenue increases about two times higher than government expenditure when output increases and much less when price increases.

However, the paper’s analysis needs more explanation. First, it would be useful to have explanations on any data that do not indicate units in paper. For example, Figure 1 does not have units of exports and output. Figures 3, 4, and 5 have similar problems. Second, results for the VAR might be needed with a table because the author studied that. Also, it would be helpful for readers who do not know the Thai economy to have more detailed explanations on the author’s statement about having “no evidence to support a non-Keynesian effect of fiscal policy.”

Overall, the paper is helpful in providing a better understanding of Thailand’s physical policy and political issues, which are related to the Thai economy.

doi:10.1162/ASEP_a_00386